

# Toagosei Group Basic Policy on Corporate Governance

Enacted: December 19, 2018

## Chapter 1 General Provisions

### Article 1

#### Basic Approach on Corporate Governance

1. The Toagosei Group's corporate philosophy is "Through the endless possibilities of chemistry, we bring happiness created by highly functional materials." Based on this philosophy, the Group strives to fulfil its corporate social responsibility by positioning the enhancement of corporate governance as a key priority for management. To achieve sustainable growth and medium- to long-term increase in corporate value, the Group will pursue effective corporate governance to realize transparent and fair decision-making that is swift and firm, and will continue taking measures for its enhancement.
2. The Group's basic approach to corporate governance is as follows:
  - 1) Respect shareholders' rights and ensure their equality.
  - 2) Consider the interests of various stakeholders, including shareholders, customers, business partners, employees and local communities. Build good relationships with these stakeholders and cooperate appropriately with them.
  - 3) Disclose corporate information appropriately and ensure transparency.
  - 4) Strive to ensure effective supervisory functions for business execution by the Board of Directors.
  - 5) Engage in constructive dialogue with shareholders who have an investment policy that aligns with medium- to long-term shareholder profits.

## Chapter 2 Securing the Rights and Equal Treatment of Shareholders

### Article 2

#### General Meeting of Stockholders

1. The Company shall send out convening notices and business reports for the Ordinary General Meeting of Stockholders three weeks before the meeting date to ensure that shareholders have sufficient time to consider the agenda and exercise their voting rights appropriately. The notices and reports shall also be disclosed on the Company website and through TDnet prior to being sent out. Furthermore,

bearing in mind its shareholder composition, the Company shall provide an English translation of the convening notice without delay on the Company website after the notices have been dispatched.

2. The Company shall strive to create an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, so that all shareholders can appropriately exercise their voting rights, including shareholders who do not attend the General Meeting of Stockholders.
3. The Company shall analyze the voting results for each proposal at the General Meeting of Stockholders. Where a considerable number of votes have been cast against a proposal at the General Meeting of Stockholders, the Company shall analyze the reasons and consider the need for measures such as shareholder dialogue.

### Article 3

#### Securing Equal Treatment of Shareholders

The Company shall treat all shareholders equally according to the type and number of shares held, and shall not provide special benefits to particular shareholders such as assigning benefits in terms of financial assets.

### Article 4

#### Basic Policy regarding Capital Policy

1. The Company recognizes making investments for the sustainable growth of the Group from a medium- to long-term perspective, financial soundness, capital efficiency, and returning profits to shareholders as important elements in its capital policy as it conducts daily management. In returning profits to shareholders, the Company's basic strategy shall be to continue to pay a stable dividend, targeting a consolidated payout ratio of 30% or more, which will be determined while giving comprehensive consideration to strengthening its management structure and building up internal reserves, while considering the future development and progress of its businesses.
2. As part of its medium-term business policy, the Company shall formulate medium-term management plans upon accurately identifying the capital cost, which is the rate of return expected by shareholders and creditors, and set target financial indicators, including profitability targets and capital efficiency, for the corresponding period, which are publicly announced.
3. With respect to conducting capital procurement and other measures that result in a

significant dilution, the Board of Directors shall carefully judge the necessity and rationale for the measures to avoid unfairly harming the existing shareholders' interests as well as ensuring appropriate procedures and providing sufficient explanation to the shareholders.

#### Article 5

##### Basic Policy on Cross-Shareholdings and Exercise of Voting Rights related to Cross-Shareholdings

1. The Company shall acquire and holds the shares of its business partners (hereinafter "cross-shareholdings") in cases where it deems that this will increase the corporate value of the company from a medium- to long-term perspective from a standpoint of maintaining and strengthening business relationships and building business alliances.
2. The Company shall regularly examine cross-shareholdings on an annual basis, examining the effect of holding them, giving comprehensive consideration to the effect of maintaining and strengthening the overall relationship with the business partner and whether the risks and benefits of holding the shares are commensurate with the capital cost. The results of these examinations shall be reported to the Board of Directors.
3. The Company shall proceed with the sale of cross-shareholdings that are not regarded as contributing to the enhancement of the medium- to long-term corporate value.
4. In exercising the voting rights related to cross-shareholdings, the Company shall vote for or against each individual proposal giving comprehensive consideration of factors such as whether a proposal will help to increase the corporate value of the business partner, or whether it could impair the Company's shareholder value.
5. In the event that a company holding the shares of the Company indicates its intention to sell those shares, the Company shall not engage in any activity that would impede said sale, including any suggestion of a reduction in transactions.
6. The Company shall not engage in any transactions with cross-shareholders that lack economic rationale.

#### Article 6

##### Anti-Takeover Measures

1. The Company has formulated the "Policies on Response to Large-Scale Purchase of the Company's Shares" to judge, in the event that a large-scale purchase of the

Company's shares is initiated, whether or not the purchase could threaten the Company's corporate value or the common interests of shareholders. The plan shall be renewed every three years at the Ordinary General Meeting of Stockholders by approval of the shareholders, and the details of the plan disclosed. Under the response plan, if takeover defense measures are to be enacted, to avoid directors making arbitrary decisions and appropriately reflect the opinions of the shareholders, a General Meeting of Stockholders for confirmation of shareholders' intent may be held to obtain the General Meeting of Stockholders' approval.

2. To ensure that the decisions of the Board of Directors regarding the move to make a large-scale purchase of the Company's shares are transparent, objective, fair, and rational, a special committee comprising outside members shall be established as an independent organization from the Board of Directors. The special committee shall have authority to make recommendations to the Board of Directors regarding matters for consultation, including whether or not to enact takeover defense measures against a large-scale purchase of the Company's shares, and the Board of Directors shall give the fullest possible weight to such recommendations in its decisions.

## Chapter 3 Consideration of Stakeholder Interests

### Article 7

#### Ethical Standards

1. The Group seeks to carry out business activities based on its corporate philosophy, rigorously observe matters of compliance, and build and maintain public trust. To this end, the Board of Directors has formulated the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards and shall ensure that all directors and employees of the Group are fully aware of them.
2. The Company aims to ensure effective self-disciplining functions against any behavior that violates laws and regulations and to restore public trust. To this end, it shall provide an internal reporting system as well as a channel through an external law firm for employees and others to report to seek consultation regarding behavior that violates laws or regulations and inappropriate behavior in terms of corporate ethics. This system is to enable the reported information or suspicion to be verified objectively and used appropriately. The Company shall also express a clear injunction against discriminatory or unfavorable treatment of people who make such reports in its Basic Policy on Internal Control.

## Article 8

### Related-Party Transactions

1. To prevent harm to the Company and the common interests of shareholders from competing transactions between the Company and its directors and transactions involving a conflict of interest, such transactions shall be conducted only after receiving prior approval from the Board of Directors based on laws and regulations, and the Regulations of the Board of Directors and so forth. The result of the transaction shall be promptly reported to the Board of Directors. Directors involved in transactions that have a conflict of interest may not participate in the deliberation of the transaction by the Board of Directors.
2. Important or non-typical transactions between the Company and its subsidiaries or major shareholders (parties holding 10% or more of the total voting rights either directly or indirectly), and so forth, shall receive prior approval from the Board of Directors based on the Regulations of the Board of Directors and so forth.

## Article 9

### Relationship with Stakeholders

The Board of Directors recognizes that cooperation with various stakeholders is essential for increasing the Company's medium- to long-term corporate value. These stakeholders include not only shareholders, but also employees, customers, business partners, lenders, and local communities. The Board of Directors shall strive to build appropriate cooperative relationships with these stakeholders.

## Chapter 4 Ensuring Appropriate Information Disclosure and Transparency

## Article 10

### Basic Policy on Provision of Information

1. The Group shall conduct timely and appropriate information disclosures in compliance with the relevant laws and regulations and the rules of the Tokyo Stock Exchange, and also actively disclose information beyond that required by laws and regulations, and the rules of the Tokyo Stock Exchange. This shall include both financial information such as its financial position and business results, as well as non-financial information such as important information relating to business strategies and business issues, risk, and corporate governance.
2. The Company shall strive to disclose and provide information in English, to a

reasonable degree, from a perspective of fair information disclosure.

## Chapter 5 Corporate Governance System

### Article 11

#### Organizational Structure

1. The Company shall adopt the organizational structure of a company with an audit and supervisory committee, as provided in the Companies Act, for the following reasons:
  - 1) Enhance Audit and Supervisory Functions  
The Company shall endeavor to further enhance its audit and supervisory functions over business execution by ensuring that directors who act as Audit and Supervisory Committee members, including several independent outside directors, hold voting rights in the Board of Directors.
  - 2) Enable Timely Decision-Making  
The Company shall enable timely decision-making on business execution by separating supervision and business execution. To this end, the Company has stipulated in its Articles of Incorporation that all or part of the important decision-making on management issues may be delegated to the directors.
2. The Company shall strive to achieve appropriate decision-making and efficient business execution, as well as clarify responsibility for business execution, by adopting an executive officer system and delegating authority to executive directors and executive officers.

### Section 1 Board of Directors

#### Article 12

##### Roles of the Board of Directors

1. The Board of Directors is entrusted by shareholders to bear responsibility for the Group's sustained growth and enhancement of medium- to long-term corporate value. The Board of Directors' basic roles shall be as follows:
  - 1) Deliberate and determine basic management policies, business strategies, medium-term management plans and other important management matters.
  - 2) Establish the Basic Policy on Internal Control while striving to appropriately develop and manage the internal control system in order to maintain and strengthen effective and efficient internal controls.
  - 3) Conduct fair and highly effective supervision of all aspects of management,

- including the performance of duties by directors, executive officers, and others.
- 4) Establish an environment that supports appropriate risk-taking by the senior management by nominating, assessing, and setting the remuneration of representative directors and other executive directors, with a view to promoting firm decision-making with respect to business execution.
2. To facilitate timely decision-making with respect to business execution, the Board of Directors shall expedite decision making and strengthen its supervisory function by delegating decision-making authority on business execution to the representative directors and the executive directors in charge of each relevant operation, in accordance with laws and regulations and internal rules such as the Regulations of the Board of Directors. However, the Board of Directors shall retain decision-making authority on matters stipulated as priority considerations for the Board of Directors by laws and regulations, business plans, the appointment, dismissal and remuneration of directors and others, and other specific matters of particular importance, such as business plans and investments.
  3. The Board of Directors recognizes the importance of the medium-term management plan as a commitment to shareholders and other investors. Accordingly, should the Company fail to deliver on the targets of the medium-term management plan, the Board of Directors shall fully analyze the reasons underlying the failure of achievement and fulfill its obligation to provide an appropriate explanation to shareholders. Moreover, the analytic findings are reflected in a plan for the ensuing years.
  4. The Board of Directors sees the development of management successors as an important theme for achieving the Group's sustained growth. Accordingly, considering the necessary attributes and other qualities required by officers based on the Company's corporate philosophy, business strategies, and so forth, the Board of Directors shall actively participate in the formulation and management of succession planning for the President and Representative Director and other key posts, and provide appropriate supervision so that the training of successor candidates is carried out systematically with sufficient time and resources.

## Article 13

### Composition of the Board of Directors

1. The Company shall have a Board of Directors comprising between 8 and 15 members (including directors acting as Audit and Supervisory Committee Members) to ensure an effective management structure and effective discussions at Board of

Directors meetings.

2. The Company shall appoint several independent outside directors in order to reflect in the Company's business policies the extensive experience and in-depth specialized knowledge of outside corporate managers, experts, and others who have independence and an impartial perspective, thereby enhancing the effectiveness of the Board of Directors' supervisory functions over business execution.
3. In order to enhance the deliberations of Board of Directors meetings, the Chairman of the Board of Directors shall manage the affairs of the Board in consideration of the following matters:
  - 1) Materials for Board of Directors meetings shall be distributed sufficiently in advance of the meeting date, in principle, except for highly confidential and urgent matters, to allow reasonable time for consideration.
  - 2) The Company shall determine the schedule of Board of Directors meetings in advance, while taking care to ensure that all directors are able to attend.
  - 3) Independent outside directors shall be briefed on the substance of the materials for Board of Directors meetings in advance where necessary.

#### Article 14

##### Qualities of Directors

1. The selection standards for the Company's directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members) shall be as follows:
  - 1) Persons who possess outstanding knowledge and abilities and extensive experience in regard to the business administration and operational management of the Group, or persons who possess sufficient understanding of the Group's business activities, along with the experience and knowledge needed to appropriately and fairly supervise the business execution of the Company's directors and other personnel, thereby contributing to the achievement of the Group's medium- to long-term management plans.
  - 2) Persons who are capable of executing fair and appropriate supervision of business administration, operational management, and business execution based on high ethical standards, being of a fair-minded, unimpeachable character who possess the knowledge and the ability needed to fulfill their assigned duties.
2. When selecting candidates for director (excluding candidates for directors who act as Audit and Supervisory Committee members and candidates for independent



outside directors who do not act as Audit and Supervisory Committee members), the Company shall select a well-balanced mix of candidates who possess extensive experience and in-depth knowledge of the Group's various business fields, including R&D, technology and production, sales and other operations, and corporate administration and business planning.

3. When selecting candidates for independent outside director, the Company shall select persons, irrespective of personal attributes such as gender and nationality, whom it has judged to be capable of supervising the business execution of directors and others by expressing timely and appropriate opinions from a synoptic perspective on management as a whole, being persons who hold a strong interest in the Group's businesses. Moreover, to ensure that they are able to put forward their opinions to the Board of Directors in a frank and broad-minded manner, they should possess extensive experience and in-depth specialized knowledge of fields such as corporate management, accounting, legal affairs, public administration, and academia.

## Article 15

### Responsibilities of Directors

1. Directors must collect sufficient information necessary to fulfill their duties and actively express their opinions to the fullest extent possible.
2. Directors must fully harness the abilities they are expected to demonstrate and devote sufficient time to the Company in order to fulfill their duties as directors.
3. Upon their appointment, the Company's directors must fully understand the responsibilities of their post by understanding the relevant laws and regulations, and the Company's Articles of Incorporation, along with the Regulations of the Board of Directors and other internal rules.

## Article 16

### Selection and Dismissal of Directors

1. To enhance objectivity and transparency of the management, the Board of Directors of the Company shall set up the Nomination Committee, whose principal members are outside directors, as an advisory body. The Nomination Committee shall, in response to consultation from the Board of Directors, examine and submit findings on the selection procedures, qualities, reasons for selection of candidates for director, the selection procedures, qualities, reasons for selection of candidates for representative director, and independence criteria of candidates for independent

outside directors as well as other related matters.

2. The selection of candidates for director (excluding directors who act as Audit and Supervisory Committee members) shall be undertaken by having the representative director prepare the original proposal for a list of candidates. The final proposal is then approved by resolution of the Board of Directors after receiving the report on the results of examination by the Nomination Committee. When selecting candidates, the representative director shall consider the qualities and other attributes stipulated in Article 14. Moreover, when selecting candidates for successive posts, the representative director shall prepare a list of candidates in consideration of each candidate's track record of business activities, accomplishments, and other aspects as a director.
3. In the event that a director (excluding directors who act as Audit and Supervisory Committee members) is deemed to have engaged in behavior that violates laws and regulations or the Articles of Incorporation, or a situation arises in which it is judged that the continued performance of said director's duties is inappropriate, the Board of Directors shall deliberate and determine the dismissal or other disposition of said director from his or her position, or the submission of a dismissal proposal to the General Meeting of Stockholders, subject to discussions by the Nomination Committee. However, in cases requiring urgent measures, the Board of Directors shall determine the dismissal or other disposition of said director from his or her position without discussions by the Nomination Committee.

#### Article 17

##### Policy on Training of Directors

1. To fulfill their roles and responsibilities appropriately, directors require knowledge of laws and regulations, corporate governance and other matters. Accordingly, the Company shall provide opportunities for training on these matters to help the directors fulfill their respective duties, along with the necessary financial support for associated expenses, upon their appointment or during their terms of office.
2. The Company shall continuously provide newly appointed independent outside directors with opportunities to increase their understanding of the Group's business strategies, financial condition and other crucial matters, along with opportunities to visit key business sites and so forth, upon their appointment or during their terms of office.

#### Article 18

## Effectiveness evaluation of the Board of Directors

The Board of Directors of the Company shall annually analyze and evaluate the effectiveness of the Board of Directors with reference to the self-evaluation made by each director, and disclose the overview of the results accordingly.

## Section 2 Audit and Supervisory Committee

### Article 19

#### Roles and Composition of the Audit and Supervisory Committee

1. The Audit and Supervisory Committee of the Company is an independent organization based on a fiduciary responsibility to shareholders. The committee is responsible for contributing to the Company's sound and sustainable growth by conducting audits of matters such as legal compliance with respect to the fulfillment of duties by directors and other officers, the appropriateness of the Company's business operations, internal control, and financial condition. These audits shall be carried out through the exercise of the Audit and Supervisory Committee's rights, among which are the right to vote in the Board of Directors, the right to state opinions on personnel and remuneration regarding directors (excluding directors acting as Audit and Supervisory Committee members) in the General Meeting of Stockholders, and the authority to investigate the status of operations and assets, and to supervise proposals put forward to the General Meeting of Stockholders on the appointment and dismissal of the accounting auditor.
2. In the course of fulfilling their duties, the Audit and Supervisory Committee members shall attend important meetings, along with requesting timely and appropriate reports on matters deemed to be necessary from the Group's directors, executive officers, employees, and accounting auditor. At the same time, the Audit and Supervisory Committee members shall endeavor to conduct effective audits by sharing necessary information with the accounting auditor and the Internal Control Section.
3. The Audit and Supervisory Committee shall establish a system for conducting highly effective audits by promoting cooperation between the Audit and Supervisory Committee members, with a view to mutually supplementing information collection capabilities and independence and impartiality. This shall be achieved by structuring the Audit and Supervisory Committee with a majority of outside directors pursuant to the rules of the Companies Act, and by appointing full-time Audit and Supervisory Committee members as stipulated by Article 21. Moreover, the Audit

and Supervisory Committee shall maintain close links with independent outside directors who do not act as Audit and Supervisory Committee members to enable these outside directors to adequately perform the function of supervising business execution.

4. The Company shall establish an Internal Audit Department that is granted its own budget to assist with the duties of the Audit and Supervisory Committee and the Audit and Supervisory Committee members. The Audit Section shall be staffed with employees who possess knowledge of legal affairs, financial accounting, and related subjects, and who are assigned to the Audit Section on a full-time basis. These dedicated employees of the Audit Section shall carry out their duties entirely under the guidance and instruction of the Audit and Supervisory Committee and the Audit and Supervisory Committee members.

#### Article 20

##### Qualities of Audit and Supervisory Committee Members

Audit and Supervisory Committee members shall be selected from among persons who possess high ethical standards, as well as fairness and integrity, thereby contributing to ensuring the soundness and transparency of the Group's management. In addition, at least one of the Company's Audit and Supervisory Committee members shall have appropriate expertise in finance and accounting.

#### Article 21

##### Selection of Audit and Supervisory Committee Members

1. The number of directors who act as Audit and Supervisory Committee members of the Company shall not exceed five, as stipulated by the Articles of Incorporation. The majority of Audit and Supervisory Committee members shall be outside directors pursuant to the rules of the Companies Act. In addition, full-time Audit and Supervisory Committee members shall be appointed to ensure the effectiveness of the activities of the Audit and Supervisory Committee.
2. Candidates for Audit and Supervisory Committee members shall be determined by having the representative director prepare the original proposal of a list of candidates. With the consent of the Audit and Supervisory Committee, the final proposal shall be put forward to the Board of Directors after receiving the report on the results of examination by the Nomination Committee specified in Article 16 Paragraph 1, and approved by resolution of the Board of Directors. The representative director shall prepare the original list of candidates for Audit and

Supervisory Committee members in consideration of the qualities and other attributes enumerated in Article 14 Paragraph 3 and the preceding Article.

## Article 22

### Ensuring Appropriate Audits

1. Recognizing that the accounting auditor bear responsibility to shareholders and other investors, the Audit and Supervisory Committee members shall implement appropriate measures regarding the matters set forth in each of the items below to ensure appropriate audits.
  - 1) Appropriately select candidates for the accounting auditor and formulate standards for appropriately evaluating the accounting auditor.
  - 2) Confirm whether or not the accounting auditor possess the independence and expertise required by their role.
2. In addition to the measures set forth in the preceding paragraph, the Board of Directors and the Audit and Supervisory Committee shall implement appropriate measures regarding the matters set forth in each of the items below.
  - 1) Ensure sufficient auditing time to enable high-quality audits by the accounting auditor.
  - 2) Ensure that the accounting auditor can conduct interviews and other meetings with executive directors, executive officers and others.
  - 3) Ensure that the Audit and Supervisory Committee follows appropriate procedures in the case where a report is received from the accounting auditor on the discovery of misconduct or material evidence of a breach of laws and regulations or the Articles of Incorporation, and the Committee is requested to take appropriate action or problems regarding deficiencies are suggested.

## Section 3 Independent Outside Directors

### Article 23

#### Independent Outside Directors

1. The Company has established criteria for judging the independence of independent outside directors, as set forth in the attachment.
2. Barring extenuating factors, an independent outside director of the Company shall not serve as the director or corporate auditor of more than three publicly listed companies other than the Company.

## Article 24

#### Opportunities for Providing and Sharing Information with Independent Outside Directors

1. The independent outside directors of the Company may request briefings and reports, or request the submission of internal materials from internal directors, executive officers, and employees at any time they believe it to be necessary or appropriate. Moreover, besides reporting stipulated by laws and regulations, the Articles of Incorporation, and other internal rules, the Corporate Strategy Division, which serves as the secretariat for the Management Meeting, shall provide reports periodically.
2. The independent outside directors of the Company shall periodically hold meetings to share their awareness of the current status of management by exchanging information on matters such as the Group's businesses, internal control, and corporate governance. This is to ensure that the independent outside directors are able to proactively participate in discussions in Board of Directors meetings and effectively implement supervisory functions over the Group's management. The independent outside directors may have the representative director and other members of senior management attend those meetings as necessary.

#### Section 4 Remuneration System

##### Article 25

##### Policies and Procedures for Determining Remuneration

1. The remuneration of the Company's directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members) shall be determined by taking into account the following perspectives:
  - 1) Remuneration shall be set at a level befitting the directors' duties, responsibilities, and performance, at an appropriate, fair, and balanced amount.
  - 2) The remuneration system shall provide incentive for directors to drive sustainable growth in business results and corporate value over the medium and long terms, while giving due consideration to the need to secure talented human resources.
  - 3) Remuneration shall be determined appropriately, taking into account factors such as the remuneration levels of other companies, the remuneration of the Company's employees and other personnel, social and economic conditions, and directors' performance reviews.
2. The remuneration of the Company's directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not

act as Audit and Supervisory Committee members) shall comprise monthly remuneration and bonuses. The monthly remuneration shall comprise fixed monthly remuneration and performance-linked remuneration. The amount of the performance-linked remuneration shall be determined based on the Company's business results in a given fiscal year, along with each director's responsibilities and performance of his or her duties from short- and medium- to long-term perspectives. The business environment and other factors shall also be taken into consideration.

3. Performance-linked remuneration shall not be paid to directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members, reflecting an emphasis on their roles in fulfilling supervisory functions over management from an independent perspective.
4. To enhance objectivity and transparency of the management, the Board of Directors of the Company shall set up the Remuneration Committee, whose principal members are outside directors, as an advisory body. The Remuneration Committee shall, in response to consultation from the Board of Directors, examine and submit findings on the remuneration structure and individual remuneration for directors.
5. Remuneration of directors (excluding directors acting as Audit and Supervisory Committee members) shall be set within the total amount approved by the General Meeting of Stockholders. Based on an original proposal prepared by the representative, a final proposal will be prepared. The final proposal shall then be approved by resolution of the Board of Directors after receiving the report on the results of examination by the Remuneration Committee.
6. Remuneration of directors who act as Audit and Supervisory Committee members shall be set within the total amount of remuneration approved by the General Meeting of Stockholders. The remuneration shall be determined through discussions by the Audit and Supervisory Committee, taking into account the nature of the roles and duties of each Audit and Supervisory Committee member and other factors.

## Chapter 6 Dialogue with Shareholders

### Article 26

#### Policy on Constructive Dialogue with Shareholders

1. The Group shall endeavor to drive the Company's sustained growth and enhance its corporate value over the medium and long terms by fostering an appropriate understanding of the Company's business policies and other such matters through

- constructive dialogue with shareholders.
2. The Investors & Public Relations Department shall primarily undertake all aspects of constructive dialogue with shareholders, under the leadership of the Director in Charge of Investor Relations (IR). Through IR activities, business strategies and information about the Company's financial condition, business results and so forth shall be disclosed in a timely and appropriate manner to shareholders, investors, and others. Efforts shall also be made to foster a correct understanding of the Company's business strategies and other matters by enhancing dialogue with stakeholders, including shareholders and other investors.
  3. To engage in proactive dialogue, the Group shall hold earnings presentations for institutional investors and also conduct private meetings with them to a reasonable extent, along with proactively disclosing information via the Company's website.
  4. The Group shall endeavor to share information by reporting on opinions, queries and other input obtained through dialogue with shareholders to the Management Meeting and the Board of Directors, as necessary.
  5. In order to prevent any leaks of insider information, the Group shall establish and appropriately implement the Regulations on Control of Insider Information, which sets forth the treatment of material information not yet made available to the public. Moreover, the Group shall set up an IR Committee, which shall be chaired by the Director in Charge of Investor Relations (IR). The IR Committee shall be made up of members selected by the General Manager of the Corporate Management Division plus any other members selected by the IR Committee Chair. Each IR Committee member shall report IR-related information to the Committee, including information subject to timely disclosure rules within the member's assigned scope of business information, as part of efforts to prevent any leaks of insider information.

## Chapter 7 Others

### Article 27

#### Demonstration of Functions as an Asset Owner of a Corporate Pension Fund

In order to ensure pension benefits throughout the future, the Company shall set up the Corporate Pension Fund Management Committee, comprising members including the General Managers of human resources and finance departments, formulate policy-based asset composition ratios from a medium- to long-term perspective, and monitor corporate pension fund asset management.



Article 28

Amendments

Amendments to the Policy shall be approved by resolution of the Board of Directors. If an amendment is made, the details of the amendment shall be disclosed in a timely and appropriate manner.

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## Attachment

### Independence Criteria for Independent Outside Directors

The Company has adopted the following independence criteria for outside directors. Candidates are considered to be insufficiently independent from the Company if any of the following applies.

1.
  - (1) A person who currently executes business for the Company or a subsidiary of the Company (executive director, corporate officer, executive officer, or other employee in a senior management position) or has done so the past 10 years
  - (2) A party for which the Company is a major client, or if the party is a company, a person who executes its business (executive director, corporate officer, executive officer, or other employee in a senior management position)
  - (3) A party that is a major client of the Company, or if the party is a company, a person who executes its business (executive director, corporate officer, executive officer, or other employee in a senior management position)
  - (4) A legal specialist such as a lawyer, or an accounting specialist such as a certified public accountant, or a consultant, etc. who has received a significant sum of money or other assets from the Company, other than executive remuneration (or when the receiver of the assets is a corporation, association, or some other organization, a member of the organization).
  - (5) A major shareholder of the Company, or in the case where the shareholder is a company, a person who executes business for the company
  - (6) The recipient of a large sum of donations from the Company (or where the recipient of the financial asset is a corporation, association, or other organization, a member of the organization)
  - (7) The spouse or relation within two degrees of someone to whom any of the above (1) to (6) applies.
  - (8) A person to whom any of the above (2) to (7) have applied within the past three years.
2. A person who has been an outside director of the Company for more than eight years.

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