

Independence Standards for Outside Executives

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

The Company appoints outside Directors who meet not only the requirements prescribed by the Companies Act but also the “Independence Standards for Outside Executives” prescribed by the Nomination Advisory Committee in principle.

<Independence Standards for Outside Executives>

The Company judges outside Directors, outside Audit & Supervisory Board Members (hereinafter collectively referred to as “outside Executives”), or candidates for outside Executives as independent if they do not fall under any of the following items as a result of the investigation conducted by the Company as far as reasonably possible:

- i. Executors of operations¹ of the Company and its affiliates (hereinafter collectively referred to as the “Company Group”);
- ii. Those for whom the Company Group is a major business partner² or their executors of operations;
- iii. Major business partners of the Company Group³ or their executors of operations;
- iv. Major shareholders of the Company (Those who own directly or indirectly 10% or more of the total voting rights) or their executors of operations;
- v. Those 10% or more of whose total voting rights are owned directly or indirectly by the Company Group or their executors of operations;
- vi. Those who belong to the auditing firm that is the financial auditor of the Company Group;
- vii. Attorneys, certified public accountants, licensed tax accountants, consultants and the like who receive a large amount⁴ of monetary or other property benefits other than executive remunerations from the Company Group;
- viii. Those who belong to corporations, cooperatives, and the like including law firms, auditing firms, tax accountant corporations, and consulting firms, which receive a large amount⁴ of monetary or other property benefits from the Company Group;

Information Disclosure in accordance to the Corporate Governance Code

- ix. Council members or other executors of operations of bodies including corporations and cooperatives which, or persons who receive a large amount⁴ of donations or assistance from the Company Group;
- x. In cases where Directors for operational execution, or full-time Audit & Supervisory Board Members concurrently serve as outside Directors or outside Audit & Supervisory Board Members of other companies, Directors for operational execution, executive officers, executive Directors, or managers and other employees of said companies;
- xi. Those who have fallen under the definition of the above ii to x in the last three years; or
- xii. In cases where those who fall under the definition of the above i to x are important persons⁵, their spouses or relatives within the second degree of kinship.

(Note)

1. “Executors of operations” refer to Directors, Executive Officers, Executive Directors, employees who execute operations, council members, or those equivalent thereto and employees of corporations and other bodies, as well as those who have belonged to the Company Group in the past even once.
2. “Those for whom the Company Group is a major business partner” refer to persons who have received from the Company the payment of 2% or more of their consolidated annual sales in the most recent fiscal year.
3. “Major business partners of the Company Group” refer to persons who pay the Company 2% or more of its consolidated annual sales in the most recent fiscal year, or who loaned the Company 2% or more of its consolidated total assets at the end of the most recent fiscal year.
4. “A large amount” refers to, in terms of the average for the past three fiscal years, ¥10 million or more for individuals, more than 2% of the consolidated sales or total revenues of said bodies for bodies including corporations and cooperatives.
5. “Important persons” refer to Directors (excluding outside Directors), Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members), Executive Directors and employees who are senior managers in the position of general managers or higher.