

– Basic Approach

I. Delegation of authority for business execution and Board of Directors' oversight and advisory function

To manage the rapid change of business environment in a sufficiently speedy manner, the company introduces the Corporate Executive Officer system. The Board of Directors delegates the decision-making authority over business execution to the Representative Directors and subordinate Corporate Executive Officers to the broadest extent that is permitted by law and the Articles of Incorporation of the company and is considered to be reasonable and will mainly perform as oversight and advisory function.

II. Composition of Board of Directors

i. The Board of Directors comprises same number or more Non-Executive Directors as Executive Directors to ensure its capacity to correct faulty, insufficient, or excessive business executions.

ii. In order for the intention, advice, and discussions of the Board of Directors to be reflected to the business execution effectively, primal Corporate Executive Officers are also to be appointed as Directors. In addition, for the purpose of materializing the discussion on the mid-term and long-term Management Direction in the Board of Directors, the nomination of the candidates for Executive Directors is to be conducted from a stand point of electing candidates with a company-wide perspective and who can meet expectation that shareholders have for this position.

III. Composition of Non-Executive Directors

While External Directors should be the core of Non-Executive Directors on account of their high independence and diverse perspective, at least one Non-Executive Director is appointed from within the company to complement the External Directors' knowledge in the business fields and the corporate culture of the company so that the efficiency of oversight and advisory performance by the Non-Executive Directors are enhanced.

IV. Providing information to Non-Executive Directors

To facilitate the function of the Non-Executive Directors, the company establishes a mechanism to provide the Non-Executive Directors with accurate and sufficient information in a timely manner.

V. Establishment of the Audit & Supervisory Board

We believe that both aforementioned direct oversight to business execution by the Non-Executive Directors and the oversight by an independent body that stays distant from the decision making and operation of business execution should work jointly to ensure highly effective oversight performance. The company establishes the Audit & Supervisory Board to undertake the latter function, which is composed of the Audit & Supervisory Board Members appointed as an independent agent.

VI. Establishment of Executive Nomination Committee and Compensation Committee

The company establishes the Executive Nomination Committee and Compensation Committee as advisory bodies to the Board of Directors to ensure the objectivity and transparency of the process for choosing candidates for Directors and Auditors and for determining their compensation.

VII. Dialog with shareholders

The company endeavors to create the opportunities for an active dialog with shareholders to benefit from their mid-term to long-term support for the continuous growth of the company.

VIII. System of discovering and correcting misconducts

The company discovers misconducts, inadequacies and problems through the mechanism described below and addresses those problems properly:

i. Non-Executive Directors monitor the business execution by Executive Directors as the duty of oversight in the Board of Directors.

ii. Audit & Supervisory Board Members and the Internal Audit Department perform a business audit in cooperation and Accounting Auditors perform an accounting audit.

iii. The Board of Directors and Audit & Supervisory Board Members ensure the establishment and appropriate operation of the internal control system (including the installation and operation of a whistleblowing system).

iv. Independent Directors, Independent Audit & Supervisory Board Members and Accounting Auditors collaborate and communicate information with each other.