

To promote sustainable growth and medium- to long-term improvements to our corporate value, we position swift decision-making, the proper performance of duties, and strengthening our management oversight functions as core issues for the company. To ensure appropriate responses to these issues, we are strengthening Board of Directors oversight functions. To accelerate and optimize business execution based on appropriate supervision by the Board of Directors, with a resolution passed on June 27, 2019 at the Regular General Meeting of Shareholders, we switched from a company with an Audit and Supervisory Board to a company with an Audit & Supervisory Committee Structure.

Strengthening Corporate Governance

With the transition to a company with an Audit & Supervisory Committee Structure, in June 2018 we abolished the three-member Audit & Supervisory Board and increased the number of directors from seven to eight. As a result, the total number of board members decreased by two to eight and the ratio of outside directors increased from 28.6% to 37.5%.

We also are reevaluating nomination standards for outside directors as we shift towards increasing the number of board members with corporate management experience and invigorate the Board of Directors.

Board of Directors and Directors

The Board of Director is chaired by the President and CEO, and is comprised of the eight members including three outside directors.

- Five directors (excluding directors serving as Audit and Supervisory Committee members and of which, one is an outside director)
- Three directors serving as Audit and Supervisory Committee members (of which, two are outside directors)

The term for directors (excluding directors serving as Audit and Supervisory Committee members) shall be one year in order to clarify management responsibilities and enable them to respond to rapid changes in operating environments.

The Board of Directors is responsible for the function of overseeing decision-making and business execution by management. The board discusses and makes decisions on important management matters specified in laws and regulations, the Articles of Incorporation, and the Rules on the Board of Directors. To increase the efficiency and agility in the execution of business, the Board of Directors delegates executive authority to executive officers on matters that do not meet the standards set for referral to the Board of Directors in laws and regulations, the Articles of Incorporation, and the Rules on the Board of Directors.

Outside Directors

Outside directors bring in external perspectives and increase management transparency. The Company also appoints outside directors to further strengthen the oversight function regarding the execution of business. They are experts who can provide opinions and advice from a wide variety of perspec-

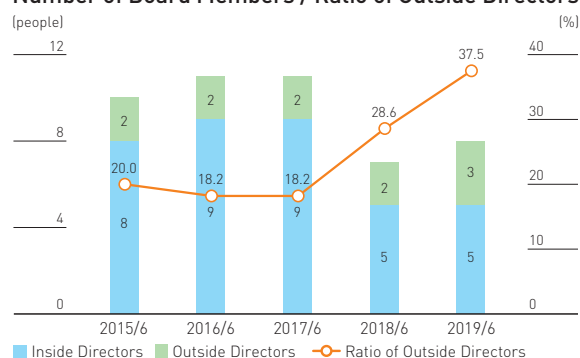
tives and from the perspective of social contribution and are invited to Board of Directors meetings and other meetings.

The three outside directors comment and state their opinions as necessary to ensure adequate and appropriate decision making by the Board of Directors.

Reason for Appointment as an Outside Director

Reason for Appointment as an Outside Director	
Motoki Ozaki Independent Officer	Mr. Ozaki was appointed for his numerous years of management experience at major corporations and the desire to apply his vast experience and knowledge towards Company management.
Michiko Chiba Independent Officer	Ms. Chiba possesses expertise in finance and accounting and extensive auditing experience as a certified public accountant. Ms. Chiba was nominated to serve as an outside director from a fair and neutral position as an objective third-party.
Hiroto Abe Independent Officer	Mr. Abe has vast experience working overseas at general trading companies and, as a university graduate school professor, has expertise and experience in the field of legal affairs. Mr. Abe was nominated to serve as an outside director from a fair and neutral position as an objective third-party.

Number of Board Members / Ratio of Outside Directors



*In accordance with a resolution passed at the Regular General Meeting of Shareholders convened on June 27, 2019, we switched from a company with an Audit and Supervisory Board to a company with an Audit & Supervisory Committee Structure.

Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three directors who are Audit and Supervisory Committee members. An inside director shall serve as committee chair and two outside directors are committee members.

In order to ensure the soundness and transparency of business management, Audit and Supervisory Committee

members attend Board of Directors meetings and other important meetings and committee meetings and voice their opinions, as necessary, to ensure appropriate decision-making. Audit and Supervisory Committee members also exercise strict oversight by meeting regularly with the President and CEO of the company, soliciting information and reports from directors (excluding directors who are Audit and Supervisory Committee members) and others, and reading the documentation for resolutions on important matters.

Audit and Supervisory Committee Members

Chairman:	Tomoyuki Uchiyama, Director
Members:	Michiko Chiba, Outside Director; Hiroto Abe, Outside Director

Nomination Committee

When requested by the Board of Directors, the Nomination Committee submits proposals to the General Meeting of Shareholders concerning the nomination and removal of directors and recommendations on selection standards for director candidates.

Nomination Committee members

Chairman:	Motoki Ozaki, Outside Director
Members:	Kazuhiro Kashio, President; Toshiyuki Yamagishi, Director; Michiko Chiba, Outside Director; Hiroto Abe, Outside Director

Compensation Committee

When requested by the Board of Directors, the Compensation Committee submits proposals to the General Meeting of Shareholders concerning compensation for directors and recommendations on policies related to decisions on director's compensation.

Compensation Committee members

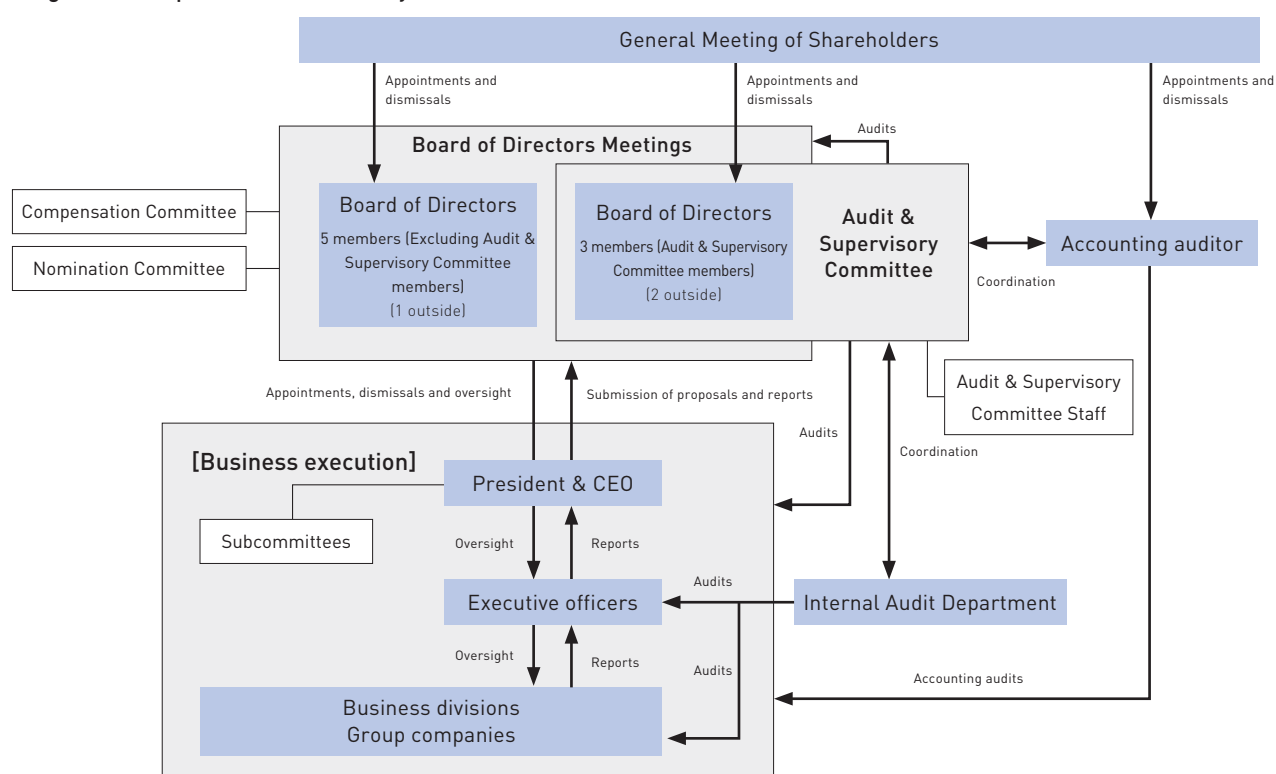
Chairman:	Hiroto Abe, Outside Director
Members:	Kazuhiro Kashio, President; Shin Takano, Director; Michiko Chiba, Outside Director

Executive Officer System/ Executive Officers

Executive officers are delegated certain authority to execute business according to the policies established by and under the supervision of the Board of Directors. Matters important to the execution of business are discussed at committee meetings that are attended by relevant executive officers and directors.

Executive officer candidates are nominated based on competence and performance history and are selected from among elite human resources capable of contributing to the further growth of consolidated operations. The term for executive officers shall be one year.

Diagram of Corporate Governance System



Methods for Calculating Director Compensation Amounts

To ensure the sustainable growth of the company, our basic policy for Director compensation is to offer incentives that ensure competitive compensation levels while promoting a healthy entrepreneurial spirit. In principle, compensation is comprised of 60% fixed salary (monthly) and 40% performance-linked compensation (bonuses and stock options).

Of the abovementioned performance-linked compensation, bonus levels are set based on performance relative to net sales and operating profit goals and actual sales figures. Business conditions and other qualitative factors are reflected in bonus amounts. For stock-related compensation, on June 27, 2019 the General Meeting of Shareholders voted to adopt a system for stock compensation with transfer restrictions. Compensation for outside directors is comprised solely of a fixed monthly compensation amount.

Director's Training

Based on the belief that directors must continue to advance their skills and knowledge if they are to sufficiently fulfill their roles, we actively promote self-improvement by directors. The Company continuously offers the support, including the provision of information, opportunities, and cost reimbursements, necessary for self-improvement. We continuously offer information to promote a better understanding of our business operations. This includes planning and providing opportunities for outside directors, both at the time of appointment and throughout the term of their appointment, to participate in important internal meetings, tour domestic and overseas plants and offices, and attend

internal research seminars. Directors who are members of the Supervisory and Authority Committee are provided opportunities for skills improvement necessary for their roles and responsibilities through information provision by the Japan Audit & Supervisory Board Members Association and participation in seminars.

Internal Auditing

The Internal Audit Department consists of four auditors who audit the status of organizational management based on common group standards and work to strengthen internal controls. Dedicated staff have been allocated to directors who are members of the Audit & Supervisory Committee (including outside director) to assist them in their work and they exchange information on a daily basis and they hold regular quarterly meetings. They also plan internal audits, provide a summary report based on the items audited after internal audits have been conducted, and work together to improve the efficiency and effectiveness of the audit function. The results of internal audits are reported to directors (excluding directors who are members of the Audit & Supervisory Committee).

TOB Defense Measures

We do not implement TOB defense measures.

Analysis and Evaluation of Board of Directors Effectiveness

With an awareness of the changes in the roles expected of the Board of Directors, we evaluate the Effectiveness of the Board of Directors and conduct reviews aimed at strengthening organizational and operational governance.

FY2019 compensation

Executive category	Total compensation amount	Total amount by compensation type	Number of applicable executives
Directors (excluding outside directors)	197 million yen	Fixed compensation 151 million yen	9
		Performance-linked compensation 45 million yen	
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	13 million yen	Fixed compensation 13 million yen	1
Total amount for outside executives	33 million yen	Fixed compensation 33 million yen	5

Notes)

- 1) Amounts paid to directors do not include employee wages paid to directors with managerial duties.
- 2) At the 53rd General Meeting of Shareholders held on June 26, 2009, a resolution was passed setting the maximum compensation amount for directors as less than a total of 700 million yen per year for 12 directors (however, this does not include amounts paid as employee wages to directors with managerial duties and deferred amounts for executive retirement bonuses).
- 3) At the 51st General Meeting of Shareholders held on June 28, 2007, a resolution was passed setting the maximum compensation amount for Audit & Supervisory Board Members as less than a total of 70 million yen per year for four members (however, this does not include deferred amounts for executive retirement bonuses).
- 4) For FY2020, the compensation structure was revised via a resolution passed at the 63rd General Meeting of Shareholders held on June 27, 2019.

In FY2019, we conducted interviews of directors and Audit & Supervisory Board members regarding points of improvement related to the role, function, and implementation of the Board of Directors' meetings. From these interviews, we received opinions such as the need to review standards for meeting agendas, and enhance meeting materials. We are applying these evaluation results towards increasing meeting efficacy and making continuous improvements.

Dialogues With Shareholders

We view proactive dialogues to promote building long-term, trust-based relationships with our shareholders and investors as critical to elevating our corporate value. Under the direction of our President & CEO, our executive officer responsible for IR oversees corporate IR activities.

Our internal structure promotes a common awareness of the importance of dialogue with shareholders. We collaborate on IR activities by gathering and accumulating necessary information from the networks linking relevant departments. Directors or executive officers directly engage in IR activities as necessary depending on theme and content. In addition to sharing opinions received through shareholder interactions with the Board of Directors, we also share information at executive officer meetings as necessary to reflect those opinions in measures aimed at increasing corporate value.

To ensure the management of insider information during IR activities, we have outlined rules concerning the handling of important undisclosed information and work to ensure strict implementation of those rules. Part of our response measures includes requiring that meetings are attended by multiple people.

In addition to communication through individual meetings, other measures for IR management include holding quarterly earnings conferences for institutional investors and securities analysts where the President or executive officer responsible for IR provides a summary of financial results, introduces earnings forecasts, and explains operations. To promote further understanding of our company, we are enhancing external communications by listing various IR information on our website and have established a help desk for receiving inquiries from shareholders.