### Basic Approach

Strengthening and enhancing our corporate governance is one of our top management priorities. We take steps to make management more efficient and robust while working to increase management transparency by disclosing information in a prompt and accurate manner to shareholders and investors.

We made a transition from a Company with Board of Directors to shareholders and investors. The purpose of this transition is to establish a prompt decision-making structure and operational execution organization, strengthen the supervision of management, and improve management transparency and fairness. Under this structure, we will work on further improvement of corporate value over the medium- to long-term.

### Basic Information

<table>
<thead>
<tr>
<th>Information</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>11</td>
</tr>
<tr>
<td>Executive Officers</td>
<td>11</td>
</tr>
<tr>
<td>Outside, Independent Outside Directors</td>
<td>5</td>
</tr>
<tr>
<td>Term of office of Directors</td>
<td>1 year</td>
</tr>
<tr>
<td>Executive Officers</td>
<td>11</td>
</tr>
<tr>
<td>Outside, Independent Outside Directors who have the authority of representation</td>
<td>3</td>
</tr>
<tr>
<td>Executive Officers who concurrently serving as Directors</td>
<td>6</td>
</tr>
<tr>
<td>Structure to support duties of Audit Committee and Audit Preparation and Support Office</td>
<td>1</td>
</tr>
<tr>
<td>Accounting auditor</td>
<td>KPMG &amp; Young &amp; Partners, etc.</td>
</tr>
</tbody>
</table>

### Corporate Governance Structure (as of July 31, 2020)

#### Corporate Governance System

1. **Board of Directors**
   - The Board of Directors decides the basic management policies, and supervise the execution of duties of Directors and Executive Officers. Each matter stipulated by laws and regulations or the Articles of Incorporation must be resolved at the Board of Directors. The Board of Directors is composed of all Directors, and the Board of Directors is chaired by an Outside Director.

2. **Nominating Committee**
   - The Nominating Committee decides on the content of a proposal regarding appointment/removal of Directors, which is submitted to the General Meeting of Shareholders. The majority of the members are Outside Directors. Three out of the five members of the committee are Outside Directors, and the committee is headed by an Outside Director.

3. **Audit Committee**
   - The Audit Committee audits the execution of duties of Directors and Executive Officers, and decides on the content of a proposal regarding appointment/removal of Directors, which is submitted to the General Meeting of Shareholders. The majority of the members are Outside Directors. Three out of the four members of the committee are Outside Directors, and the committee is headed by an Outside Director.

4. **Compensation Committee**
   - The Compensation Committee decides on the policy for compensation for Directors and Executive Officers, and details of compensation for individual persons. The majority of the committee are Outside Directors. Three out of the five members of the committee are Outside Directors, and the committee is chaired by an Outside Director.

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**Members composing Nominating Committee, Audit Committee, and Compensation Committee**

<table>
<thead>
<tr>
<th>Committee</th>
<th>Director</th>
<th>Nominating Committee</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Inside Director</td>
<td>Outside Director</td>
<td>Chairperson</td>
<td></td>
</tr>
</tbody>
</table>

**Corporate Governance Policy**

- Shareholders held on June 25, 2019 (for the fiscal year ended March 31, 2019). The purpose of this transition is to establish a prompt decision-making structure and operational execution organization, strengthen the supervision of management, and improve management transparency and fairness. Under this structure, we will work on further improvement of corporate value over the medium- to long-term.

**Management Meeting**

- The Management Meeting discusses important matters related to operational execution, as a supporting body for decision-making of President, Executive Officers. The meeting is composed of President, Executive Officers, and Executive Officers who are designated by them, and held twice a month in principle.

**Executive Officers Meeting**

- The Executive Officers Meeting is held by President, Executive Officer, and the Executive Officers who are designated by them, and held once a month in principle, to make operational execution more efficient and effective by sharing information among Executive Officers.

**Executive Officers**

- Executive Officers are elected by the resolutions of the Board of Directors, and are in charge of executive decision-making and execution of operations delegated by the Board of Directors. The term of office is specified as a year by the Articles of Incorporation. The number of Executive Officers is 11 as of July 31, 2020.

**Organizational Design**

- Company with Nominating Committee, etc.

**Internal Audit**

- Dedicated to support the duties of the Audit Committee.

**Audit**

- The Audit Committee audits the execution of duties of Directors and Executive Officers, and decided the content of a proposal regarding appointment/removal of Directors, which is submitted to the General Meeting of Shareholders. The majority of the members are Outside Directors. Three out of the four members of the committee are Outside Directors, and the committee is chaired by an Outside Director.

**Audit Preparation and Support Office**

- The Audit Preparation and Support Office is established as an organization dedicated to support the duties of the Audit Committee, including Secretariat of Audit Committee. Regarding matters relating to appointment, personnel relocation, disciplinary punishment, evaluation, etc. of staff of the Audit Preparation and Support Office, the approval from the Audit Committee shall be required for decision.
Corporate Governance

Approach of Board of Directors
Directors other than Outside Directors are appointed from a wide range of fields, including manufacturing, marketing, technology, and administrative divisions. In addition, Outside Directors are appointed after considering diversity and balance, such as being a person with knowledge of finance, experienced management, and being a lawyer. We believe that the current number of Directors is an appropriate size for strengthening corporate governance and expanding our global businesses.

Appointment of the first female Director
Upon the approval of the General Meeting of Shareholders in the fiscal year ended March 2020, a female Director (Outside Director) was newly appointed for the first time at the Company. The female Director with experience in a different industry than ours will supervise management. This will enable us to integrate diverse values and accelerate transformation aimed at achieving sustainable growth.

Assessment of effectiveness of the Board of Directors
We conducted a self-assessment of the Board of Directors by sending out questionnaires to Directors from the viewpoints such as role/structure/management of the Board of Directors and management of committees. The result was generally positive, but there were comments regarding a succession plan of top management (CEO) and others. Based on this, discussions were held on future actions and others at the Board of top management (CEO) and others. Based on those, positive, but there were comments regarding a succession plan of top management (CEO) and others. Based on those, discussions were held on future actions and others at the Board of Directors. Moreover, we continuously provide information necessary for Outside Directors to effectively fulfill their roles and responsibilities by creating opportunities to deepen their understanding of our business through on-site tours of business sites and other means.

Standards for Selection of Directors
The selection of candidates for Directors will be determined based on standards for selection of Directors described below, considering the gender and international diversity and balance of the Board of Directors as a whole, after careful deliberation in the Nominating Committee. The appointment of an Executive Officer shall be also determined after careful deliberation by the Board of Directors, including Outside Directors, comprehensively considering whether they possess personalities, insights, capabilities, experience/performance, etc. that are appropriate for fulfilling their duties. In addition, if it becomes clear that an Executive Officer lacks the required qualifications, he/she will be promptly dismissed by the Board of Directors, including Outside Directors.

The main areas of experience of Directors (Skill matrix)

<table>
<thead>
<tr>
<th>Name</th>
<th>Corporate management</th>
<th>Manufacturing</th>
<th>Technology and R&amp;D</th>
<th>Marketing</th>
<th>Corporate and Business planning</th>
<th>Finance and administration</th>
<th>Legal affairs, internal controls, compliance</th>
<th>Global experience</th>
<th>Experience of other industries, diversity</th>
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</thead>
<tbody>
<tr>
<td>Hiroshi Ohkubo</td>
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<td>Hideaki Miyazawa</td>
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<tr>
<td>Etsu Uchi</td>
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<tr>
<td>Toshinori Shiotani</td>
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<tr>
<td>Masaki Egami</td>
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<tr>
<td>Kosji Kanashiro</td>
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<tr>
<td>Akeu Wada*</td>
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<tr>
<td>Hiroshi Ohkubo</td>
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<tr>
<td>Hiromasa Hikawa</td>
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</table>

* Retired at the conclusion of the General Meeting of Shareholders in the fiscal year ended March 31, 2020

Discussions on Nominating Committee
The Nominating Committee was established in conjunction with the transition to a Company with a Nominating Committee, etc. The committee was held five times in total in the fiscal year ended March 2020, with discussions held and resolutions made mainly on the standards for selection of Directors, skill matrix related to standards for selection and the standards regarding the independence of Outside Directors.

About Outside Directors
We made a transition from a Company with a Board of Company Auditors to a Company with a Nominating Committee, etc. upon the approval of the General Meeting of Shareholders for the fiscal year ended March 31, 2019. The Board of Directors consists of 11 members, including six Inside Directors and five Outside Directors, and the ratio of Outside Directors is 45%. The purpose of this transition is to strengthen the supervision of management and improve management transparency and fairness. In addition, in order to ensure appropriate corporate governance, we have established our own standards regarding the independence of Outside Directors, stipulating qualification and independence standards for them. This standard is used for appointing Outside Directors. Also, all the Outside Directors are designated as independent Officers as defined by the rules of Tokyo Stock Exchange, Inc. (TSE), and are reported to TSE.

For Outside Directors, we have established an environment where the secretariat or any other party explains the issues as appropriate prior to the Board of Directors so that active discussions can be made at the Board of Directors. Moreover, we continuously provide information necessary for Outside Directors to effectively fulfill their roles and responsibilities by creating opportunities to deepen their understanding of our business through on-site tours of business sites and other means.
Discussions at the Compensation Committee
Following the transition to a Company with a Nominating Committee, etc., we held the Compensation Advisory Committee from April to June 2019 and the Compensation Committee from June 2019 to March 2020. The Compensation Committee aims to improve fairness, transparency, and objectivity of procedures regarding the decision making of compensation for Directors and Executive Officers and enhance corporate governance. Also, the committee passed resolutions regarding the details of compensation (such as compensation for Directors and Executive Officers, etc., we held the Compensation Advisory Committee, etc., we held meetings of the Board of Corporate Auditors from April to June 2019 and meetings of the Audit Committee from June 2019 to March 2020. Major items to be discussed at the Audit Committee include the formulation of the Audit Committee’s auditing standards, the formulation of auditing policies and auditing plans, the evaluation of the content of auditing plans of the independent auditors, the assessment of the selection of independent auditors, and the assessment of the status of development and operation of internal control systems.

### Overview of the Committees

The Sustainability Committee is chaired by Executive Officer responsible for CSR Headquarters, and is vice-chaired by corporate general manager, with members consisting of the heads of ESG-related divisions. Each employee in our group should promote sustainability activities based on the 3 fundamental principles of our Corporate Philosophy, CSR Basic Policy, and Action of Business Conduct in our day-to-day business activities.

The Compensation Committee is chaired by Executive Officer on the basis of the performance level in the previous fiscal year. The payment amount shall be decided in consideration of the status of progress of measures for achieving key targets for each Executive Officer, on the basis of the performance level in the applicable fiscal year.

### Compensation Committee

#### Members, the number of meetings, and attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Attendance</th>
<th>Number of attendances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akira Wada*</td>
<td>Chairman</td>
<td>100%</td>
<td>4 times/4 times</td>
</tr>
<tr>
<td>Noboru Tsuda</td>
<td>Outside Director</td>
<td>100%</td>
<td>4 times/4 times</td>
</tr>
<tr>
<td>Ryo Kawakami</td>
<td>Outside Director</td>
<td>100%</td>
<td>4 times/4 times</td>
</tr>
<tr>
<td>Hiroshi Ohdama</td>
<td>Director</td>
<td>100%</td>
<td>4 times/4 times</td>
</tr>
<tr>
<td>Toshihiko Shigemoto</td>
<td>Director</td>
<td>100%</td>
<td>4 times/4 times</td>
</tr>
</tbody>
</table>

*Retained at the conclusion of the General Meeting of Shareholders in the fiscal year ended March 31, 2020

### Compensation Advisory Committee

1st Performance of BIF Trust results for compensation of Officers

2nd Bonus for Directors

### Compensation Committee

Committee (June 25, 2019 - March 31, 2020)

- Decision of the order of substitution for the Chairman in the event of an accident
- Policy for determining the amount, or method of calculation, of compensation for Officers

- Individual compensation for Directors and Executive Officers

- Discussion on composition and amount of compensation for Officers

- Review of stock issuance regulations and internal regulations concerning BIF Trust for compensation for Officers

- Compensation Committee's annual activity plan

- Decision of the order of substitution for the Chairman in the event of an accident

- Policy for determining the amount, or method of calculation, of compensation for Officers

- Compensation for Directors and Executive Officers

- Performance-linked compensation

### Policies for determining the amount, or method of calculation, of compensation, etc., for Officers

- The system and level of compensation for Officers, compensation specified for each individual, etc. are determined in the Compensation Committee chaired by an Outside Director using objective criteria and the level and role of each officer companies as reference. Compensation for Executive Officers and compensation for Directors are determined separately, and if a Director also serves as an Executive Officer, those compensations are added up.

### Compensation for Executive Officers

Compensation for Executive Officers consists of basic compensation, which is a fixed compensation, and performance-linked compensation, which fluctuates according to performance. The ratio of basic compensation to performance-linked compensation is approximately 6:4 as a standard.

#### Basic compensation

- Basic compensation shall be determined based on a relevant Executive Officer's role and increased in the case for example, Executive Officers who have the right to represent.

#### Performance-linked compensation

Annual incentives

- The payment amount shall be decided in consideration of the achievement of major targets figures in the Medium-term Management Plan (money equivalent to the converted amount of shares shall be paid for a certain portion) as incentives to motivate them to achieve the targets in the Medium-term Management Plan and contribute to raising shareholder value, and in order to promote the holding of the Company's shares.

- Medium- to long-term incentives

- The Company’s shares shall be issued based on the achievement of major target figures in the Medium-term Management Plan (money equivalent to the converted amount of shares shall be paid for a certain portion) as incentives to motivate them to achieve the targets in the Medium-term Management Plan.

- The payment amount shall be decided in consideration of the achievement of major targets figures in the Medium-term Management Plan (money equivalent to the converted amount of shares shall be paid for a certain portion) as incentives to motivate them to achieve the targets in the Medium-term Management Plan and contribute to raising shareholder value, and in order to promote the holding of the Company’s shares.

- Performance-linked compensation

- Performance-linked compensation shall be calculated taking into account concurrent duties of an Executive Officer, whether a Director works full-time or part-time, the committees to which a Director belongs, and his/her role.

### Discussions at the Audit Committee

Following the transition to a Company with a Nominating Committee, etc., we held meetings of the Board of Corporate Auditors from April to June 2019 and meetings of the Audit Committee from June 2019 to March 2020. Major items to be discussed at the Audit Committee include the formulation of the Audit Committee’s auditing standards, the formulation of auditing policies and auditing plans, the evaluation of the content of auditing plans of the independent auditors, the assessment of the selection of independent auditors, and the assessment of the status of development and operation of internal control systems.

### Audit Committee

#### Members, the number of meetings, and attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Attendance</th>
<th>Number of attendances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koishi Kanohara</td>
<td>Chairman</td>
<td>100%</td>
<td>10 times/10 times</td>
</tr>
<tr>
<td>Tadahiro Nagato*</td>
<td>Outside Director</td>
<td>100%</td>
<td>10 times/10 times</td>
</tr>
<tr>
<td>Ryo Kawakami</td>
<td>Outside Director</td>
<td>100%</td>
<td>10 times/10 times</td>
</tr>
<tr>
<td>Hiroshi Inoue*</td>
<td>Director</td>
<td>100%</td>
<td>10 times/10 times</td>
</tr>
</tbody>
</table>

*Retained at the conclusion of the General Meeting of Shareholders in the fiscal year ended March 31, 2020

### Audit Status

The Audit Committee members attend meetings of the Board of Directors and other major meetings based on auditing standards, policies, and plans determined by the Audit Committee. The Audit Committee receives reports or hears from Directors, Executive Officers, employees, etc. on the status of the execution of their duties, and audits the execution of duties by Directors and Executive Officers. In addition to the Board of Directors and Executive Officers Meeting, members of the Audit Committee attend and monitor the Risk Management Committee, the Compliance Committee, and the Fair Trade Monitoring Committee, which operate internal control systems.

### Risk Management Committee

We have established the Risk Management Committee, chaired by Executive Officer (Executive Officer in charge of risk management), who is responsible for the Global Risk Management Department, as an advisory body on risk management to prevent risks from occurring and minimize damage in the event of a crisis. The committee consists of the general managers of the promotion department of risk management, responsible departments in subsidiaries. The committee regularly checks the situation of risks surrounding the group, and formulates the group-wide risk management plan and discusses matters such as the BCP/BCA. The result of discussion at the Risk Management Committee is reported to Board of Directors and instructions are fed back to the relevant departments.

### Fair Trade Monitoring Committee

The Fair Trade Monitoring Committee is chaired by President, Chief Executive Officer, and consists of Executive Officers in charge of sales and procurement divisions, Outside Director, external lawyer and so on. In principle, this meeting is held twice a year to discuss the implementation plans and the performance reports for compliance with the Antimonopoly Act and the Subcontracting Act, and to provide supervision and guidance on effective control for fair trade practices along with education and awareness-raising activities. In addition, we have established the Fair Trade Monitoring Committee as an overall supervisory department for antimonopoly compliance. Under the direction of the Fair Trade Monitoring Committee, the department conducts education, instruction, audit and other activities for relevant divisions. Furthermore, overseas subsidiaries are monitored for the implementation status of antimonopoly compliance in cooperation with the Internal Control Section, within Office of the General Manager in each region.