

# Corporate Governance Guidelines

SUBARU CORPORATION

## Chapter 1. General Provisions

### Article 1. Purpose

These guidelines set out the basic policy, framework and operating policy of the corporate governance of Subaru Corporation (hereinafter referred to as the “Company”) in order for the Subaru Corporation Group (hereinafter referred to as the “Group”) to achieve sustainable growth and improve its corporate value in the medium and long term.

### Article 2. Basic policy of the corporate governance

1. Aspiring to the goal of transitioning from a company making things, to a company making people smile, the Company shall work on the enhancement of corporate governance as one of the top priorities of management in order to gain the satisfaction and trust of all its stakeholders by achieving sustainable growth and improving its corporate value in the medium and long term based on the corporate philosophy and management philosophy outlined below.
2. The Company shall clearly separate the function of decision making and the oversight of corporate management from that of the execution of business operations and aim to realize effective corporate management by expediting decision making.
3. The Company shall ensure proper decision making and the oversight of corporate management and the execution of business operations as well as enhance compliance and its risk management system through the monitoring of its management and operations and advice provided by outside officers.
4. The Company shall implement proper and timely disclosure of information in order to improve the transparency of management.

#### <Corporate Philosophy>

1. We will strive to create advanced technology on an ongoing basis and provide consumers with distinctive products with the highest level of quality and customer satisfaction.
2. We will aim to continuously promote harmony between people, society and the environment while contributing to the prosperity of society.
3. We will look to the future with a global perspective and aim to foster a vibrant, progressive company.

#### <Management Philosophy>

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

### Article 3. Revision and amendment and/or abolition

The Board of Directors shall consider reviewing these guidelines appropriately and amend and/or abolish them by its resolution as necessary, in order to realize effective corporate governance in view

of changes in economic and social circumstances, etc.

## **Chapter 2. Ensuring Rights and Equal Treatment of Shareholders**

### Article 4. Ensuring equal treatment of shareholders

The Company shall treat its shareholders equally in accordance with the features and number of the shares they hold in order to ensure substantial equality of shareholders.

### Article 5. General Meeting of Shareholders

1. The Company shall recognize that the General Meeting of Shareholders is an opportunity to hold constructive dialogue with shareholders and make efforts to improve the environment for the exercise of rights at the General Meeting of Shareholders.
2. The Company shall make efforts to send the notice of convocation of the Ordinary General Meeting of Shareholders about a week earlier than the date required by law so that its shareholders have adequate time to examine proposals for the meeting and exercise their voting rights appropriately. In addition, the Company shall post said notice of convocation on its website as well as the websites of stock exchanges before sending it by mail.
3. The Company shall make efforts to improve the environment for all its shareholders to exercise their voting rights appropriately through means such as participation in electronic voting platforms and publishing an English translation of the notice of convocation.
4. In principle, only shareholders whose names are recorded in the register, or proxies as stipulated in the Articles of Incorporation, are entitled to exercise their voting rights at the General Meeting of Shareholders; substantial shareholders, however, are allowed to listen to the proceedings of the General Meeting of Shareholders, if they have requested in advance to attend via shareholders recorded in the register, provided that they have followed the prescribed procedures.
5. The Company shall make efforts to set the date of the General Meeting of Shareholders in principle by avoiding the dates on which there is a concentration of other shareholder meetings.
6. If a proposal submitted by the Company is resolved but there are a considerable number of votes against it, the Board of Directors shall analyze the reasons for objection and the factors that prompted the votes against the proposal and examine the proper response to such objection.

### Article 6. Basic capital policy

1. The Company shall conduct daily corporate management by recognizing “return on capital,” “financial soundness” and “return to shareholders” as the three key indicators of capital policy.
2. Specifically, the Company shall appropriately return profits to shareholders, while maintaining a balance at a high level between return on equity (hereafter, referred to as the “ROE”) and equity ratio in the medium and long term.
3. The Company shall basically return profit to shareholders by means of dividend payment, with the idea of continuous and performance-linked dividend payment. However, the Company may buy back or retire its own stock according to the situation.
4. As for capital policies that would lead to a change of control or significant dilution, the Board of

Directors shall judge whether or not such policies will contribute to the improvement in the Company's corporate value upon examining and verifying their impact on all the Company's stakeholders from various perspectives, and then determine a course of action.

Article 7. Basic policy regarding cross-shareholdings and the exercise of voting rights of shares in a cross-shareholding

1. Regarding listed stocks held by the Company as cross-shareholdings, each year the Company shall have the Board of Directors examine each cross-shareholding to determine primarily whether its purpose and the benefits derived from it justify the associated capital cost. If the Board of Directors judges that a cross-shareholding will contribute to management and business strategies in the medium and long term, the Company shall continue to hold that shareholding.
2. Regarding the exercise of voting rights for listed stocks held by the Company as cross-shareholdings, the Company shall exercise such voting rights appropriately, having made a comprehensive decision from the viewpoints of improving corporate value, corporate governance, and social responsibility in light of the relevant companies' management policies and medium- and long-term management plans.

Article 8. Transactions with related parties

If the Company's directors conduct competition and conflict of interest transactions with the Company prescribed by laws and regulations, they shall report such transactions to and obtain approval from the Board of Directors in advance.

### **Chapter 3. Proper Cooperation with Stakeholders**

Article 9. Corporate Code of Conduct

The Company shall comply with and practice the Corporate Code of Conduct outlined below in accordance with its social responsibility, under the guidance of its corporate philosophy, in the course of its business activities.

#### **<Corporate Code of Conduct>**

1. We develop and provide creative products and services while paying sufficient attention to the environment and safety.
2. We respect the rights and characteristics of individuals.
3. We promote harmony with society and contribute to the prosperity of society.
4. We meet social norms and act honestly and fairly.
5. We maintain global perspective and aim to be in harmony with international society.

Article 10. Corporate Social Responsibility (hereinafter referred to as CSR) initiatives

1. The Company shall engage with CSR on a Groupwide, global basis according to its CSR Policy outlined below, aiming to achieve a sustainable society by helping to resolve environmental and social issues through its business activities.

<CSR Policy>

1. We respect the laws and regulations, human rights, international standards of behavior and the rights and morals of stakeholders under the Corporate Code of Conduct.
2. We become involved as a corporate citizen in addressing social issues facing society today.

2. The Company shall enhance its CSR initiatives by establishing a CSR Committee chaired by a director appointed by the Board of Directors as an organization to promote CSR and taking into account societal perspectives when considering the Company's business.

Article 11. Promotion of diversity

The Company shall respect the diversity of gender, age, nationality, culture, lifestyle, etc., and endeavor to provide a comfortable working environment to enable employees with different individual backgrounds and values fulfill their potential, in order to continue creating values that will satisfy customers.

Article 12. Environmental initiatives

1. The Company's Environmental Policy declares that "The earth, the sky and nature' are Subaru's fields of business." The Company considers that, to ensure the future sustainability of both society and its own organization, it is of utmost importance to preserve the earth's environment, comprising 'the earth, the sky and nature,' which are the fields in which our automotive and aerospace businesses—the pillars of our enterprise—operate. Accordingly, the Company shall pursue environmental initiatives in all its business activities.
2. To combine the sustainable growth of society and its own organization with preservation of the earth's environment, the Company shall establish an Environmental Committee chaired by the director in charge of environmental issues to deliberate and decide on overall medium- and long-term measures (comprising targets, etc.) aligned with the environmental standards that society will demand in future, and to assess the progress of those measures.

Article 13. Compliance

1. The Company views compliance as a key responsibility of management and firmly believes that only through company-wide implementation of compliance can our business have a strong foundation. The Company shall strive to engage in fair and just corporate activities that comply with laws and regulations, its own internal rules, and the standards of society.
2. The Company shall stipulate Compliance Regulations and establish a system to ensure that all its officers and employees comply with requirements including laws and regulations, the Articles of Incorporation, and internal rules.
3. The Company shall establish a Compliance Committee chaired by a director appointed by the Board of Directors as an organization to thoroughly implement compliance. The committee shall deliberate, discuss and determine key compliance issues, as well as exchange information and liaise with other entities.
4. The Company shall establish an internal reporting system (Compliance Hotline) serving as an internal

communication channel to report any illegal acts, etc., in business by the Group and its officers and employees should they discover such acts, in order to help create a transparent and fair corporate culture and thoroughly ensure compliance, and the Company shall operate the Compliance Hotline in an appropriate manner.

#### **Chapter 4. Appropriate Information Disclosure and Securing of Transparency**

##### Article 14. Information disclosure

1. The Company shall strive to ensure fair disclosure based on the Corporate Information Disclosure Regulations and Disclosure Policy. Accordingly, the Company shall undertake the disclosure of corporate information in accordance with the law, in a swift, fair and proper manner, in a way that stakeholders can fully understand the activities of the Company, including such information as management strategy and business activities.
2. The Company shall promote information disclosure and the provision of information in English to a reasonable extent from the viewpoint of achieving fairness of information disclosure.

##### Article 15. Accounting Auditor

1. The Company shall acknowledge that the accounting auditor plays an important role in ensuring the accuracy of financial reporting and implements proper measures to ensure appropriate audit practices.
2. The accounting auditor shall maintain its independence from the Company and perform business operations systematically to ensure quality control over its audit practices.
3. The Company shall endeavor to provide an environment that will enable the accounting auditor to perform high-quality audits through such means as providing opportunities to interview the chief executive officer (hereafter, referred to as the “CEO”) and the chief financial officer (hereafter, referred to as the “CFO”) and ensuring cooperation with the Internal Audit Department.
4. The Company shall have the Board of Corporate Auditors determine the appointment/dismissal or non-reappointment of the accounting auditor upon checking the appropriateness of the status of execution of its duties, the audit system and independence/expertise, etc., of the accounting auditor.

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

### Article 16. Organizational design

1. The Company shall choose to be a company with a board of corporate auditors as its corporate governance structure, and the Board of Directors shall decide and supervise the execution of important business.
2. With regard to the business operation system, the Company shall establish the Executive Management Board Meeting as a preliminary consultation body to conduct deliberations on companywide management strategies and the execution of important business before their presentation at the Board of Directors Meeting. In addition, the Company shall adopt a corporate vice president system and establish the Executive Board Meeting as the decision-making body of each business department, and convert Aerospace divisions into internal companies, in order to clarify responsibilities and accelerate the execution of business operations.

### Article 17. Roles and responsibilities of the Board of Directors

1. The Board of Directors, entrusted by shareholders, shall be responsible for achieving the Company's corporate philosophy and efficient and effective corporate governance, through which the Company shall work to attain sustainable growth and maximize corporate value in the medium and long term, for all the shareholders who aim to increase their profit through long-term maximization of corporate value.
2. In order to fulfill the responsibilities prescribed in the preceding paragraph, the Board of Directors shall perform the oversight function for overall management to ensure fairness and transparency of management. The Board of Directors shall also make the best decisions possible for the Company through appointment, evaluation and resolution regarding the compensation of its CEO and other management team members, the assessment of material risks faced by the Company and the development of measures to deal with such risks, and decisions on the execution of important business of the Company, etc.
3. The Board of Directors shall set forth matters to be resolved by itself in the Regulations of the Board of Directors and clarify those decisions on matters that do not fall under the category of matters to be resolved, etc., are entrusted to executive directors and corporate vice presidents.
4. The Board of Directors formulates the basic policy for the establishment of the internal control system and endeavors to achieve the optimal operation and improvement of the internal control system to maintain the effectiveness and efficiency of internal control.
5. The Board of Directors shall establish a Compliance Committee to conduct deliberations and discussions, make decisions on important compliance matters, engage in information exchange and communication, and endeavor to implement compliance fairly and effectively.
6. The Board of Directors and executive officers make their best efforts towards the achievement of targets set in the mid-term management plan. They appropriately check the progress towards targets at Executive Management Board Meetings and Executive Board Meetings and implement proper measures as necessary. If targets need to be revised, the Board of Directors and senior management adequately analyze factors requiring revision and clearly disclose the results to shareholders.

7. The Board of Directors regards enhancing corporate managers as an important issue for the Company to achieve sustainable growth, and conducts proper oversight of the successor plan for the CEO and other top executives based on the requirements for officers, etc., derived from the Company's management philosophy, corporate code of conduct, and management strategy. Its oversight entails conducting continuous deliberations taking into account factors such as changes in the business environment, as well as ensuring that the training of prospective successors is undertaken systematically with adequate time and resources invested.

#### Article 18. Structure of the Board of Directors

1. The Board of Directors shall be structured to ensure the balance of knowledge, experience, and ability within its organization as a whole that is essential for sustainable growth and medium- to long-term improvement in corporate value of the Company. Furthermore, consideration shall be given to such attributes as gender and international experience thereby ensuring substantial diversity.
2. To ensure the balance of knowledge, experience, and ability, as well as diversity, as detailed in the preceding paragraph, the Board of Directors shall select two or more outside directors from among corporate managers, experts, etc., in view of their experience, insight, and expertise.
3. Internal directors shall be selected, after comprehensive evaluation and judgment of their experience, insight, expertise, etc., in light of the requirements for officers derived from the Company's corporate philosophy and management strategy.
4. The number of directors shall be limited to fifteen or less (combined total of directors and outside directors) as prescribed in the Articles of Incorporation.

#### Article 19. Roles and responsibilities of independent outside directors

1. Independent outside directors of the Company shall fulfill the roles of the monitoring function from a position independent from the management team and provide appropriate advice to the Company's management based on a wide range of sophisticated knowledge.
2. The Company shall appoint two or more independent outside directors with the wide-ranging viewpoints of stakeholders, in order to contribute to the attainment of sustainable growth and the enhancement of corporate value in the medium and long term, as well as improvement in the social value of the Company.
3. Independent outside directors must allocate the time and effort that are necessary to fulfill their roles and responsibilities for performing the duties of the Company's directors.
4. The Company shall provide a working environment that enables outside directors to perform their duties efficiently through such means as the preliminary arrangement of meeting dates, etc. In addition, the Company shall check continuously the detailed status of execution of duties, etc., such as the number of companies in which outside directors are concurrently holding positions and the status of attendance and the remarks of outside directors at meetings, and disclose the results in business reports.
5. Independent outside directors, upon assuming the post, shall understand relevant laws and regulations, the Company's Articles of Incorporation and other internal regulations, such as the Board of Directors Regulations, in order to adequately fulfill their responsibilities.
6. The Company shall create opportunities for independent outside directors and independent outside

corporate auditors to exchange opinions, with the aim of having independent outside directors proactively contribute to discussions at the Board of Directors Meeting to help the Company achieve sustainable growth and improve corporate value in the medium and long term.

7. The Company shall create opportunities for sharing information and exchanging opinions with directors, corporate auditors and corporate vice presidents, in order for independent outside directors to communicate or coordinate with the management team or enhance cooperation with corporate auditors or the Board of Corporate Auditors.

#### Article 20. Appointment of independent outside directors

Outside director candidates shall satisfy the requirements of the following items.

- (1) Persons who play a leadership role in the fields of company management, legal circles, accounting, public administration, consulting, education, etc., and have extensive experience and expert knowledge.
- (2) Persons who are deeply interested in the Company's business, understand the essence of the issues faced by the Company from the position of observing the overall management of the Company and have the ability to express opinions and provide guidance and oversight to the management team in a timely and appropriate manner.
- (3) Persons who meet the independence requirements set forth by stock exchanges, as well as criteria for independence prescribed by the Company.

#### Article 21. Management of the Board of Directors

1. The Board of Directors shall endeavor to improve the management of meetings in order to promote the respect for free, vigorous and constructive discussion and exchange of opinions, including raising issues by outside directors, and stimulate deliberations.
2. The Board of Directors shall distribute materials for its meetings in advance to ensure the time necessary for prior examination by directors and corporate auditors according to the contents of such materials. In addition, the Board of Directors shall provide materials other than materials for the Board of Directors Meetings, which are necessary to understand the conditions of management as needed.
3. The Board of Directors shall disseminate the annual schedule of its meetings and matters expected to be discussed and reported at such meetings in advance, to the maximum extent possible.
4. The Board of Directors shall set the agendas, time for deliberation and frequency of its meetings to enable necessary and adequate discussion, in order to decide on the execution of important business and oversee the performance of duties.
5. The Board of Directors shall endeavor to have a preliminary organization of the Board of Directors conduct sufficient deliberations on agenda items to be discussed and matters to be reported at the Board of Directors Meeting, and send materials and provide explanations to outside directors in advance as necessary, so that meaningful opinions, comments or questions will be provided at the Board of Directors Meeting.

#### Article 22. Evaluation of the Board of Directors

The Board of Directors shall conduct an analysis and evaluation of its effectiveness and other criteria based on periodical interviews of each director, etc., and disclose the outline of the results of analysis



and evaluation in a timely and appropriate manner.

#### Article 23. Roles and responsibilities of corporate auditors and the Board of Corporate Auditors

1. The Board of Corporate Auditors, as an independent organization entrusted by shareholders, shall be responsible for ensuring the sound and sustainable growth of the Company and establishing a high-quality corporate governance system that can be trusted by society by performing audits of the execution of duties by directors, passing resolutions on the contents of proposal items regarding the appointment and dismissal, or non-reappointment, of accounting auditor that will be submitted to the General Meeting of Shareholders, and performing business audits, accounting audits and other matters prescribed by the laws and regulations.
2. Corporate auditors must attend the Board of Directors Meeting and other important meetings, verify the content of reports received from directors, employees or accounting auditor, etc., and implement necessary measures, such as expressing opinions by giving advice or recommendations to directors or employees, in a timely manner.
3. The Board of Corporate Auditors shall establish the Regulations of the Board of Corporate Auditors and Code of Corporate Auditor's Auditing Standards to perform its duties and comply with them.
4. Outside corporate auditors must allocate the time and effort that are necessary to fulfill their roles and responsibilities for performing the corporate auditor's duties of the Company.
5. The Company shall provide a working environment that enables corporate auditors to perform their duties efficiently through such means as the preliminary arrangement of meeting dates, etc. In addition, the Company shall check continuously the detailed status of the execution of duties, etc., such as the number of companies in which outside corporate auditors are concurrently holding positions and the status of attendance and the remarks of outside corporate auditors at meetings, and disclose the results in business reports.

#### Article 24. Policy and procedures for decision on nomination

1. The Board of Directors, when nominating candidates for directors and corporate auditors and appointing/dismissing the CEO or corporate vice presidents, shall consider whether or not the person in question has extensive experience, high levels of ability and insight, and advanced expertise commensurate with a position as the Company's director, corporate auditor, or corporate vice president in order to contribute to achieving the Company's corporate philosophy and effective corporate governance, as well as sustainable growth and improvement in corporate value in the medium and long term.
2. When nominating candidates for directors, the Board of Directors shall nominate two or more independent outside directors from the viewpoints of giving consideration to diversity, etc., within the Board of Directors, and improving the transparency of management and shareholder value by serving the oversight functions of management from an independent position.
3. The nomination of candidates for directors and corporate auditors and the appointment/dismissal of the CEO or corporate vice presidents shall be determined by a resolution at the Board of Directors Meeting. To ensure the fairness and transparency of decisions on executive appointment the Executive Nomination Meeting shall submit to the Board of Directors proposals of nomination and appointment/dismissal approved following full deliberation by committee members including

- independent outside directors, based on advice from the Board of Directors.
4. Each director can request that a meeting of the Board of Directors be convened at any time for the purpose of appointment/dismissal of the CEO, etc.
  5. The Executive Nomination Meeting shall comprise representative directors, a director in charge of the Secretarial Office, and outside directors, and be chaired by a representative director of the board.
  6. When nominating candidates for corporate auditors, the approval of the Board of Corporate Auditors shall be obtained.
  7. When nominating candidates for directors and corporate auditors and appointing/dismissing corporate vice presidents, in each case explanations shall be required on matters such as background, the status of concurrent holding of positions, insights and expected roles at the Company of the candidate, and the reasons for the nomination or appointment/dismissal.

#### Article 25. Policy and procedures for determining compensation

1. Compensation of directors and corporate vice presidents, etc., shall be determined from the viewpoints of the items listed below.
  - (1) Compensation, etc., shall be of levels commensurate with the roles and responsibilities of directors and corporate vice presidents, as well as being proper, fair and balanced.
  - (2) The compensation structure shall be determined by giving consideration to generating motivation for sustainable improvement in corporate performance and corporate value and securing excellent human resources.
2. The specific composition of the compensation, etc., shall be as follows. Note that the total amount of compensation and the levels of compensation of each item shall be set according to job responsibility and classification of inside or outside positions of the Company by utilizing the research data compiled by outside specialized agencies, etc. Furthermore, the total amount of monetary compensation related to long-term incentives shall be up to 200 million yen per year.
  - (1) Basic compensation: fixed compensation for which specific amounts are determined based on job positions and with consideration given to elements such as the business environment.
  - (2) Short-term performance-linked compensation: performance-linked compensation for which specific amounts are determined based on the actual amount of consolidated ordinary income for the current fiscal year and with consideration given to elements such as ROE, the degree of improvement in net assets to total assets, the cultivation of human resources and business environment.
  - (3) Long-term incentives: compensation consisting of granting restricted stock intended to provide an incentive to achieve sustained improvement of the corporate value of the Company and to share more of that value with our shareholders.
3. Performance-linked compensation shall not be given to outside directors in view of their roles of fulfilling monitoring and oversight functions of corporate management from an independent position.
4. The total annual amount of compensation, etc., paid to directors shall be limited to 1.2 billion yen (of which an amount within 200 million yen is for Outside Directors) based on the resolution at the 85th Ordinary General Meeting of Shareholders held on June 28, 2016. The specific compensation amount, including the compensation plan, shall be determined within the above limit by the Executive

Compensation Meeting based on delegation by the Board of Directors, following full deliberation by committee members including independent outside directors.

5. The Executive Compensation Meeting shall comprise representative directors, directors in charge of the Secretarial Office, and outside directors, and be chaired by a representative director of the board.
6. The Executive Compensation Meeting shall determine the compensation of directors and corporate vice presidents by taking into account various elements such as properly comparable compensation levels of other companies, compensation of the Company's employees, social situations and performance evaluation of corporate vice presidents.

Article 26. Support system for directors and corporate auditors

1. Directors and corporate auditors shall gather information for effectively fulfilling their roles and responsibilities, while the Company shall endeavor to improve the system for properly providing necessary information.
2. Directors and corporate auditors, including outside directors and outside corporate auditors, shall request the Company to provide additional information if deemed necessary to adequately fulfill their roles and responsibilities.
3. The Company shall establish a system that enables directors and corporate auditors to obtain assistance from external experts, such as lawyers and certified public accountants, as needed, and bear the necessary costs for the system.
4. The Internal Audit Department and other operating departments shall ensure cooperation with directors and corporate auditors and proactively provide information if directors and corporate auditors request the provision of information necessary for performing their duties.

Article 27. Training of directors and corporate auditors

1. The Company shall continuously provide directors and corporate auditors with information and knowledge on its business activities necessary for the oversight of corporate management so that they can adequately fulfill their responsibilities.
2. The Company shall provide outside officers with opportunities to obtain reports on business operations from operating departments and for plant tours, etc., with the aim of continuously providing information on the Company's management philosophy, corporate culture and business environment, etc. The Company shall also cultivate an environment for enhancing information sharing and exchanging opinions between officers.
3. The Company shall bear the costs necessary for directors and corporate auditors to fulfill their roles.

## Chapter 6. Dialogue with Shareholders

### Article 28. Policy for constructive dialogue with shareholders

1. The Company shall endeavor to develop a long-term relationship of trust with shareholders by holding constructive dialogue with them in order to contribute to the achievement of sustainable growth and improvement in corporate value in the medium and long term.
2. The overall constructive dialogue with shareholders shall be supervised by the CEO and CFO and taken charge by the Investor Relations Department. In addition, relevant departments, including the Corporate Planning Department, Secretarial Office, Finance & Accounting Department, Legal Department and Audit Department, shall cooperate organically in order to enhance dialogue.
3. The Company shall proactively disseminate clear information to shareholders through such means as timely holding various briefing meetings and utilizing its website, in order to deepen shareholders' understanding about management strategy, description of business, products, performance, etc.
4. The Company shall periodically update directors, corporate auditors and corporate vice presidents, as well as relevant departments, on the details of opinions and concerns of shareholders obtained through dialogue with them.
5. The Company shall implement information management thoroughly in accordance with the Insider Trading Prevention Rules, in order to prevent the leakage of undisclosed important internal information (insider information) through dialogue with shareholders. In addition, the Company shall hold appropriate dialogue with shareholders through fair disclosure in accordance with the Corporate Information Disclosure Regulations and Disclosure Policy specified separately.

End

Supplementary provisions

Effective on November 5, 2015

Revised on June 28, 2016

Revised on October 1, 2016

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Revised on November 5, 2018

Revised on April 1, 2019

### <Criteria for Independence of Outside Officers>

The Company considers that it is desirable for outside directors and outside corporate auditors (hereafter, collectively referred to as “outside officers”) to maintain independence to the maximum extent possible, in order to ensure corporate management with high levels of objectivity and transparency and a strong management oversight function, and to improve corporate value.

Accordingly, the Company shall set the criteria for independence and conduct an investigation to the extent reasonably possible. If any of the following items apply to an outside officer, the Company deems that the relevant outside officer does not maintain adequate independence.

1. A person engaged in business execution<sup>\*1</sup> of the Company and its current consolidated subsidiaries (hereafter, referred to as the “Group”)
2. A major shareholder<sup>\*2</sup> of the Company or a person engaged in business execution of a major shareholder
3. A major business partner<sup>\*3</sup> of the Group or a person engaged in business execution of such business partner, or a business partner for whom the Group is a major business partner<sup>\*4</sup> or a person engaged in business execution of such business partner
4. A person engaged in business execution of the Group’s major lender<sup>\*5</sup>
5. A party whose shares corresponding to 5% or more of the voting rights the Group holds, or a person engaged in business execution of such party
6. A person who belongs to the accounting firm that performs statutory audits of the Company
7. A consultant, accounting professional or legal professional obtaining large amounts<sup>\*6</sup> of money or other financial benefits other than officers’ compensation from the Company (if such financial benefits are obtained by an organization, such as an incorporated entity and union, a person belonging to such organization)
8. A person or a person who belongs to a corporation or association receiving a large donation<sup>\*6</sup> from the Group and who is directly engaged in the activity for the donation.
9. If a person engaged in business execution of the Group is concurrently holding the position of outside officer at another company, a person engaged in business execution of such company
10. Close relatives<sup>\*7</sup> of a person who fall within any of items 1. through 9. above.
11. A person who fall within any of items 2. through 10. above during the past 5 years
12. A person who has been holding the position of outside officer of the Company for a cumulative total of eight or more years
13. A person for whom a substantial conflict of interest may constantly occur with the Company’s general shareholders as a whole for reasons other than those considered in items 1. through 12. above

\*1 A person engaged in business execution refers to executive directors, executive officers, corporate vice presidents or other persons performing an equivalent function and employees who belong to the Group currently.

\*2 A major shareholder refers to a shareholder holding 5% or more of the voting rights of the Company in their own name or another person’s name as of the end of the most recent fiscal year. If a major shareholder is an organization such as an incorporated entity and union, a person engaged in business execution of item 2. refers to such person who belongs to said organization.

\*3 A major business partner of the Group refers to a business partner with which the Company conducts business transactions for which net sales, etc., in any one fiscal year of the three fiscal years immediately preceding the most recent fiscal year exceed 2% of the Group’s annual consolidated net sales, etc., in the relevant fiscal year.

\*4 A business partner to which the Group is a major business partner refers to a business partner with which the Company or its consolidated subsidiaries conduct business transactions for which net sales, etc., in any one fiscal year of the three fiscal years immediately preceding the most recent fiscal year exceed 2% of the annual net sales, etc., of the said company group.

\*5 A major lender refers to a financial institution from which the Group borrows funds for which the outstanding borrowings as of the end of the most recent fiscal year exceed 2% of the consolidated total assets of the Company.

\*6 A large amount refers to a case in which the amount of consideration or donation received from the Company exceeds 10 million yen for an individual and either higher amount of followings 10 million yen or 2% of annual gross income or consolidated net sales for an incorporated entity or association per year.

\*7 Close relatives refer to spouses and first- and second-degree relatives.