

ITO EN, LTD. Corporate Governance Guidelines

ITO EN, LTD. Corporate Governance Guidelines (the “Guidelines”) set the basic policy guidelines for corporate governance of ITO EN, LTD. (the “Company”) for the ITO EN Group (the “Group”) to achieve sustained growth and corporate value improvement over the mid- to long-term.

Chapter 1 General Provisions

Basic concept underlying the management principle and corporate governance

Article 1 The Group’s management principle is “Always Putting the Customer First.” The Group’s management priority is to fulfill its corporate social responsibility by cooperating with the government, local communities, consumers, shareholders, retailers, suppliers, financial institutions and other stakeholders, aiming for sustained corporate growth and development and the improvement of corporate value. This management principle is the basic concept of the Group’s business ethics and the unwavering truth that supports corporate governance. Based on this principle, all officers and employees of the Company shall strive to actively promote corporate management by securing all stakeholders’ interests and maintaining their trust, aiming for a sustainable society.

Basic principles

Article 2 In accordance with the management principle and the basic concept described in the preceding Article, the Company shall endeavor to enhance corporate governance by adhering to the following basic principles.

(i) Ensuring shareholders’ rights and equality

The Company shall take appropriate actions to ensure that shareholders’ rights are substantially secured and develop an environment in which shareholders can exercise their rights appropriately.

(ii) Appropriate cooperation with stakeholders

The Company shall endeavor to ensure appropriate cooperation with stakeholders and develop a corporate culture and climate that respect stakeholders’ rights and positions as well as sound ethical business practices.

(iii) Ensuring appropriate information disclosure and transparency

The Company shall appropriately make statutory disclosures of information, including the Company’s financial position, operating results and other financial information, as well as management strategies and issues, risks, corporate

governance and other non-financial information. It shall also make non-statutory disclosures of information proactively. The Company shall endeavor to ensure that the information is accurate, easily understood by users and highly useful.

(iv) Effectiveness of the Board of Directors' supervision

The Company shall endeavor to ensure effective supervisory functions of the Board of Directors regarding the execution of operations to achieve sustained growth and the improvement of corporate value over the mid- to long-term.

(v) Constructive dialogue with shareholders

The Company shall have constructive dialogue with shareholders with the aim for sustained growth and the improvement of corporate value over the mid- to long-term.

Chapter 2 Corporate Governance Structure of the Company

The Company's concept of corporate governance structure

Article 3 As a company with an audit & supervisory board, its Audit & Supervisory Board Members shall conduct audits by confirming with Representative Directors of each group company or Directors or employees in charge of each group company regarding the status of business operations, decision-making processes and so forth to realize appropriate corporate governance.

2. Opinions of external experts, including Outside Audit & Supervisory Board Members and Outside Directors, shall be seriously taken into account and reflected in corporate management, thereby enhancing transparency.
3. Audit & Supervisory Board Members shall attend the Board of Directors' meetings and state their opinions about the status of audits on a company-wide basis or on a case-by-case basis in an objective and fair manner and audit the execution of duties of the Directors in accordance with audit policies adopted by the Audit & Supervisory Board.

Nomination & Remuneration Committee

Article 4 The purpose of the establishment of the Nomination & Remuneration Committee is to enhance the independence and objectivity of the functions of the Board of Directors and its accountability. For this reason, appropriate involvement of and advice from Outside Directors shall be obtained when the nomination and remuneration of Directors and others, and important matters are examined by the committee.

2. The Nomination & Remuneration Committee shall comprise no fewer than three members, including Director(s) and no fewer than two Outside Directors or Outside

Audit & Supervisory Board Members.

3. Members of the Nomination & Remuneration Committee shall be appointed by a resolution of the Board of Directors.
4. Upon request from the Board of Directors, the Nomination & Remuneration Committee shall deliberate on the following matters and report the results to the Board of Directors.
 - (1) Matters concerning the selection of candidates for Directors
 - (2) Matters concerning senior Executive Officers
 - (3) Matters concerning total amounts of remuneration for Directors and Executive Officers
 - (4) Matters concerning remuneration systems for Directors and Executive Officers
 - (5) Other matters regarding which advice is sought by the Board of Directors

Roles of the Board of Directors

- Article 5 The Board of Directors has the role to oversee management to secure fairness and transparency and to make prompt and resolute decisions on the execution of important operations and other matters as required by the laws and regulations to facilitate sustained growth and the improvement of corporate value over the mid- to long-term and to improve earning capacity, capital efficiency and so forth.
2. The execution of operations, other than important operations stipulated in the preceding Paragraph, and relevant decision making shall be delegated to the Executive Board and other lower-layer meetings, officers in charge of the operations, Executive Officers and others. The Board of Directors shall supervise the status of the meetings and the execution of duties of the officers and others.

Composition of the Board of Directors

- Article 6 The number of members of the Board of Directors shall be no more than that specified in the Articles of Incorporation of the Company. The basic principle for the composition of the Board of Directors shall be to ensure a necessary and appropriate number of members for effective decision-making and substantive discussions. Moreover, in determining the composition of the board, due consideration shall be given to gender, internationality and other characteristics, such as diversity and levels of professionalism.

Policy on nomination and procedures for nomination and removal of Directors

- Article 7 Candidates for the Company's Directors shall be selected by the Board of Directors in accordance with the following policy for nomination by respecting objective and highly transparent deliberations at the Nomination & Remuneration Committee.

(1) Directors (excluding Outside Directors)

Persons who are well versed in the Company's business management, have abundant knowledge and experience and are morally qualified for being involved in the Company's management

(2) Outside Directors

- (i) Persons who have good insight into the Company's management principle and the Group's social responsibility and roles
- (ii) Persons who have abundant experience and extensive insight in corporate management, professional knowledge in legal affairs, financial accounting, tax affairs, finance and so forth and are expected to provide general advice and supervision over the Company's management from objective and professional perspectives
- (iii) Persons who meet the Company's standards for the independence of Outside Directors and are deemed unlikely to cause conflicts of interest with general shareholders

2. If the Board of Directors considers that it is impossible for a Director to appropriately carry out their duties due to a violation of laws, regulations or the Articles of Incorporation or for other reasons, it shall determine, upon deliberation and by respecting deliberations at the Nomination & Remuneration Committee, whether to remove them from their position, to impose other dispositions or to submit a proposal for the removal to the general shareholders meeting.

Policy and procedures for nomination of Audit & Supervisory Board Members

Article 8 Candidates for the Company's Audit & Supervisory Board Members shall be selected by the Board of Directors in accordance with the following policy for nomination by obtaining the consent of the Audit & Supervisory Board.

(1) Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)

- (i) Persons who have abundant knowledge of and experience in the Company's business management
- (ii) Persons who can audit the status of the execution of duties of Directors from a fair and objective standpoint and contribute to the improvement of soundness and transparency of management

(2) Outside Audit & Supervisory Board Members

- (i) Persons who have good insight into the Company's management principle and the Group's social responsibility and roles
- (ii) Persons who are thoroughly aware of their roles as Outside Audit & Supervisory Board Members, can audit the status of the execution of duties of Directors from neutral and objective perspectives by using their knowledge of and experience in corporate management, economy, legal affairs, accounting, tax affairs, audits and other areas, and can contribute to the improvement of soundness and transparency of management

- (iii) Persons who meet the Company's standards for the independence of Outside Audit & Supervisory Board Members and are deemed unlikely to cause conflicts of interest with general shareholders

Policy and procedures for determining Directors' remuneration

Article 9 Remuneration, etc. of Directors (excluding Outside Directors) shall comprise monthly fixed remuneration and performance-linked remuneration. Remuneration, etc. of Outside Directors shall only be monthly fixed remuneration. Monthly fixed remuneration shall be determined within the total amount of remuneration approved by resolution of the general shareholders meeting, according to respective job positions, by taking into account business results for the preceding fiscal year and the degree of achievement of the annual business plan for the current fiscal year and so forth, and by respecting deliberations at the Nomination & Remuneration Committee. A stock option scheme shall be adopted for performance-linked remuneration, and stock options to be granted to each officer shall be determined by strictly assessing each officer's performance.

- 2. Individual remuneration, etc. of each Director shall be determined according to remuneration standards adopted by resolution of the Board of Directors meeting.

Policy and procedures for determining Audit & Supervisory Board Members' remuneration

Article 10 The remuneration of Audit & Supervisory Board Members shall be within the total amount of remuneration approved by resolution of the general shareholders meeting and shall only be monthly fixed remuneration.

- 2. Remuneration of Audit & Supervisory Board Members shall be determined upon discussion with each Audit & Supervisory Board Member at the Audit & Supervisory Board.

Policy on training for Directors and Audit & Supervisory Board Members

Article 11 The Company shall support the execution of duties of the Directors and Audit & Supervisory Board Members by collecting and providing information necessary for them to perform their roles and functions. It shall also provide necessary training and so forth.

- 2. In order to perform their roles and functions, Outside Directors and Outside Audit & Supervisory Board Members of the Company shall endeavor to obtain sufficient understanding of the Group's management strategies and plans, the status of each business, management issues and so forth by such means as receiving explanations from respective divisions in charge of each business at the time of assuming office and on other appropriate occasions.

Assessment of effectiveness of the Board of Directors

Article 12 The Board of Directors shall assess and analyze the overall effectiveness of the board every year based on each Director's self-assessment and so forth and use the results to improve the board.

Chapter 3 Matters concerning Protection of Stakeholders' Interests

Management system for transactions among related parties

Article 13 When the Company conducts a transaction with its officers, major shareholders and others, it shall submit the matter to the Board of Directors in advance and obtain the board's approval in order to ensure that the transaction will not adversely affect the common interests of the Company and shareholders, excluding cases in which the terms and conditions of the transaction are clearly the same as those for general transactions.

Policy on cross-shareholding

Article 14 The Company maintains a policy of not conducting cross-shareholding, in principle. Provided, however, the Company conducts cross-shareholding in cases in which it can be judged that cross-shareholding would facilitate transactions, procurement or financing. In addition, the Company maintains a policy of reducing cross-shareholding in stages in cases in which cross-shareholding is not judged to contribute to the improvement of the Group's corporate value over the medium to long term.

2. With regard to listed shares held by the Company in accordance with the proviso in the preceding Paragraph ("shares held in cross holding"), the Company validates at the Board of Directors' meetings every year that the return on invested capital exceeds capital cost for each stock. In addition, from the perspective of maintaining and strengthening relationships with its clients over the medium to long term, the Company has confirmed at the Board of Directors' meeting that the significance of cross shareholdings shall be reviewed and that any stock with reduced economic rationality and reduced significance of cross holding shall be subject to sale or reduction in holding following dialogue with the issuer company.
3. Regarding the exercise of voting rights of shares held in cross holding, the Company shall appropriately address the matter by closely examining each agenda and comprehensively judging if the proposed matter will contribute to the improvement of corporate value of the Company and the issuer.

Corporate ethics hotline system

Article 15 The Company shall develop an internal reporting hotline and an external reporting hotline with lawyers for employees and others to directly provide the Company with information about illegal conduct of a group company or the Company.

Policy on constructive dialogue with shareholders

Article 16 The Company shall accurately understand its capital cost, listen to the comments of shareholders through constructive dialogues between its management team and shareholders and pay due attention to shareholders' interests and concerns. In addition, it shall provide clear and simple explanations about the review of its business portfolio and its management policy, including capital expenditure and investment in research and development and human resources, in an effort to obtain shareholders' understanding.

Established on December 1, 2015

Revised on December 3, 2018

(Reference)

The Company's Standards for Determining Independence of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members

Based on the independence standards for outside directors and auditors prescribed by the Tokyo Stock Exchange, the Company stipulates its standards for determining independence of its independent Outside Directors and independent Outside Audit & Supervisory Board Members as follows:

- (1) An Outside Director or an Outside Audit & Supervisory Board Member who meets none of the conditions stipulated in items A. to F. below and is deemed to have no potential conflict of interest with general shareholders of the Company shall be judged independent:
 - A. A person for whom the Company is a major business partner, or a person serving as an executive of an entity for which the Company is a major business partner
 - B. A person who is a major business partner for the Company, or a person serving as an executive of an entity that is a major business partner for the Company
 - C. A consultant, an accounting expert or a legal expert who receives a significant amount of money or other properties from the Company, except for the Company's remuneration for Directors and Audit & Supervisory Board Members (or a member of a corporation, an association or any other institution that receives such properties from the Company)
 - D. A person who recently met the following condition:
 - (a) A person stipulated in any of items A. to C. above
 - E. A person who met any of the conditions stipulated in items (a) to (c) below at any time in the period of ten years before taking office as Outside Director or Outside Audit & Supervisory Board Member of the Company:
 - (a) A person serving as an executive, or as Director who is not an executive, of the Company's parent company
 - (b) A person serving as Audit & Supervisory Board Member of the Company's parent company (only in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
 - (c) A person serving as an executive of a fellow subsidiary of the Company
 - F. A person who is a next of kin of any of the persons stipulated in items (a) to (g) below (excluding those of the persons who are not significant):
 - (a) A person stipulated in any of items A. to E. above
 - (b) A person serving as an executive of the Company's subsidiary
 - (c) A person serving as Director who is not an executive, or as an accounting advisor, of the Company's subsidiary (only in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
 - (d) A person serving as an executive, or as Director who is not an executive, of the Company's parent company
 - (e) A person serving as Audit & Supervisory Board Member of the Company's parent company (only in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
 - (f) A person serving as an executive of a fellow subsidiary of the Company
 - (g) A person who recently met any of the conditions stipulated in items (b) and (c) above or a person serving as an executive of the Company (or a person serving as Director who is not an executive of the Company, in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
- (2) An Outside Director or an Outside Audit & Supervisory Board Member who meets any of the conditions stipulated in items A. to F. above but is deemed, after full consideration of specific situations and on grounds reasonably justifiable to outside stakeholders, to have no potential conflict of interest with general shareholders of the Company shall be judged independent.