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## **EBARA Corporate Governance**

### **Basic Policy**

#### **Preface**

This basic policy is set to establish the basic approach on the corporate governance of EBARA CORPORATION (hereinafter “**the Company**”), with the aim of contributing to the sustainable growth and medium- to long-term enhancement of the corporate value of the Company and the EBARA Group (hereinafter “**the Group**”).

#### **Chapter 1 General rules**

Basic approaches on corporate governance

##### Article 1

1. The Company has established the “EBARA Way,” composed of its “Founding Spirit,” “Corporate Philosophy” and the “EBARA Group CSR Policy” as the EBARA Group’s identity and set of values to be shared across the Group. Under the EBARA Way, the Company upholds the enhancement of corporate value and shareholder return through sustainable business development as its most important management objectives. To achieve such objectives, the Company constantly seeks the best possible corporate governance and strives towards its further enhancement.

##### EBARA Way

###### - Founding Spirit

The spirit of “Netsu to Makoto” (meaning “passion and dedication”), which values passionate and dedicated hearts that bring forth originality and ingenuity

###### - Corporate Philosophy

We contribute to society through high-quality technologies and services relating to water, air and the environment.

###### - EBARA Group CSR Policy

The Company’s basic stance for the purpose of clarifying and practicing the Group’s social responsibility

- (1) Ethics; We conduct our business with a strong sense of ethics.
  - 1) Pride; We take pride in our role supporting society, industry and life.
  - 2) Products and Services; We satisfy customers with inventive products and services.
  - 3) Competition; We practice our business based on free and fair competition.
  - 4) Environment; We play our part in improving the global environment.
- (2) Trust; We foster trust with our valued stakeholders.

- 5) Passion and Dedication; We pursue all activities with passion and dedication.
  - 6) Human Rights and Diversity; We respect human rights and diversity above all else.
  - 7) Disclosure; We develop mutual understanding with stakeholders through transparent and fair disclosure.
  - 8) Work Environment; We sustain a safe workplace and strive for a stimulating work environment.
  - 9) Communication; We utilize high-quality communication to be an industrial firm all stakeholders take pride in.
2. The Company is committed to enhancing corporate governance based on the following basic views:
- (1) The Company respects shareholders' rights and is engaged in establishing an environment which enables shareholders to appropriately and effectively exercise their rights and ensures equality among shareholders.
  - (2) The Company strives to appropriately cooperate with various stakeholders, including customers, business partners, employees and local communities. The Company will also develop a corporate culture in which such stakeholders' rights and positions are respected and business is executed soundly.
  - (3) The Company strives to ensure management transparency through appropriate disclosure of its corporate information.
  - (4) The Company has developed a governance system in which Independent Directors play important roles, and that is centered on Independent Directors and non-executive inside Directors who do not concurrently serve as Executive Officers (hereinafter "**Non-executive Inside Directors**"). The Company has adopted the organizational form of a "Company with Three Committees," with the Nomination Committee, the Compensation Committee and the Audit Committee as statutory committees under the Board of Directors, to achieve clear separation between supervision and business execution in management.
  - (5) The Company engages in constructive dialogue with shareholders and investors on the basis of a separately established "IR Basic Policy," with a view to contributing to sustainable growth and the medium- to long-term enhancement of corporate value.

## **Chapter 2 Respect for shareholders' rights and ensuring equality among shareholders**

General Meeting of Shareholders

Article 2

1. The Company, in convening the Ordinary General Meeting of Shareholders, distributes the notice of convocation approximately three weeks prior to the date of the meeting, in order for shareholders to appropriately and effectively exercise their voting rights based on a sufficient period of time for reviewing the proposals for the meeting. Meanwhile, the notice of convocation is posted on the Company's website following a resolution by the Board of Directors on the convocation of the General Meeting of Shareholders, and preceding the distribution date of the notice. In addition, for the purpose of convenience for non-Japanese shareholders, an English version of the notice of convocation is prepared and posted on the Company's website.
2. The Company strives to create an environment (including efforts to schedule the General Meeting of Shareholders on a different date from that of other companies) in which all shareholders, including those who cannot attend the General Meeting of Shareholders in person, can appropriately and effectively exercise their voting rights, through the use of such means as an electronic voting platform.

#### Ensuring equality among shareholders

##### Article 3

The Company treats all shareholders fairly, according to their respective shareholding. In addition, the Company discloses its corporate information in a timely and sufficient manner, in an effort to eliminate any potential information gap among shareholders.

#### Basic policy for cross-shareholdings, etc.

##### Article 4

1. In principle, the Company does not hold cross-shareholdings. However, it is possible that the Company will hold shares of other companies only in cases where it is determined that partnerships with investees through shareholding will contribute to the enhancement of the Group's corporate value. The rationale for cross-shareholding relationships is subject to regular examination by the Board of Directors based on the following items, and shareholdings deemed by the Board of Directors to no longer be feasible shall be dissolved when appropriate by disposal or other means.  
[Matters checked in examination of shareholding rationale]  
(1) The partnership with the investee is important and the relationship must be continued.  
(2) The return and risk associated with the shareholding are commensurate with the capital cost.
2. The Company exercises its voting rights in cross-shareholdings, determining whether to vote for or against each individual agenda item after consideration of whether it

contributes to the medium- to long-term enhancement of the corporate value of the Group and investees, and particularly emphasizes the following matters, and conducts dialogue with investees on the content, etc. of agenda items as required.

- Changes to articles of incorporation
- Election of directors
- Anti-takeover measures
- Appropriation of surplus, etc.

3. If a company holding the Company's shares as a cross-shareholding (hereinafter "**cross-shareholder**") indicates the intention of the sale, etc. of the shares, the Company shall unconditionally authorize this, and ask the cross-shareholder to perform the sale, etc. in a way that limits the impact on share price as much as possible. Furthermore, in such cases, when the Company holds shares in the company that is the cross-shareholder as cross-shareholdings, it shall promptly proceed to sell these. In addition, the Company shall not continue the transactions with cross-shareholders without carefully examining the underlying economic rationale.

### **Chapter 3 Respect for the interest of stakeholders and appropriate cooperation with them**

Ethical standards and restrictions on competitive transactions and transactions involving conflicts of interest

#### Article 5

1. The Company separately establishes and discloses ethical standards (the "EBARA Group CSR Policy" and the "EBARA Group Code of Conduct") by the Board of Directors to ensure that the Company's Directors, Executive Officers and employees, etc., act ethically at all times.
2. The Company's Directors and Executive Officers shall obtain prior approval of the Board of Directors when they are to "carry out transactions that belong to the line of business of the Company (competitive transactions) for themselves or for a third party" or "carry out transactions with the Company, or transactions that involve conflicts of interest between themselves and the Company (transactions involving conflicts of interest), including transactions between the Company and a third party for which they receive a commission, etc."

Relationship with stakeholders

#### Article 6

1. The Company respects the rights, viewpoints and interests of all stakeholders, including customers, business partners, creditors, employees and local communities, as well as

shareholders, and appropriately cooperates with them for the sustainable growth and medium- to long-term enhancement of the corporate value of the Group.

2. The Company respects diversity in terms of its relationship with various stakeholders including employees. The Company is also committed to implementing a policy for promoting diversity that includes the encouragement of female employees to play active roles, based on the recognition that respect for diversity contributes to the medium- to long-term enhancement of the corporate value of the Group.

#### Whistle-blowing

##### Article 7

The Company has established a system that enables employees, etc., of the Group to directly report questionable issues to the department in charge of compliance or the Audit Committee, along with a system for directly reporting to an external attorney's office. Whistle-blowers shall not be subject to any disadvantageous treatment by the Company and the Group, because of using these whistle-blowing systems, which are clearly stated in the employment regulations and other relevant internal rules.

### **Chapter 4 Ensuring adequate disclosure and transparency**

#### Basic policy concerning disclosure

##### Article 8

1. The Company implements timely and adequate disclosure of both financial and non-financial information, as required by laws and regulations including the Companies Act as well as rules of financial instruments exchanges and other laws, regulations and systems. Furthermore, the Company strives to actively disclose any information deemed to be useful to stakeholders including shareholders and investors, through various media such as the Company's website and integrated reports, whether or not required by laws, regulations and systems.
2. The Company, in accordance with the Companies Act and other laws and regulations, develops at Board of Directors' meetings the policies concerning risk management, internal control systems and legal compliance, etc., of the Company and the Group, and discloses the information in a timely and sufficient manner.
3. The Company, in principle, discloses its major information in more than two languages, including Japanese and English.

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

### Board of Directors

#### Article 9

1. The number of Directors comprising the members of the Board of Directors shall not exceed fifteen (15), while more than one-third (1/3) of the Board members shall be Independent Directors. Additionally, in consideration of the balance between 1) Independent Directors, 2) Non-executive Inside Directors and 3) Executive Directors who concurrently serve as Executive Officers (hereinafter “**Executive Directors**”), the total number of 1) Independent Directors and 2) Non-executive Inside Directors shall be the majority of the number of all Directors.
2. The Board of Directors recognizes three tasks as its principal roles and responsibilities: 1) indicating the general direction of the Company such as corporate strategies, etc.; 2) developing an environment that can support adequate risk-taking in business execution; and 3) carrying out highly effective supervision of business execution from an independent and objective standpoint. The Board of Directors is committed to realizing efficient and effective corporate governance, with an aim to achieve the mission entrusted by shareholders—the “continuous enhancement of corporate value”—while fully recognizing the viewpoints of all stakeholders to a reasonable extent.
3. The Board of Directors exercises its leadership in developing an environment in which the management can take bold action to prevent the loss of upside opportunities, in addition to developing an environment that incorporates controls for preventing downside risks, including the risk of scandals.
4. The Board of Directors establishes the Board of Directors’ Rules, specifying the matters to be resolved and reported to the Board of Directors, and stipulates the scope of matters for which decision-making authority is delegated to Executive Officers. The decision-making authority on matters concerning business execution is delegated to Executive Officers, except those categorized as the exclusive jurisdiction of the Board of Directors by laws and regulations as well as the Articles of Incorporation, including basic management policies (management philosophy, medium- to long-term management plan, and annual budget, etc.) and those that may have a significant impact on the management of the Group.
5. Agendas and proposals of the Board of Directors’ meetings and related materials shall be distributed, in principle, prior to each Board meeting, to ensure active debate at the meeting.
6. The Company establishes a secretariat of the Board of Directors with adequate staff and budget to enable the Board to appropriately fulfill its roles and functions.

## Chairman of the Board of Directors

### Article 10

1. A Director who does not concurrently serve as Executive Officers serves in the position of the Chairman of the Board of Directors. Furthermore, to ensure the respective responsibilities of the Board of Directors, the Chairperson of the Nomination Committee, the Audit Committee and the Compensation Committee to be appropriately fulfilled, the Chairman of the Board of Directors shall not concurrently serve as the Chairperson of each of the committees unless there are special circumstances.
2. The Chairman of the Board of Directors sets out the proposals to be deliberated and reported at Board of Directors' meetings, and conducts the proceedings of the Board meetings to ensure that the best possible conclusion is reached efficiently, based on reasonable debate.
3. The Chairman of the Board of Directors sets out the proposals and frequency of the Board of Directors' meetings, to ensure enough time for deliberation of each agenda item.
4. The Chairman of the Board of Directors sets out the annual plan, including the Board of Directors' meeting schedule and expected agendas, and carries out the Board meetings based thereon.
5. The Chairman of the Board of Directors receives reports as appropriate from the Representative Executive Officer on whether the Board of Directors' opinions are adequately reflected in business execution. The Chairman of the Board of Directors reports, as necessary, the status of such reports to the Board of Directors, and asks the Board to deliberate for possible correction of the general direction of business execution, etc.
6. The Chairman of the Board of Directors may attend or view the minutes of meetings on the executive side such as the Management Meeting as necessary to fulfill his/her role.
7. The Chairman of the Board of Directors, in the event where deliberation in permanent committees is deemed insufficient, takes the initiative to fulfill his/her roles such as making proposals to the Board of Directors, including the formation of an ad-hoc committee comprising the members selected from among the Directors.
8. In the event the Chairman of the Board of Directors is an Independent Director, the Board of Directors shall nominate the Chairman of the Company (one person from among the Non-executive Inside Directors if there is no Chairman of the Company) as a person to assist the Chairman of the Board of Directors.

## Nomination Committee

### Article 11

1. The Nomination Committee comprises three (3) or more Independent Directors and

Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers), the majority thereof being Independent Directors.

2. The Nomination Committee sets out basic policies and regulations, etc., necessary for executing its duties.
3. The Nomination Committee is mainly responsible for deciding on the proposals concerning the election and dismissal of Directors, recommendations to the Board of Directors concerning the election and dismissal of Executive Officers, and recommendations to the Board of Directors concerning the appointment and dismissal of Directors with special titles and Executive Officers with special titles.
4. The Nomination Committee establishes a succession plan for the President and Representative Executive Officer. The succession plan specifies requirements for qualifications of the President and Representative Executive Officer based on the management strategies of the Company and is used to gradually develop and select personnel suitable to serve as the President and Representative Executive Officer systematically. Furthermore, the Nomination Committee shall periodically and as needed, check that the incumbent President and Representative Executive Officer conforms with the requirements, and makes recommendations to the Board of Directors with respect to the successor of the President and Representative Executive Officer based on the succession plan when the incumbent President and Representative Executive Officer retires pursuant to the succession plan. If single year consolidated performance fails to meet the criteria specified by the Nomination Committee for three successive fiscal years in the periodic checks of the qualifications of the incumbent President and Representative Executive Officer, the Nomination Committee submits a proposal to the Board of Directors to not recommend the reappointment of the incumbent President and Representative Executive Officer.
5. Members of the Nomination Committee work closely together to handle matters to be resolved by the committee, as a body possessing knowledge of corporate management, human resource development, personnel affairs/welfare and labor management, as well as matters to be recommended to the Board of Directors or the Representative Executive Officer.
6. The Chairperson of the Nomination Committee demonstrates his/her leadership in the committee's activities, including the chairing of Nomination Committee meetings. The Chairperson is also responsible for exercising his/her leadership in gathering objective information on persons with management abilities from both inside and outside the Company. In addition, the Chairperson conducts interviews, etc., with the persons concerned to regularly update information on those with management abilities within the

Company, and takes responsibility to regularly update effective information on human resources for the committee.

7. The Nomination Committee shall utilize external experts as appropriate such as implementing external evaluation of the President and Representative Executive Officer in the succession plan to ensure objectivity and fairness. Including in such cases, the Nomination Committee can hire external experts at the cost of the Company without prior approval of the Board of Directors and Executive Officers, if it is deemed necessary for the activities of the committee.
8. The Company establishes a secretariat of the Nomination Committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions.

#### Audit Committee

##### Article 12

1. The Audit Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers), the majority thereof being Independent Directors. Directors comprising the Audit Committee shall have adequate experience and ability, and the necessary knowledge of finance, accounting and law, and particularly include two (2) or more members with sufficient knowledge of finance and accounting.
2. The Audit Committee sets out the basic policies and regulations, etc., necessary for executing its duties.
3. The Audit Committee carries out audits to verify whether Executive Officers, Directors and employees, etc., of the Company or its subsidiaries (hereinafter “**Executive Officers, etc.**”) are in compliance with legal obligations and internal rules, and reports the progress and results of the audits to the Board of Directors. The Audit Committee also provides advice and recommendations to Executive Officers, etc., as appropriate.
4. The Audit Committee sets out basic policies and plans of audits based on progress in the development of internal control systems, in an effort to carry out efficient and effective audits in close coordination with the Internal Audit Division.
5. The Audit Committee sets out the “policy for the appointment and assessment of the External Independent Auditor,” and appropriately appoints the candidates for the position. The Audit Committee conducts an adequate assessment of the External Independent Auditor and verifies his/her independence and expertise required in each fiscal year.
6. The Audit Committee establishes a system for direct reporting to the Audit Committee as defined under Article 7, in order to facilitate the reporting of issues concerning a breach of compliance with laws and regulations, and other business-related ethical issues at the

Company and its subsidiaries.

7. Members of the Audit Committee ensure the effectiveness of audits conducted by the Audit Committee as a body possessing knowledge of finance, accounting and law, as well as auditing.
8. The Chairperson of the Audit Committee demonstrates his/her leadership in the committee's activities, including the chairing of Audit Committee meetings.
9. The Audit Committee, if necessary, can hire external experts such as attorneys, certified public accountants or consultants at the cost of the Company without prior approval of the Board of Directors and Executive Officers.
10. The Company establishes the Audit Committee Office as a secretariat that assists the committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions.

#### Compensation Committee

##### Article 13

1. The Compensation Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers), the majority thereof being Independent Directors.
2. The Compensation Committee sets out basic policies and regulations, etc., necessary for executing its duties.
3. The Compensation Committee is mainly responsible for deciding on the individual compensation, etc., for Directors and Executive Officers, and making recommendations to the Board of Directors concerning the officers' compensation system of the Company as well as Group companies.
4. Members of the Compensation Committee work closely together to handle matters to be resolved by the committee as well as matters to be recommended to the Board of Directors, as a body possessing knowledge of corporate management and personnel affairs.
5. The Chairperson of the Compensation Committee demonstrates his/her leadership in the committee's activities, including the chairing of Compensation Committee meetings. The Chairperson of the Compensation Committee coordinates with the Chairperson of the Nomination Committee in the yearly assessment of the individual contribution by Executive Officers as the basis for determining the amounts of their performance-linked annual bonuses, as defined under Article 20, Paragraph 4, to ensure that the results of the assessments by the two committees are in agreement.
6. The Compensation Committee can hire external experts such as compensation consultants at the cost of the Company without prior approval of the Board of Directors and Executive

Officers, if it is deemed necessary for the activities of the committee.

7. The Company establishes a secretariat of the Compensation Committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions.

#### Independent Directors' Meeting

##### Article 14

1. The Independent Directors' Meeting, a meeting structure comprising all Independent Directors (and Independent Directors only), is established as a forum for Independent Directors to freely discuss matters required to fulfill their responsibilities.
2. The Independent Directors' Meeting holds a meeting to review the performance of Chairman of the Board of Directors at least once a year without his/her presence.
3. The Independent Directors' Meeting can hire independent advisors specializing in areas including legal affairs, accounting and finance at the cost of the Company without prior approval of the Board of Directors and Executive Officers, if it is deemed necessary for its activities.
4. The Company establishes a secretariat with adequate staff and budget to support the activities of the Independent Directors' Meeting.

#### Directors

##### Article 15

1. Directors gather sufficient information for executing their duties, and actively express their opinions at the Board of Directors' meetings so as to ensure exhaustive discussions.
2. Directors are entitled to request explanations or reports, or the submission of internal materials from other Directors, Executive Officers and employees, whenever it is deemed necessary or appropriate.
3. Directors successfully execute their duties by spending sufficient time involved in Company and Group matters.
4. Directors fully appreciate their responsibilities based on the understanding of the relevant laws and regulations, Articles of Incorporation of the Company, the Board of Directors' Rules and other internal rules.
5. The Chairman of the Company shall have responsibilities as a Director set forth in the preceding paragraphs, in addition to exhibiting leadership in the processes required for change and proposing changes to the Board of Directors in cases where changes to corporate governance system including the Board of Directors are found to be necessary. If there is no Chairman of the Company, a Director to serve in this role shall be elected from among Non-executive Inside Directors.

## Independent Directors

### Article 16

1. Independent Directors are mainly responsible, among their principal roles, for verifying and assessing as appropriate the business results of the Company and performance of Executive Officers in light of the management strategies or management plan set out by the Board of Directors, and determining and expressing opinions on whether it is appropriate to delegate management responsibilities to the incumbent Executive Officers from the perspective of the common interests of shareholders.
2. The Lead Independent Director is elected from among the Independent Directors not serving as Chairman of the Board of Directors. The Lead Independent Director serves as the Chairperson of the Independent Directors' Meeting. In addition, the Lead Independent Director summarizes opinions of other Independent Directors as necessary, and reports to the Chairman of the Board of Directors and the President and Representative Executive Officer for further consultation.

## Requirements, etc., for Directors and policies for nomination

### Article 17

1. Directors shall have sufficient knowledge, experience and ability in respective areas of management, as well as good character and high morals. Furthermore, Directors shall have broad-based insight and the ability to think logically, enabling them to make decisions based on the opinions of the members of the Board of Directors, as well as information from both inside and outside the Company. The Board of Directors shall have overall balance of personnel who satisfy such requirements, and be made up in a way that has both diversity including gender and international aspects and an appropriate size.
2. The Company sets forth its views on diversity with regard to the composition of the Board of Directors including gender and international aspects, and selects candidates for Directors paying due attention to diversity based on its views.
3. The Company separately establishes, and discloses, the standards for independence of Independent Directors through the Board of Directors. Only those who meet such standards shall be the Company's Independent Directors.
4. The term of office for Independent Directors shall not exceed six (6) years. However, the term can be extended, through reelection, to up to eight (8) years assuming election as the Chairperson of the Nomination Committee, the Audit Committee or the Compensation Committee or as the Lead Independent Director, or up to eleven (11) years assuming election as the Chairman of the Board of Directors.
5. If an Independent Director of the Company is to concurrently serve as a director or a

statutory auditor of other listed companies, such service shall not be demanding to the extent that it may impede the roles and functions expected of an Independent Director of the Company.

6. Policies for nomination including the standards and procedures for electing Directors are separately established by the Nomination Committee, and the election of the candidates for Directors is carried out based thereon.

#### Training for Directors

##### Article 18

1. The Company offers opportunities for newly elected Directors to gain knowledge of, and insight into, the subjects necessary to perform their responsibilities as Directors, including finance, legal affairs and corporate governance prior to, or immediately after, the election.
2. In an effort to promote understanding of the Group, the Company offers opportunities as appropriate for newly elected Independent Directors to gain knowledge of, and insight into, important matters such as the Group's management strategies and financial position, through a briefing by Executive Officers, etc., in charge of respective areas, and inspection tours, etc., at the Group's business sites prior to, or immediately after, the election.
3. The Company provides Directors with opportunities for adequate training after their election as appropriate, including lectures by external experts.

#### Assessment on the effectiveness of the Board of Directors

##### Article 19

The Board of Directors conducts analysis and assessment on its effectiveness as a whole, and discloses a summary of the results thereof.

#### Compensation and other benefits for Directors, etc.

##### Article 20

1. The compensation standard for Directors is designed to provide the level of compensation commensurate with the capabilities, experience and roles of each Director, while encouraging the execution of their duties in line with the management philosophy and management strategies, as well as the level of supervision that contributes to the sustainable growth of the Company and the medium- to long-term enhancement of its corporate value.
2. The Company has adopted a system of compensation for Directors based on the roles of individual Directors on the Board of Directors as well as various committees, etc. Compensation for Directors comprises basic compensation and share-based compensation

as long-term incentives. This shall take into consideration experience up to the previous position for Non-executive Inside Directors, an additional allowance is paid to the Chairman of the Board of Directors, the Non-executive Inside Director assisting the Chairman, the Lead Independent Director and the Chairperson of each committee, in consideration of the scope of their roles and responsibilities, as well as the additional working hours required for executing their duties.

(1) Compensation system for Independent Directors

Compensation for Independent Directors, who are expected to fulfill their roles and responsibilities completely independent of the business execution of the Company, comprises basic compensation and share-based compensation that are not linked to performance.

(2) Compensation system for Non-executive Inside Directors

The Non-executive Inside Directors are appointed from among the officers and employees of the Company, who are capable of actively collecting information on the internal status of the Company based on their experience and knowledge. They are expected to engage in the monitoring of the business execution essential for the Board of Directors to fulfill its supervisory function, while appropriately supervising the execution of important matters based on their own insights, and thereby providing advice to ensure lawful and efficient business execution to the extent that they do not take part in decision-making. In light of the impact of the quality of supervision of business execution based on these roles and responsibilities on the yearly business results, their compensation comprises basic compensation and share-based compensation that are partially linked to performance.

(3) Compensation system for Executive Directors

The compensation system for Executive Officers is applied to Executive Directors, under which the compensation as Directors is not paid.

3. The compensation system for Executive Officers is designed to provide the level of compensation commensurate with the achievement of performance targets (if successfully achieved), while prompting business execution in line with the management philosophy and management strategies, with strong motivation towards contribution to the sustainable growth of the Company and medium- to long-term enhancement of its corporate value.
4. In line with the purposes as described in the preceding paragraph, compensation for Executive Officers comprises basic compensation based on special title, such as President and Representative Executive Officer and Senior Managing Executive Officer, a performance-linked annual bonus, and share-based compensation that are conditional on the achievement of business performance objectives set out in the medium-term

management plan. The Company has adopted a compensation system that allocates a larger performance-linked portion compared to the basic compensation portion for Executive Officers in higher positions with greater responsibility, who are expected to play a more important role in achieving numerical targets in their business execution, with tougher responsibilities for business performance.

5. The Board of Directors sets out in the medium-term management plan management indicators such as return on invested capital (ROIC), along with their target values that should be used by the Compensation Committee for the performance assessment of the President and Representative Executive Officer as well as each Executive Officer, and discloses such information in a timely and appropriate manner.
6. The Company discloses compensation amounts, etc., paid to Directors, along with the relevant policies defined under this Article in an appropriate way.

## **Chapter 6 Dialogue with shareholders and investors**

Constructive dialogue with shareholders and investors

### Article 21

1. The Company recognizes the development of a long-term trusting relationship with shareholders and investors as one of the most important management matters. The Company provides appropriate corporate information necessary for shareholders and investors to make investment decisions, and strives to further strengthen the trusting relationship on a continuous basis by engaging in IR activities for enhancing its corporate value through constructive dialogue.
2. In the current framework, the President and Representative Executive Officer is the chief executive of IR activities of the Company, which are, in principle, carried out by the executive officer in charge of IR and the department in charge of IR. In addition, Directors (including Independent Directors), Executive Officers and other senior executives arrange as appropriate opportunities for direct dialogue with shareholders and investors. The Company develops a framework for internally sharing information and knowledge gained through such dialogue with shareholders and investors, which shall be utilized for the management of the Company.
3. The Company determines and discloses the “IR Basic Policy” as a basic policy for developing the structure and initiatives for promoting constructive dialogue with shareholders and investors.