Corporate Governance System

The Company has adopted the "Company with an Audit and Supervisory Board" organizational format (as defined under Japan's Companies Act), which features redundant management oversight in the form of business activity supervision by the Board of Directors and audits by Audit and Supervisory Board members.

As of June 21, 2016, the Company, with three outside directors on its nine-member Board of Directors, is considered to have a Board of Directors in which outsiders play a central role. Given that the Company has also established a Corporate Governance Committee consisting of all of the outside directors and the representative director, the Company's corporate governance system is a hybrid combining the features of a Company with an Audit and Supervisory Board and a "Company with Committees" (as defined under Japanese law).

Management and Business Execution Framework

1) Board of Directors

Chaired by the representative director, the Board of Directors consists of nine members (6 who are also officers, and 3 outside directors) and, in principle, meets once a month. The Board of Directors makes decisions on matters specified in laws and regulations or in the articles of incorporation, and important matters concerning the Company's business activities. It also receives reports on such matters as required. To strengthen the oversight function, efforts are made to maintain a Board of Directors with outside directors comprising over 30% of sitting directors. In addition, to protect returns to general shareholders, independence is stressed in selecting outside directors. Efforts are made to ensure the best possible decisions are made to increase corporate value over the medium-to-long term.

2) Executive Committee

The Executive Committee, which is chaired by the chief executive officer and comprised of senior executive officers, meets, in principle, once a month. The executive committee discusses inherent risks, possible responses, and other aspects of matters scheduled to be taken up by the Board of Directors and reports on these discussions and their results to the Board. It also develops companywide policies and plans. Outside directors and Audit and Supervisory Board members, acting as observers, attend meetings of the Executive Committee and express their opinions as necessary.

3) Other Committees

Committees led by officers are established to discuss policies and management matters affecting the entire company; confirm business performance and progress in implementing the medium-term business plan; and confirm implementation progress, analyze, and make recommendations regarding strategies concerning particular operations. In principle, such committees meet one or two times a month.

Consultative Bodies

1) Corporate Governance Committee

The Corporate Governance Committee is chaired by an outside director and consists of outside directors and the representative director. In principle, it meets once a month to discuss candidates for internal director and senior executive officer positions, the remuneration system for directors and officers, and other governance-related matters. The committee submits its findings and recommendations on these matters to the Board of Directors. **2) Risk Management Committee**

With the representative director as its chair, the Risk Management Committee is comprised of directors with officer responsibilities and officers responsible for internal controls. In principle, the committee meets once a year to set a direction that will promote efficient, proper pursuit of risk management.

Auditing System

1) Internal Audits

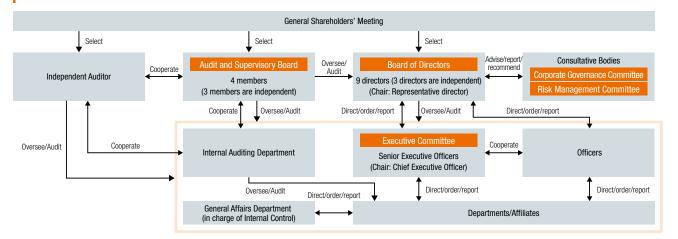
A staff of nine auditors evaluates the internal control system and continuously performs audits to determine whether the business activities of the Company and its subsidiaries are in compliance with the law and regulations, and internal rules and manuals. Assessments and audit results are reported to the representative director, Audit and Supervisory Board members, and officers as appropriate, and corrective measures and guidance are provided to departments where deficiencies are identified.

2) Audits by Audit and Supervisory Board Members

The Audit and Supervisory Board consists of four members, three of whom are outside members. The Audit and Supervisory Board sets an audit direction and allocates responsibilities among its members. Reports are received from each Audit and Supervisory Board member on the progress and results of their work, and from the Board of Directors and the independent auditor on the progress of activities they are pursuing. Detailed explanations are requested as needed. Each Audit and Supervisory Board member attends important meetings to monitor the performance of duties by directors and officers.

3) Independent Audits

The Company has engaged Deloitte Touche Tohmatsu LLC to perform independent audits.



Corporate Governance Framework