

## CORPORATE GOVERNANCE

Last update: November 30, 2021

Moriroku Holdings Company, Ltd.

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The status of the Company's corporate governance is as follows.

### **I Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

#### **1. Basic Approach**

Our Management Philosophy is "Moriroku Group will create high value with its future-oriented creativity and advanced technologies, while contributing to the global society." By practicing this, the Moriroku Group's basic approach to corporate governance is to ensure transparency, fairness, and timeliness in management decision-making. The aim is to continuously increase its corporate value over the medium and long term, as well as to fulfill the Group's social responsibilities by maintaining close relations with all types of stakeholders, including customers, business partners, employees, local communities, and shareholders, in order to earn their trust.

#### **[Reasons for not implementing Principles of the Corporate Governance Code] Updated**

[Supplemental Principle 3-1-3: Sustainability initiatives]

The Company aims to realize a sustainable society by reducing the environmental impact of its business and contributing to local communities. We are promoting the creation of an environment and workplace where each employee can maximize their abilities and individuality and work with vigor. In addition, we will further focus on materials and products in the area of sustainability and promote the expansion and utilization of our intellectual property rights to increase our corporate value over the medium and long term. Recognizing that climate change can be a risk and an opportunity in corporate management and that it needs to be addressed by the entire Group, we will enhance the quality and quantity of disclosure based on TCFD and other frameworks.

[Supplemental Principle 4-1-3: Succession Planning for CEO, etc.]

The Company positions the formulation and implementation of a succession plan for the Representative Director and President and other officers (next generation of management) as an important item in its management strategy. With respect to the development of the next generation of management officers who will support sustainable growth, several candidates are selected every year and they are strategically provided with opportunities to acquire the necessary experience and

knowledge through leadership training and reassignment of personnel. In the future, the Nomination & Remuneration Advisory Committee will formulate and implement a succession plan for the Representative Director and President and other officers, and the Board of Directors will appropriately supervise the development plan and the status of development.

[Disclosure based on Principles of the Corporate Governance Code] **Updated**

[Principle 1-4: Strategic shareholding policy]

The Company acquires and holds listed shares in accordance with the following policies.

- (i) The Company permits the strategic holding of listed shares only when the necessity to maintain and strengthen business relationships, medium- to long-term economic rationality, future prospects, benefits and risks associated with the holding are considered and rationality is recognized.
- (ii) In the case of holding, the Board of Directors reviews the effect of holding and other factors every year based on quantitative evaluation such as transaction amount and profit margin, and qualitative assessment such as future prospects, and makes decisions on whether to continue holding. Based on the verification results, the Company sold some of its shares in FY2019 and FY2020.
- (iii) The Company shall, when exercising voting rights for listed shares held, consider whether to approve or disapprove each proposal, comprehensively taking into account the impact of the proposal on the medium- to long-term corporate value of the investee companies.

[Principle 1-7: Transactions with related parties]

The Company shall execute transactions with its Directors or those with conflicts of interest after deliberation and approval by the Board of Directors.

In order to ensure the appropriateness of transactions with related parties, such as major shareholders and affiliated companies, the Company shall establish regulations for managing related party transactions, identify and manage transactions with related parties, and, if the transaction falls under the category of a related party transaction, confirm the necessity, economic rationality and appropriateness of the terms of the transaction, and then implement approval and decision-making procedures based on the established regulations.

[Supplemental Principle 2-4-1: Ensuring diversity in appointment of core personnel, etc.]

Based on the concept that Moriroku cannot grow without the growth of diverse human resources, we are working to secure and promote diverse human resources. Recognizing diversity in the age, gender, nationality, disability, and values of each and every employee, demonstrate teamwork and utilize each other's strengths. We believe that this is what will lead to the realization of "Future-oriented creativity" as stated in our Management Philosophy.

<Appointment of women to management positions>

The ratio of women managers in the Company exceeded 10% in 2021, and the first woman Executive Officer in the Group companies was promoted internally.

We aim to double the ratio of women managers in the Company to around 20% by 2025, and double the ratio of women managers in the Group companies from 2.3% in 2021 to around 5%.

The Company will maintain the ratio of new women graduates hired for career-track positions at 50%, while the Group companies will strengthen hiring with a target of 25%. In addition, we will increase the number of women managers by supporting the autonomous growth of our employees and continuously working to foster career awareness among women employees.

<Appointment of non-Japanese to management positions>

We are actively recruiting human resources regardless of nationality, and we currently have 18 non-Japanese employees in the Group companies, three of whom are active in management positions. In addition, at our overseas affiliates in Canada, the U.S., China, South Korea, Thailand, India, and the Philippines, non-Japanese employees are serving as Directors, and two of them are women.

We will continue to actively promote the training and appointment of non-Japanese employees, and plan to increase the number of non-Japanese employees appointed to the CEO position at overseas affiliates to three or more by 2025.

<Appointment of mid-career hires to management positions>

We are promoting the mid-career hiring of highly specialized personnel and personnel with the technology, experience, and skills necessary for the future business of the Group, and more than 30% of mid-career hires have been promoted to management positions in the Group companies.

We will continue to strengthen our diversity by hiring mid-career personnel to account for about 50% of new hires each year.

<Policies on human resource development and internal environment improvement to ensure diversity and their status>

We aim to create an environment and workplace where each employee can maximize their abilities and individuality and work with vigor and enthusiasm. To this end, we are creating a corporate culture that accepts and utilizes diverse values and new ideas, conducting training for managers to achieve this, and promoting flexible work styles regardless of where employees work, such as flextime system and telecommuting. In addition, we launched the Diversity Promotion Committee in 2019, and are actively working to create new systems and frameworks while envisioning how the activities of diverse human resources will lead to “Future-oriented creativity.”

[Principle 2-6: Functioning as an asset owner of corporate pension plan]

The Company formulates a strategic asset composition ratio for its defined-benefit pension funds

and manages them through dialogue and consultation with investment institutions by personnel with relevant knowledge in the departments in charge of human resources, accounting and finance. In managing assets, we entrust the management of pension assets to investment institutions that have declared their acceptance of the Stewardship Code. In addition, we have established a structure under which the departments in charge of human resources and accounting and finance regularly monitor the investment status of the entrusted investment institutions, and review and revise the strategic asset composition ratio that has been established as necessary. Furthermore, by having the relevant department staff participate in external training and seminars, the Company strives to confirm market trends related to investment management and improve their knowledge. The Company manages conflicts of interest appropriately by entrusting the selection of individual investee companies and the exercise of voting rights to the investment trust management organization.

[Principle 3-1: Enhancement of information disclosure]

(i) Management Philosophy, Management Strategies, and Management Plan

Management Philosophy: This is posted on the Company's website.

Management Strategies and Plan: The Company has formulated the medium-term management plan, the first year being FY2019, which is posted on the Company's website.

(ii) Basic Approach and Policy on Corporate Governance

It is described in "I. 1. Basic Approach" of this report.

(iii) Policies and procedures for the Board of Directors in determining remuneration of Senior Management and Directors

The amount of remuneration for Directors is determined by the Board of Directors within the scope of the remuneration resolved by the General Meeting of Shareholders after deliberation by the Nomination & Remuneration Advisory Committee. For details, please refer to [Directors' remuneration] in "II. 1. Matters Related to Institutional Structure & Organizational Management, etc." of this report.

(iv) Policies and procedures for the Board of Directors' selection and dismissal of senior management and nomination of candidates for Directors and Audit & Supervisory Board Members

For Executive Officers, the Company selects candidates who have experience, knowledge and expertise in business, and the Board of Directors deliberates and resolves on the candidates.

For Directors, we select candidates who have a high level of insight and ability and are capable of making proposals based on the perspectives of stakeholders, and the Board of Directors deliberates and resolves on the selection, and then proposes to the General Meeting of Shareholders. The procedure is as follows: the Director with representative authority selects suitable candidates based on the above policy; materials sufficient for the decision are distributed in advance; and the decision is made after the chairperson of the

Board of Directors encourages the independent Outside Director to speak at the Board of Directors meeting. The Company believes that the independence, objectivity and accountability of the Board of Directors' functions are sufficiently ensured.

As for Audit & Supervisory Board Members, the Company selects candidates who have the knowledge and experience to accurately and fairly audit the execution of business, and after obtaining the consent of the Audit & Supervisory Board, the Board of Directors deliberates and resolves on the selection, and proposes to the General Meeting of Shareholders.

- (v) Explanation of individual elections and nominations when the Board of Directors elects and dismisses senior management and nominates candidates for Directors and Audit & Supervisory Board Members based on (iv) above

The reasons for each election and nomination are stated in the notice of convocation of the General Meeting of Shareholders.

[Supplemental Principle 4-1-1: Matters to be resolved by the Board of Directors and scope of delegation to management]

The Board of Directors is responsible for making decisions on management policies and other important management matters, as well as important business operations that are required to be resolved by the Board of Directors under laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations.

On non-Board of Directors agenda, the Company has established criteria for the President, officers in charge, etc. to make decisions, and they are set forth in the Administrative Authority Regulations.

[Principle 4-9: Criteria for determining the independence of independent Outside Directors and their qualities]

In accordance with the requirements for Outside Directors stipulated in the Companies Act and the independence criteria stipulated by the stock exchanges, the Company appoints independent Outside Directors on the premise that they have sufficient independence to perform their duties as Outside Directors from the Company's management, based on their background and relationship with the Company.

[Supplementary Principle 4-10-1: Establishment of Nomination Committee and Compensation Committee]

The current composition of the Board of Directors consists of five Directors, three of whom are independent Outside Directors.

With regard to the nomination and remuneration of Directors and Audit & Supervisory Board Members, the Company has established a voluntary Nomination & Remuneration Advisory Committee, chaired by an independent Outside Director, as an advisory body to the Board of Directors, as it is necessary to strengthen the independence, objectivity and accountability of the Board of Directors' functions.

The Nomination & Remuneration Advisory Committee consists of two Outside Directors and one

inside Director, and the majority of members are independent Outside Directors to enhance the independence and objectivity of the committee.

[Supplemental Principle 4-11-1: Views on the balance of knowledge, experience and ability, diversity and size of the Board of Directors as a whole]

In order to ensure a high level of decision-making on important business operations through substantial discussions at the Board of Directors meetings, as well as supervision and auditing of appropriate business operations, the Company appoints people as Directors and Audit & Supervisory Board Members who have the knowledge and experience that the Company considers material for its Board of Directors. Independent Outside Directors include those who have management experience at other companies.

A skills matrix that summarizes the knowledge and experience of the Company's Directors and Audit & Supervisory Board Members is provided on the last page of the report.

[Supplemental Principle 4-11-2: Concurrent Officer position held by Directors and Audit & Supervisory Board Members at other listed companies]

The Company discloses the status of important concurrent positions of Directors and Audit & Supervisory Board Members and their candidates (including Officers of other listed companies) every year through the Notice of Convocation of the General Meeting of Shareholders, Securities Report and Corporate Governance Report.

[Supplemental Principle 4-11-3: Effectiveness assessment of the Board of Directors]

Since last year, the Company has been assessing the effectiveness of the Board of Directors once a year using its own resources, reporting the results and specific improvement measures to the Board of Directors, and implementing these measures to enhance the functioning of the Board of Directors.

In the fiscal year ended March 2021, we assessed the composition and operation of the Board of Directors, and deliberations, decision-making and supervision at Board of Directors meetings, and confirmed that the effectiveness of the Board of Directors was generally ensured. Since last year, we have been working on improvements to revitalize deliberations on management and business strategies, and we will continue to do so. In the current fiscal year, we are discussing "Management and business strategies" and "Effectiveness assessment of the Board of Directors" in light of the 13th Medium-term Management Plan and the revision of the Corporate Governance Code, which will start in the next fiscal year, and will continue our efforts to enhance corporate value over the medium and long term.

[Supplemental Principle 4-14-2: Training Policy for Directors and Audit & Supervisory Board Members]

When internal Directors and Audit & Supervisory Board Members assume office, the Company requires them to attend training courses to learn the legal obligations to be observed and the roles

and responsibilities to be fulfilled as Directors and Audit & Supervisory Board Members.

The Company also provides training after the appointment of Directors and Audit & Supervisory Board Members to ensure that they acquire and appropriately update the necessary knowledge and promote understanding of the roles and responsibilities they should fulfill.

[Principle 5-1: Policy on constructive dialogue with shareholders]

The Company engages in constructive dialogue with shareholders in order to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium and long term.

The Corporate Communications & IR Division in charge of IR provides IR information on the Company's website and strives to provide feedback to senior management on opinions, etc. from shareholders.

Regulations for the prevention of insider trading are established to prevent the leakage of insider information.

## 2. Capital Structure

Percentage of shares held by foreigners	Less than 10%
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### [Major shareholders]

Name	Number of Shares Held	(%)
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited Re-trust account, Mitsui Chemicals, Inc. Pension Trust Account)	1,416,000	8.54
Moriroku Employee Shareholding Plan	1,289,206	7.78
Mitsui & Co., Ltd.	1,128,000	6.81
Shigeru Mori	1,056,060	6.37
Honda Motor Co., Ltd.	792,000	4.78
The Master Trust Bank of Japan, Ltd. (Trust Account)	696,000	4.20
Custody Bank of Japan, Ltd. (Trust Account)	616,400	3.72
The Awa Bank, Limited	526,000	3.17
Yoshiko Yamada	291,782	1.76
Toyoko Mori	289,547	1.75

Controlling Shareholder (excluding Parent Company)	—
Parent Company	None

Supplementary Notes

The percentage of shares held is calculated by deducting the number of treasury stock (388,628 shares)

and is rounded off to the second decimal place.

### 3. Corporate Attributes

Stock exchange listing and market classification	Tokyo Stock Exchange, First Section
Fiscal Year End	March
Industry	Chemical
Number of (consolidated) employees at previous fiscal year-end	1,000 or more
(Consolidated) net sales for previous fiscal year	100 billion yen or more but less than 1 trillion yen
Number of consolidated subsidiaries at previous fiscal year-end	10 companies or more but less than 50

### 4. Guidelines on Measures to Protect Minority Shareholders in Transactions with Controlling Shareholders, etc.

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### 5. Other Special Circumstances That May Have Material Impact on Corporate Governance

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## **II Status of Management Control Organization and Other Corporate Governance Structures Related to Management Decision-Making, Execution and Oversight**

### 1. Matters related to Institutional Structure & Organizational Management, etc.

Form of organization	Company with Audit & Supervisory Board Members
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[Directors]

Number of Directors stipulated in Articles of Incorporation	9
Term of office of Directors stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	5
Election of Outside Directors	Elected
Number of Outside Directors	3



Number of Outside Directors designated as Independent Officer	3
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Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Koichiro Shibata	Lawyer													
Kenichi Hirai	From another company													
Ryo Otsuka	From another company													

\* Selection items on the relationship with the Company

\* If each item applies to the person in the "present or recently," "○"; for in the "past," "△".

\* If each item applies to a close relative in the "present or recently," "●"; for in the "past," "▲".

- a Executives of the listed company or its subsidiary
- b Executives or non-executive Director of the parent company of listed company
- c Executives of the affiliates of listed company
- d A person whose major business partner is a listed company or Executive thereof
- e Major business partner of a listed company or Executive thereof
- f Consultants, accounting experts, or legal experts who receive a large amount of money or other assets from a listed company other than officer compensation
- g Major shareholders of a listed company (if the major shareholder is a corporation, Executive thereof)
- h Executives (only the principal) of listed company's business partners (not falling under any of d, e and f)
- i Executives (only the principal) of a party in a relationship of mutual appointment as Outside Officer
- j Executives (only the principal) of a party to which a listed company has made a donation
- k Others

Relationship with the Company (2)

Name	Independent Officer	Supplementary Note on Conformity Items	Reason for Appointment
Koichiro Shibata	○	----	He has been active as a lawyer for many years, and has expert knowledge of laws and regulations and corporate governance in relation to his qualifications, as well as extensive experience as a member of the Disciplinary Committee of the Daini Tokyo Bar Association with high ethical standards. He has been elected to the Board of Directors as he is expected to strengthen the functions of the Board of Directors of

			<p>the Company by supervising the execution of business by Directors and others from an independent perspective.</p> <p>Although he has never been involved in corporate management other than as Outside Officer in the past, we believe that he will be able to properly perform his duties as Outside Director for the reasons stated above.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management.</p>
Kenichi Hirai	○	-----	<p>He has been engaged in corporate management in the automobile and chemical industries, and has been elected to the Board of Directors as he is expected to strengthen the functions of the Company's Board of Directors. He can do this by supervising the execution of duties by Directors, etc., from an independent standpoint based on his extensive experience and high level of insight in the accounting and finance fields that he has cultivated and his deep knowledge of corporate management.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management.</p>

Ryo Otsuka	○	----	<p>He served as Representative Director of a manufacturing company for many years, and has been elected to the Board of Directors as he is expected to strengthen the functions of the Company's Board of Directors. He can do this by supervising the execution of duties by Directors and other officers from an independent standpoint based on his extensive experience and high level of insight in overall management and his deep knowledge of corporate management.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management.</p>
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Any voluntary committee equivalent to Nomination Committee or Compensation Committee	Yes
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Status of establishment of voluntary committees, composition of members, and attributes of Chairperson Updated

	Name of Committee	Number of Members	Full-time Member	Internal Director	Outside Director	Outside Expert	Others	Chair
Voluntary committee equivalent to Nomination Committee	Nomination & Remuneration Advisory Committee	3	0	1	2	0	0	Outside Director
Voluntary committee equivalent to Compensation Committee	Nomination & Remuneration Advisory Committee	3	0	1	2	0	0	Outside Director

## &lt;Composition of committee members&gt;

The Nomination & Remuneration Advisory Committee consists of up to five members appointed by resolution of the Board of Directors, the majority of whom are Outside Directors, and the Committee Chair is selected from Outside Directors. The current Nomination & Remuneration Advisory Committee consists of three members: Chaired by Koichiro Shibata (Outside Director) with members, Kenichi Hirai (Outside Director) and Takashi Kurita (Representative Director).

## &lt;Key deliberation items&gt;

- Matters concerning the formulation of policies and procedures for nominating candidates for Directors and Audit & Supervisory Board Members
- Matters concerning the election of candidates for Directors and Audit & Supervisory Board Members
- Matters concerning succession planning
- Matters concerning the formulation of policies related to officers' remuneration
- Matters concerning the total amount of remuneration and proposed remuneration for each individual

## [Audit &amp; Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

## Status of cooperation among Audit &amp; Supervisory Board Members, Accounting Auditors and Internal Audit division

Audit & Supervisory Board Members exchange information regularly with the Internal Auditing Division, and also exchange opinions with the Accounting Auditor and the Internal Audit Dept. on their audit plans and results, etc., and conduct audits through mutual cooperation, while considering the independence of each.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	2

Number of Outside Audit & Supervisory Board Members designated as Independent Officer	2
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#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Tadashi Kawashima	Lawyer														
Fujio Furukawa	Tax accountant														

\* Selection items on the relationship with the Company

\* If each item applies to the person in the "present or recently," "○"; for in the "past," "△".

\* If each item applies to a close relative in the "present or recently," "●"; for in the "past," "▲".

a Executives of the listed company or its subsidiary

b Non-executive Director or Accounting Advisor of the listed company or its subsidiary

c Executives or non-executive Director of the parent company of listed company

d Audit & Supervisory Board Member of the parent company of listed company

e Executives of the affiliates of listed company

f A person whose major business partner is a listed company or Executive thereof

g Major business partner of a listed company or Executive thereof

h Consultants, accounting experts, or legal experts who receive a large amount of money or other assets from a listed company other than officer compensation

i Major shareholders of a listed company (if the major shareholder is a corporation, Executive thereof)

j Executives (only the principal) of listed company's business partners (not falling under any of f, g, or h)

k Executives (only the principal) of a party in a relationship of mutual appointment as Outside Officer

l Executives (only the principal) of a party to which a listed company has made a donation

m Others

#### Relationship with the Company (2)

Name	Independent Officer	Supplementary Note on Conformity Items	Reason for Appointment
Tadashi Kawashima	○	-----	As a lawyer and certified public accountant, he has considerable knowledge of corporate legal affairs, including the Companies Act, as well as finance and accounting, and we expect him to utilize this knowledge in auditing the Company. He has been designated as Independent Officer because he has no personal or business

			relationships with the Company that fall under the items described in the independence criteria established by the financial instruments exchanges, nor does he have any other special interests.
Fujio Furukawa	○	-----	<p>He served in important positions at the National Tax Agency for many years, is familiar with finance and accounting in addition to taxation, and has sufficient insight to supervise overall management, and we hope that he will utilize this knowledge in auditing the Company.</p> <p>He has been designated as Independent Officer because he has no personal or business relationships with the Company that fall under the items described in the independence criteria established by the financial instruments exchanges, nor does he have any other special interests.</p>

[Independent Officers]

No. of Independent Officers	5
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Other matters concerning Independent Officers

The Company has designated all Outside Directors and Outside Audit & Supervisory Board Members who meet the qualifications for Independent Officer as Independent Officers.

[Incentives]

Implementation status of measures concerning provision of incentives to Directors	Introduction of performance-linked remuneration system
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Supplementary Note on Applicable Items

The performance-linked remuneration consists of bonuses and performance-linked stock-based remuneration, and the ratio of performance-linked remuneration to total remuneration shall be approximately 35%.

Bonuses are short-term incentive remuneration and are performance-linked monetary remuneration that fluctuates based on the company's performance for each fiscal year (consolidated net sales and consolidated operating income for the current fiscal year). The base amount of a bonus is determined by multiplying the basic remuneration amount by a coefficient set for each position according to the degree of target achievement, etc., and is paid at a certain time each year.

Stock-based remuneration is performance-linked, restricted stock-based remuneration as an incentive for medium- to long-term performance and enhancement of corporate value, and is subject to change based on corporate performance, management indicators, etc. It shall, in principle, be granted in the first year of the medium-term management plan. The granting of shares during the tenure of office aims to promote further value-sharing with shareholders. The number of shares to be granted is set as a percentage of the basic remuneration, and the key management indicators (consolidated net sales and consolidated operating income for the final year of the 12th Medium-term Management Plan) listed in the Medium-term Management Plan are used as the conditions for the lifting of the restrictions on transfer upon achievement of the indicators.

We expect Outside Directors to provide us with objective opinions and suggestions from an outside standpoint, and in light of their position, we have not introduced a performance-linked remuneration system and pay only fixed basic remuneration to them.

Persons eligible for stock options	
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Supplementary Note on Applicable Items

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[Directors' remuneration]

Status of disclosure (of individual Director remuneration)	Individual remuneration is not disclosed.
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Supplementary Note on Applicable Items

The Company discloses the total amount of remuneration to Directors and Audit & Supervisory Board Members in the Annual Securities Report and Business Report.

Any policy for determining the amount of remuneration or its calculation method <span style="border: 1px solid black; padding: 2px;">Updated</span>	Yes
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Disclosure of the policy for determining amount of remuneration or its calculation method

The Company positions the remuneration system for its officers as "a mechanism to secure, maintain, and motivate human resources essential for sustainable growth, based on the Company's Basic Approach to Corporate Governance, in order to achieve sustainable enhancement of corporate value." In addition, the level of officers' remuneration is verified by comparison with that of major companies of the same size as the Company and other indicators, while considering the Company's business operations and environment.

The Company's remuneration for Directors (excluding Outside Directors) consists of fixed basic remuneration, bonuses and stock-based remuneration, and the total amount of remuneration is determined by the Board of Directors based on the report of the Nomination & Remuneration Advisory Committee within the scope of the total amount of remuneration approved by the General Meeting of Shareholders. In addition, the President and Representative Director has been delegated the authority to determine the fixed basic remuneration and bonuses for individual Directors. The President and Representative Director determines the amount of fixed basic remuneration for each Director and the amount of bonus based on the performance of each Director for the relevant fiscal year, in line with the report of the Nomination & Remuneration Advisory Committee. For stock-based remuneration, the Board of Directors will resolve the number of shares to be allocated to each Director based on the report of the Nomination & Remuneration Advisory Committee.

[Support Structure for Outside Directors (Outside Audit & Supervisory Board Members)]

1. Support Structure for Outside Directors

To the Outside Directors, Directors and the Secretariat provide timely explanations, as necessary, of the contents of proposals, etc. to be submitted to the Board of Directors.

2. Support Structure for Outside Audit & Supervisory Board Members

For information-sharing, the full-time Audit & Supervisory Board Members provide explanations to Outside Audit & Supervisory Board Members in advance regarding the contents of proposals, etc. to be submitted to the Board of Directors, and report the results of on-site inspections and other information obtained through daily audits to the Audit & Supervisory Board.

**2. Matters Related to Business Execution, Auditing and Supervision, Nomination, Remuneration Decision and Other Functions (Overview of Current Corporate Governance System)**



[Board of Directors]

In accordance with the Board of Directors Regulations, the Board of Directors holds regular meetings once a month and extraordinary meetings as necessary to make decisions on important management matters and supervise business execution. As of the date of submission of this report, there are five Directors, three of whom are Outside Directors, and all three have been registered with the financial instruments exchange as Independent Officer. In appointing Outside Directors who are Independent Officers, the Company has made judgments assuming that sufficient independence can be secured from the Company's management to enable them to perform their duties as Outside Officer, based on their career and relationships with the Company, in accordance with the requirements for Outside Directors stipulated in the Companies Act and the independence criteria stipulated by the financial instruments exchanges. The Company expects Outside Directors to supervise and assess the execution of duties by Directors and provide useful advice from a neutral standpoint based on their expertise and experience, in order to ensure and improve the appropriateness and transparency of management decision-making.

Information related to the execution of duties by Directors is appropriately and reliably stored and managed, and is maintained in a condition where it can be viewed as necessary.

In order to enable substantive discussions at the Board of Directors meetings, the Articles of Incorporation stipulate that the number of Directors shall be nine or less.

[Audit & Supervisory Board]

The Audit & Supervisory Board Members attend meetings of the Board of Directors and state their opinions as well as monitor the legality and soundness of management in the execution of duties by Directors based on audits by the Audit & Supervisory Board.

As of the date of submission of this document, we have four Audit & Supervisory Board Members, two of whom are Outside Audit & Supervisory Board Members, both of whom have been reported to the financial instruments exchange as Independent Officers. In appointing Outside Audit & Supervisory Board Members who are Independent Officers, the Company has made judgments assuming that sufficient independence can be secured from the Company's management to enable them to perform their duties as Outside Officer, based on their career and relationship with the Company, in accordance with the requirements for Outside Audit & Supervisory Board Members stipulated in the Companies Act and the independence criteria stipulated by the financial instruments exchanges. In order to strengthen the function of monitoring the management, we expect Outside Audit & Supervisory Board Members to ensure the adequacy and appropriateness of the decision-making of the Board of Directors from their professional perspective and from a more independent standpoint.

In order to ensure that the audits by Audit & Supervisory Board Members are conducted effectively, we have established a system that allows Audit & Supervisory Board Members to conduct interviews with Directors and employees about the execution of their duties, to inspect Approval Requests (*ringisho*) and other material documents related to the execution of business, and to promptly report

upon request to report on the execution of business.

[Executive Officer System]

The Company has introduced an Executive Officer System in order to divide the roles of management supervision and business execution functions.

The number of Executive Officers is currently three, including two who concurrently serve as Directors.

[Accounting Audit]

The Company is audited by KPMG AZSA LLC.

Certified public accountants who performed the accounting audit of the Company are as follows:

- Shinya Mikami
- Shingo Iwamiya

[Outline of Contracts for Limitation of Liability]

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company, each Director (excluding those who are Executive Directors, etc.) and each Audit & Supervisory Board Member have entered into an agreement to limit their liability for damages as provided for in Article 423, Paragraph 1 of the same Act.

The maximum amount of liability for damages under the said agreement shall be the higher of either 1 million yen or the amount stipulated by laws and regulations.

### **3. Reasons for Selecting Current Corporate Governance System**

The Company's Board of Directors, including three Outside Directors, makes important management decisions and supervises the execution of duties by each Director. As a company with the Audit & Supervisory Board, our Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members independent of the Board of Directors, and the Audit & Supervisory Board audits the execution of duties by each Director.

We believe that the supervision and auditing of business execution is functioning properly under the current system, and that the current system is optimal.

## **III Implementation Status of Measures Concerning Shareholders and Other Interested Parties**

### **1. Status of Initiatives to Revitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights Updated**

Supplementary Notes

Early dispatch of convocation notices for General Meeting of Shareholders	The convocation notice is sent out early and is also posted on the Company's website.
Exercise of voting rights by electromagnetic means	The Company has adopted the exercise of voting rights by electromagnetic means.
Participation in the Electronic Voting Platform and other enhancements for institutional investors to exercise their voting rights	The Company has introduced the Electronic Voting Platform, operated by ICJ, Inc. for institutional investors, and it will be available from the next General Meeting of Shareholders.
Provision of Convocation Notice (Summary) in English	The Company has prepared an English translation of the Convocation Notice (Summary) and posted it on the Company's website.

## 2. Status of IR Activities **Updated**

	Supplementary Notes	Explanation by Representative
Periodic briefings for individual investors	We have actively participated in events and briefings for individual investors, but are currently refraining from participation under the impact of COVID-19. After the end of COVID-19, we plan to resume briefings for individual investors.	Yes
Periodic briefings for analysts and institutional investors	Briefings on financial results are held twice a year, at the fiscal year closing and the end of the second quarter (planned). Briefing materials are posted on our website.	Yes
Periodic briefings for overseas investors	Although we do not hold briefings at present, we have translated our financial results, medium-term management plan, and corporate governance reports into English and posted them on our website. We will continue to make efforts to enhance the distribution of information for overseas investors.	None
Posting of IR materials on the website	Summary of financial results, business forecasts, and other timely disclosure documents, Annual Report, and Convocation Notice of General Meeting of Shareholders are posted on our website. (For details, please refer to <a href="https://www.moriroku.co.jp/ir/index.html">https://www.moriroku.co.jp/ir/index.html</a> )	

Establishment of IR department (person in charge)	The Corporate Communications & IR Division shall be responsible.
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### 3. Status of Initiatives on Respect for Stakeholder Position **Updated**

	Supplementary Notes
Stipulation of respect for stakeholder position in internal rules, etc.	In order to respond to the demands of our stakeholders, we have established the "Moriroku Group Conduct Guidelines" as a guideline for actions to be taken by each and every officer and employee of the Group.
Implementation of activities for environmental conservation, CSR, etc.	In the business domains of Moriroku and its major operating companies, we have set objectives and targets and are working to reduce the environmental impact of our operations. We are also striving to earn the trust of society by raising the environmental awareness of all employees through education and communication activities, and by actively participating in local environmental activities. We are also engaged in social contribution activities such as support for COVID-19 measures. (For details, please refer to <a href="https://www.moriroku.co.jp/sustainability/environment/iso.html">https://www.moriroku.co.jp/sustainability/environment/iso.html</a> )
Others	[Expanding support system for work-life balance] We have established an environment in which employees with individual restrictions, such as childcare and nursing care, can work with peace of mind and continue their careers. We have also implemented measures to support employees in balancing work and family life, such as paid child nursing care leave and short-term care leave, which exceed the legal standard (unpaid by legal standard). [Work style reform] We are working to create an environment where employees can increase their productivity and fully demonstrate their abilities, regardless of where they work, by promoting flexible work styles, such as the introduction of a flextime system and promotion of telecommuting.

#### □ Matters related to Internal Control System, etc.

##### 1. Basic Approach to Internal Control System and Status of Its Development

The Group, consisting of the Company and its subsidiaries, recognizes that internal controls are an important factor for strengthening corporate governance, and is developing and operating an
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internal control system in accordance with the basic policies set by the Board of Directors of the Company.

1. A structure to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

[Basic Policy]

- (1) We shall formulate the "Moriroku Group Conduct Guidelines" regarding compliance with laws and regulations, internal rules, corporate ethics, etc. as conduct guidelines to be applied to officers and employees of the Group, and shall ensure thorough dissemination.
- (2) We shall establish and operate a "Compliance Consultation Desk" independent from the business execution line as a contact point for reporting and consultation regarding compliance with laws and regulations, internal rules, corporate ethics, etc. in the Moriroku Group.
- (3) We shall monitor the status of compliance with laws and regulations, internal rules, corporate ethics, etc. in the Group, and shall take the necessary corrective measures for any problems identified as a result of such monitoring.
- (4) Regarding the Group's internal control system, our Internal Auditing Division shall conduct internal audits on the status of development and operation of the system, and Audit & Supervisory Board Members shall monitor and verify the content of resolutions of the Board of Directors and the status of development and operation by Directors.

[Summary of development and operation status]

- (1) We have formulated the "Moriroku Group Conduct Guidelines" to be applied to officers and employees of the Group, and have prepared and distributed a booklet on the Conduct Guidelines to ensure thorough dissemination.
- (2) The Company and its subsidiaries conduct compliance training on a regular basis to raise compliance awareness.
- (3) As a contact point for reporting and consultation regarding compliance with laws and regulations, etc. in the Group, we have set up the "Moriroku Group Internal Whistleblower Hotline" both internally and externally, and regularly disseminate information on its establishment and take action on matters reported or consulted.
- (4) The Internal Auditing Division and Legal & Intellectual Property Division conduct audits or monitor the status of compliance with laws and regulations, etc. in the Group, and take the necessary corrective measures for any problems identified as a result of such audits or monitoring.
- (5) Regarding the Group's internal control system, the Internal Auditing Division audits the status of internal control promotion operations by the divisions in charge of internal controls, and Audit & Supervisory Board Members verify the content of resolutions of the Board of Directors and the status of development and operation of the internal control system.

2. A structure for storage and management of information related to the execution of duties by

## Directors

### [Basic Policy]

Information related to the execution of duties by Directors shall be prepared, stored and managed in the form of documents or electromagnetic records in accordance with the "Board of Directors Regulations" and other internal rules related to document and information management, and a structure shall be established and operated to enable Directors and Audit & Supervisory Board Members to view such information as necessary.

### [Summary of development and operation status]

In accordance with the "Board of Directors Regulations" and other internal rules related to document and information management, information related to the execution of duties by Directors is appropriately stored and managed by each department in charge, and is available for inspection by Directors and Audit & Supervisory Board Members as necessary.

## 3. Regulations and other systems for managing risk of loss

### [Basic Policy]

- (1) We shall establish and operate rules and systems to manage risks related to the Group's business activities.
- (2) We shall establish and operate a system to respond quickly and appropriately to accidents and disasters that may have a significant impact on the Company or its subsidiaries.
- (3) In response to changes in the internal and external business environment, we shall assess risks and review the systems and operations for risk management and accident/disaster response.

### [Summary of development and operation status]

- (1) We have established the "Moriroku Group Risk Management Basic Policy" and "Moriroku Group Risk Management Regulations," and each company identifies, assesses and responds to risks, periodically reviews risk assessment and priority risks, and periodically confirms the status of response to priority risks at each company accordingly.
- (2) In order to respond quickly and accurately to accidents and disasters, we have established the "Domestic Crisis Management Regulations," "Overseas Crisis Management Regulations," and other internal regulations and guidelines for crisis management, and responds to accidents and disasters accordingly. In addition, safety confirmation drills are conducted on a regular basis every year.

## 4. A structure to ensure efficient execution of duties by Directors, etc.

### [Basic Policy]

- (1) We shall establish and operate rules and systems concerning the division of duties, authority, and decision-making for appropriate and efficient business execution in the Group.
- (2) We shall formulate policies concerning business operations, including management policies, medium-term plans, and annual plans for the Company and the Group, and ensure that these policies are thoroughly communicated.

[Summary of development and operation status]

- (1) The Company has established the "Administrative Authority Regulations," "Table of Administrative Authorities," and "Division of Duties Regulations," and efficient decision-making and execution of duties are conducted accordingly.
- (2) A three-year medium-term plan for the Group and annual business plan for each Group company have been established, and based on these plans, each company and department have formulated and been executing specific business promotion plans accordingly.

5. A structure to ensure proper operations of the corporate group consisting of the Company and its subsidiaries

[Basic Policy]

- (1) Regarding the execution of business by our subsidiaries, we shall organize contracts and operate rules and systems that mandate prior approval by and reporting to the Company.
- (2) We shall establish and operate a reporting system to promptly identify and respond to important issues, compliance problems, etc. in our subsidiaries.

[Summary of development and operation status]

- (1) Affiliated companies shall report to the Company as necessary on matters stipulated in the "Affiliated Company Management Regulations" and shall obtain the Company's approval on important matters, thereby establishing a cooperation structure within the Moriroku Group.
- (2) The Company and its major subsidiaries have adopted an Audit & Supervisory Board system and are working to enhance the effectiveness of the system by having Audit & Supervisory Board Members audit the execution of duties by Directors. Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, and audit the execution of duties by Directors in accordance with the audit policy and audit plan.
- (3) Our Internal Auditing Division, in accordance with the "Internal Audit Regulations," oversees or conducts audits, including on affiliated companies, and works to establish cross-sectional risk management and compliance systems to ensure proper operations in an integrated manner.
- (4) In order to identify and respond to important issues and compliance problems at affiliated companies at an early stage, we have established a reporting system in the "Moriroku Group Basic Regulations for Internal Controls" and receive reports from affiliated companies on a regular and timely basis accordingly.

6. A structure to ensure appropriateness and reliability of financial reporting

[Basic Policy]

We shall establish basic policies for internal controls over financial reporting in the Group, and develop, operate, and assess the system necessary to ensure appropriateness and reliability of the financial reporting.

[Summary of development and operation status]

We have established the "Moriroku Group Basic Policy for Internal Controls over Financial

Reporting" and the "Moriroku Group Basic Regulations for Internal Controls over Financial Reporting," and are developing, operating and assessing the system that is necessary to ensure appropriateness and reliability of the financial reporting accordingly.

7. Matters concerning employees that Audit & Supervisory Board Members request to assist them in their duties

[Basic Policy]

When requested by Audit & Supervisory Board Members, the Company shall assign Audit & Supervisory Board Member staff to assist Audit & Supervisory Board Members in their duties.

[Summary of development and operation status]

As the Company has not been requested by Audit & Supervisory Board Members to assign Audit & Supervisory Board Member staff, no Audit & Supervisory Board Member staff is currently assigned, but Audit & Supervisory Board Member staff will be assigned if requested by Audit & Supervisory Board Members.

8. Securing independence of employees who are to assist the duties of Audit & Supervisory Board Members from Directors and ensuring the effectiveness of instructions to such employees

[Basic Policy]

- (1) Audit & Supervisory Board Member staff who are to assist Audit & Supervisory Board Members in their duties shall perform such assistance work under the direction and orders of Audit & Supervisory Board Members, and shall not be subject to the direction and orders of officers and employees of the Company.

- (2) Personnel change, evaluation, and disciplinary action regarding Audit & Supervisory Board Member staff shall be determined with the prior consent of Audit & Supervisory Board Members.

[Summary of development and operation status]

Currently, we do not have any Audit & Supervisory Board Member staff, but if such staff is assigned, they will perform their duties under the direction and orders of Audit & Supervisory Board Members, and any personnel change, evaluation, and disciplinary action will be decided with the prior consent of Audit & Supervisory Board Members.

9. Reporting system to Audit & Supervisory Board Members

[Basic Policy]

- (1) Officers and employees of the Group shall report matters related to the execution of the Group's business operations in accordance with internal rules or at the request of Audit & Supervisory Board Members.

- (2) We shall ensure that Audit & Supervisory Board Members have the opportunity to attend important meetings and shall grant them the authority to inspect the agenda materials, minutes and other meeting documents.

- (3) Our Internal Auditing Division shall report the internal audit results of the Company and its subsidiaries to Audit & Supervisory Board Members.



- (4) We shall establish and operate a system to ensure that those who report to Audit & Supervisory Board Members are not treated disadvantageously for the reason that they made such reports.

[Summary of development and operation status]

- (1) Officers and employees of the Group report matters related to the execution of business operations in accordance with internal rules or at the request of Audit & Supervisory Board Members.
- (2) The Company ensures that Audit & Supervisory Board Members have opportunities to attend meetings of the Board of Directors and the Board of Executive Officers, and grants them the authority to inspect the agenda materials, minutes, and other meeting documents.
- (3) Our Internal Auditing Division reports the internal audit results of the Company and its subsidiaries to Audit & Supervisory Board Members.
- (4) The Company has established internal regulations to ensure that officers and employees who have made whistle-blowing reports are not treated unfavorably on the basis of such reports, and operates accordingly.

#### 10. Matters concerning treatment policy on expenses and debts arising from execution of duties by Audit & Supervisory Board Members

[Basic Policy]

We shall process expenses and debts arising from the execution of duties by Audit & Supervisory Board Members, except in cases where it is recognized that such expenses and debts are not necessary for the execution of Audit & Supervisory Board Members' duties.

[Summary of development and operation status]

Expenses incurred in the execution of duties by Audit & Supervisory Board Members are budgeted in the amount deemed necessary by Audit & Supervisory Board Members, and the Company bears the actual expenses incurred.

#### 11. Other structures to ensure effective audits conducted by Audit & Supervisory Board Members

[Basic Policy]

- (1) The President and Representative Director and other Directors shall hold meetings with Audit & Supervisory Board Members as necessary to ensure smooth communication.
- (2) We shall establish and operate a system to ensure mutual cooperation between Audit & Supervisory Board Members, our Internal Auditing Division and Accounting Auditor, such as exchanging information on audit results.

[Summary of development and operation status]

- (1) Audit & Supervisory Board Members hold meetings with the President and Representative Director and other Directors as necessary to foster communication.
- (2) Audit & Supervisory Board Members hold monthly meetings with our Internal Auditing Division and quarterly meetings with the Accounting Auditor to exchange information and promote mutual cooperation.

#### 12. A structure to eliminate antisocial forces

[Basic Policy]

In order to cut off all relations with antisocial forces, we shall formulate, develop and operate a basic policy for dealing with antisocial forces in the Group.

[Summary of development and operation status]

The Company has formulated the "Moriroku Group Basic Policy on Antisocial Forces" and the "Regulations for Dealing with Antisocial Forces," and is developing and operating a system to deal with antisocial forces accordingly.

## 2. Basic Approach to Elimination of Antisocial Forces and Status of Its Development

### 1. Basic approach to eliminating antisocial forces

We have established the "Moriroku Group Basic Policy on Antisocial Forces" as follows: (1) We shall cut off all relations, including transactions, with antisocial forces.

- (2) We shall not provide any funds or conduct any backroom transactions with antisocial forces.
- (3) We shall establish a system to deal with antisocial forces, and the entire organization will take action.
- (4) We shall take appropriate measures against antisocial forces in cooperation with the police and other external specialized organizations.
- (5) We shall take legal action, both civil and criminal, against unreasonable demands from antisocial forces.

### 2. Developing a structure to eliminate antisocial forces

The Company has established the "Regulations for Dealing with Antisocial Forces" and takes the following measures:

- (1) Respond as an organization to unreasonable demands, etc. from antisocial forces, by appointing a Director in charge of administration as a chief officer to supervise the response to antisocial forces, and assigning the general affairs division as the main department in charge of managing the response to antisocial forces, as well as to assign a manager for the prevention of unreasonable demands at each base.
- (2) Investigate new business partners at the commencement of transactions and ongoing business partners on a regular basis to ensure that they do not fall under the category of antisocial forces, and conclude a contract or memorandum to the same effect that includes a clause to eliminate antisocial forces when concluding a transaction contract.
- (3) Investigate employees to be hired to ensure that they do not fall under the category of antisocial forces, and obtain a written pledge that includes a clause to eliminate antisocial forces upon joining the company.

## □ Others

### 1. Introduction of Takeover Defense Measure

Introduction of Takeover Defense Measure	None
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Supplementary Note on Applicable Items

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## 2. Other Matters Concerning Corporate Governance System, etc.

[Timely disclosure system]

The Group Management Philosophy and Conduct Guidelines uphold the following six principles: Compliance, Respect for life and dignity, Customer satisfaction, Contribution to society, Progressive spirit, and Total cooperation. We comply with domestic and international laws and regulations, and aim to be a trusted corporate group through fair and impartial corporate activities. Based on the Philosophy and Guidelines, we have established and are operating an internal system to appropriately disclose corporate information in a prompt, accurate and fair manner, and will continue to strengthen the system.

The officer in charge of IR and Corporate Communications & IR Division shall be responsible for handling information as Information Controller and Information Controlling Department, respectively, develop an internal information communication and management system, and assess information, prepare materials, and conduct timely disclosure. They shall do so in close cooperation with the Corporate Planning Division, Administrative Division, Human Resources Division, Accounting & Finance Division, Information System Division, Legal & Intellectual Property Division, and administrative divisions of affiliated companies.

1. Information related to decision-making facts and financial information, etc.

(1) Information on decision-making facts

The Corporate Communications & IR Division shall obtain in advance the agenda items of the Board of Directors' meetings and other important meetings, and obtain the meeting minutes without delay after the completion of the meetings. In addition, the Division consolidates information on matters for approval, investigates whether or not there are any decision-making facts regarding the Company and its affiliates that are subject to timely disclosure, reports the results to the Information Controller or Representative Director, and, if applicable, immediately prepares materials for timely disclosure on the Timely Disclosure Network (TDnet) and the Company's website.

(2) Information on financial results

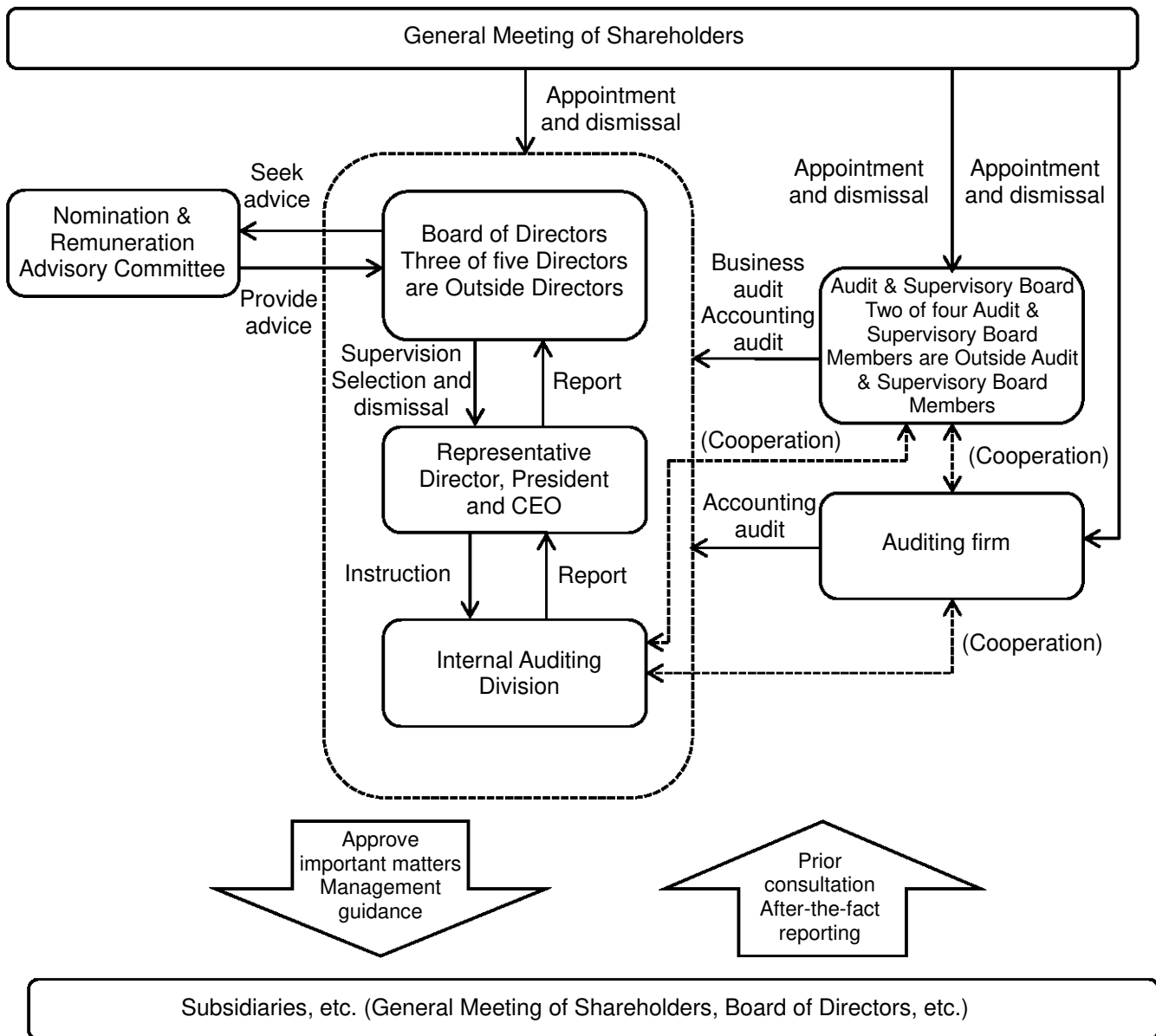
The Corporate Communications & IR Division, led by the Accounting & Finance Division, prepares financial disclosure materials (financial statements and quarterly summary of financial statements) jointly with the Administrative Division, Human Resources Division, Legal & Intellectual Property Division, Internal Auditing Division, and administrative divisions of affiliated companies. The results

of such information are reported to the Information Controller or Representative Director, and the Corporate Communications & IR Division shall disclose the information on TDnet and the Company's website in a timely manner basically after a resolution by the Board of Directors.

2. Information on the fact of event

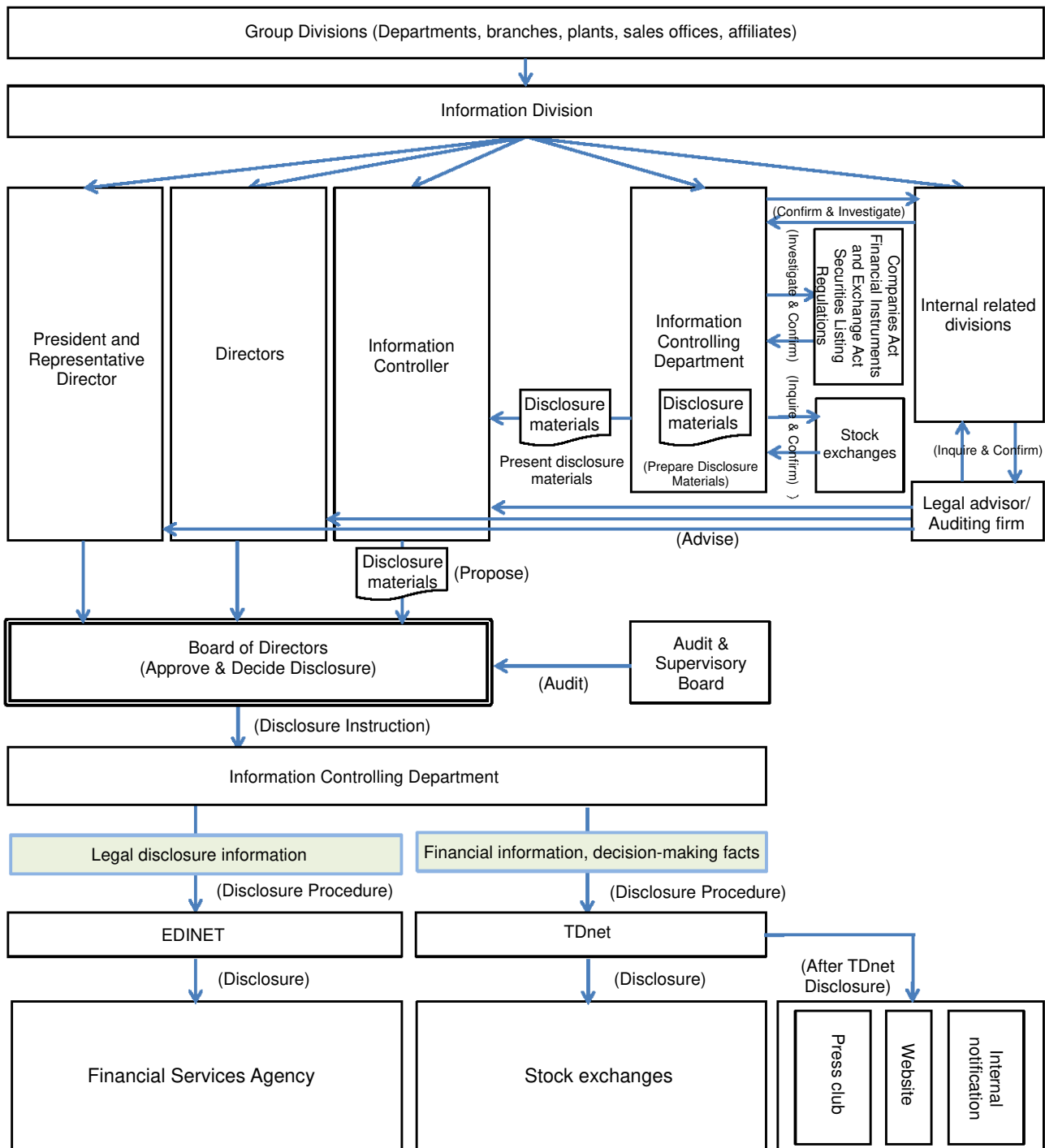
Accidents, disasters, and other incidents that occur at the Group companies are reported from the department in charge of the Group and the plant or other business office where the incident occurred to the Administrative Division, Human Resources Division, Accounting & Finance Division, Information System Division, Legal & Intellectual Property Division, or administrative divisions of affiliated companies. Such information is consolidated by the Corporate Communications & IR Division, which investigates whether or not there are any events that are subject to timely disclosure by the Company and its affiliates, reports the results to the Information Controller or Representative Director, and if applicable, immediately prepares materials for timely disclosure on TDnet and the Company's website.

[Diagram: Reference Document]

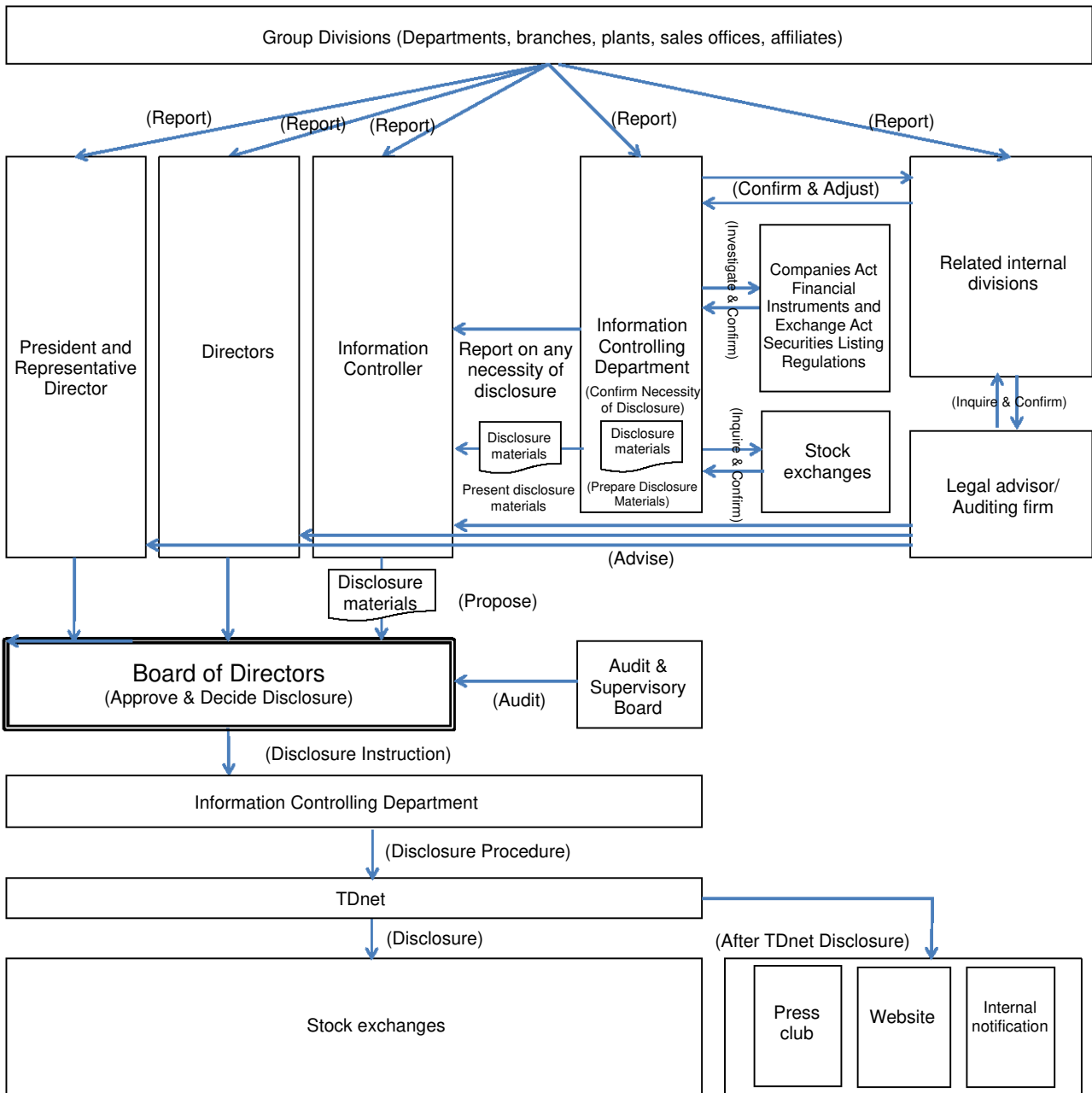


[Diagram: Timely Disclosure System Overview]

1. Information related to decision-making facts and financial information



2. Information on the fact of event



[Knowledge and experience of the Company's Directors and Audit & Supervisory Board Members]

		Knowledge and Experience of Officers							
	Name	Corporate Management	Legal & Risk Management	Finance & Accounting	Global	Technology & Development	Sales & Planning	Production & Quality	ESG
Directors	Takashi Kurita	○	○		○	○	○		○
	Shunji Shitasako	○	○	○					
	Koichiro Shibata	Outside	○						○
	Kenichi Hirai	Outside	○	○	○				○
	Ryo Otsuka	Outside	○			○	○	○	○
Audit & Supervisory Board Member	Koichi Tada		○	○	○				
	Akira Yamazaki	○			○	○	○	○	
	Tadashi Kawashima	Outside	○	○	○				
	Fujio Furukawa	Outside	○	○					

Note: The above list does not represent all the knowledge and experience of Directors and Audit & Supervisory Board Members.