

Basic Policy on Corporate Governance

Section 1: Basic Views on Corporate Governance

The Oenon Group (“the Group”) operates businesses based on biotechnologies derived from fermentation technologies in the Alcoholic Beverages, the Enzymes and Pharmaceuticals, and other fields, guided by its group corporate philosophy: “From the bounty of nature and with biotechnology as our base, we aim to help people find enjoyment and health through food.”

The Group considers the provision of safe and secure products to customers its top priority. It conducts business activities in accordance with group-wide universal concepts—specifically, a focus on customers and a focus on profit—and concurrently pursues initiatives that contribute to “the co-creation of future value,” while aiming to enhance the quality of its management and ultimately achieve sustainable growth and maximize corporate value for the Group over the medium to long term.

To enhance the quality of its management, achieve sustainable growth, and maximize corporate value, the Group ensures transparency and fairness in decision-making processes related to management, and accordingly works to establish a corporate governance structure that promotes timely and decisive decision-making.

Section 2: Securing the Rights and Equal Treatment of Shareholders

1. Basic Views

Oenon Holdings (“the Company”) takes appropriate measures to fully secure the rights of its shareholders (particularly, minority shareholders and foreign shareholders), and develops an environment in which shareholders can exercise their rights appropriately. In addition, the Company strives to secure effective equal treatment of shareholders. [1]

2. Securing the Rights of Shareholders

The Company takes appropriate measures to fully secure the rights of all shareholders, including minority shareholders and foreign shareholders. [1.1]

(1) The Company’s Board of Directors (“the Board of Directors”) gives serious consideration to voting results at general meetings of shareholders. If more than 20% of the attending rights holders oppose a proposal, the Board of Directors analyzes the reasons behind the opposing votes, and conducts shareholder dialogue and other measures as necessary. [1-1-1]

(2) If the Company determines that the Board of Directors is adequately constituted to fulfill its corporate governance roles and responsibilities, it will consider proposing to the general meeting

of shareholders that certain powers of the general meeting of shareholders be delegated to the Board of Directors if such delegation is deemed necessary to ensure agile decision-making and expertise in business judgment. [1-1-2]

(3) Given the importance of shareholder rights, including the special rights that are recognized for minority shareholders with respect to listed companies and their officers (including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit), the Company gives consideration to ensure that the exercise of shareholder rights is not impeded. [1-1-3]

3. Exercise of Shareholder Rights at the General Meeting of Shareholders

The Company recognizes that general meetings of shareholders are an opportunity for important dialogue with shareholders, and endeavors to provide an appropriate environment to ensure the exercise of shareholder rights at such meetings from a shareholder's standpoint. [1-2]

(1) The Company actively provides information expected to facilitate appropriate decision-making by shareholders at general meetings of shareholders. This includes a comprehensive range of convocation notices, reference documents, and business reports (including efforts to present information through the use of drawings, photographs, and figures), timely disclosures to stock exchanges, and disclosures on the Company's website. [1-2-1]

(2) The Company to the extent possible sends convocation notices well in advance, and endeavors to disclose the information included in convocation notices through TDnet and the Company's website before sending notices and at least three weeks prior to general meetings of shareholders. [1-2-2]

(3) The Company sets the dates for general meetings of shareholders in such a way as to avoid peak days (i.e., days on which many companies hold their shareholders meetings). [1-2-3]

(4) The Company strives to ensure shareholders can exercise their voting rights with greater convenience by adopting the electronic exercise of voting rights through the Internet, utilizing a platform for the electronic exercise of voting rights, and, as necessary, providing English translations of convocation notices. [1-2-4]

(5) If institutional or other investors who hold shares in street name express an interest in advance of the general meeting of shareholders in attending the general meeting of shareholders to exercise voting or other shareholders' rights, the Company will work with the relevant trust bank and/or custodial institution and take appropriate measures accordingly. In addition, it will continue to examine specific measures and actions through deliberation with the relevant trust bank and/or custodial institution while referring to documents such as the "Guidelines on Attendance at the

General Shareholder Meetings of Japanese Listed Companies by Global Institutional Investors” issued by the Tokyo Association of Shareholder Affairs. [1-2-5]

4. Basic Strategy for Capital Policy

(1) The Company pursues a capital policy that maintains a balance between the following three objectives with the aim of achieving sustainable growth and improving corporate value over the medium to long term. [1-3]

a) Improving capital efficiency

The Company strives to improve capital efficiency by using internal reserves to fund active R&D investment, capital investment, M&A-driven business expansion, and other initiatives in fields expected to drive future growth.

Its Medium-Term Management Plan 2023 targets ROE of at least 9% in 2023.

b) Conducting shareholder returns

The Company aims to issue continuous and stable dividends based on a comprehensive consideration of factors such as earnings, consolidated results, medium- to long-term earnings outlook, capital investment plan, appropriate level of internal reserves, and payout ratio.

Its Medium-Term Management Plan 2023 targets a dividend per share of ¥10 in 2023.

In addition, as necessary, the Company considers share buybacks to adapt to changes in its management environment, improve capital efficiency, or achieve other objectives.

c) Maintaining sound financial position

The Company aims to maintain shareholders' equity at sufficient levels to enable investments in sustainable growth and prepare for unexpected risks.

(2) With respect to capital policy measures that result in a change of control or in significant dilution (including share offerings and management buyouts), the Board of Directors—which includes independent directors—carefully examines the necessity and rationale of such measures from the perspective of their fiduciary responsibilities to shareholders in order not to unfairly harm existing shareholders' interests. When such measures are implemented, the Company ensures appropriate procedures in accordance with laws and regulations, procedures stipulated by stock exchanges, and guidelines issued by relevant ministries and agencies, and endeavors to provide sufficient explanation to shareholders. [1-6]

5. Cross-Shareholdings

The Company strategically holds shares of other listed companies deemed necessary to maintain and strengthen trading relationships between the Group and business partners, and to achieve sustainable growth and improve corporate value for the Group over the medium to long term.

If the significance of holding certain shares has weakened, the Company gradually disposes of the holdings while taking into consideration conditions at the relevant companies.

Each year, the Board of Directors examines the purpose of its holdings by carefully reviewing their appropriateness and whether the associated benefits and risks are commensurate with cost of capital, and discloses the results of this review.

When exercising votes for cross-shareholdings, the Company for each proposal confirms and reasonably determines factors such as whether the exercise will contribute to growth in group-wide corporate value over the medium to long term. [1-4]

If another company that holds shares in the Company (“a Cross-shareholder”) notifies the Company of its intent to sell its holdings in the Company, the Company will not impede the sale. [1-4-1]

The Company does not conduct transactions that lack economic rationale with Cross-shareholders. [1-4-2]

6. Anti-Takeover Measures

The Company has not adopted anti-takeover measures. [1-5]

(1) The Company believes that the individuals controlling decisions related to its finances and business policies must sufficiently understand the Group’s finances, the nature of its businesses, and its corporate value, and be capable of continually ensuring and improving group-wide corporate value and the common interests of the shareholders.

If a large-scale purchaser makes a tender offer or other takeover bid for the Company’s shares that threatens to erode group-wide corporate value or the common interests of the shareholders, the Board of Directors will take the following measures to ensure shareholder rights to sell their shares are not infringed. [1-5-1]

- a) The Board of Directors will ask the large-scale purchaser to disclose sufficient information to ensure shareholders can appropriately evaluate the pros and cons of the large-scale purchase.
- b) The Board of Directors will disclose its opinions and views on the tender offer or takeover bid, and take appropriate measures such as striving to ensure shareholders receive the necessary time to consider the proposal.

7. Related Party Transactions

When the Company engages in transactions with its officers, major shareholders, or other related parties, it obtains approval in advance from the Board of Directors—which includes independent directors—and reports to the Board of Directors after such transactions have been completed without delay. [1-7]

Section 3: Appropriate Cooperation with Stakeholders Other Than Shareholders

1. Basic Views

The Company fully recognizes that group-wide sustainable growth and creation of corporate value

over the medium to long term is the result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors, and local communities. As such, it strives to appropriately cooperate with stakeholders.

The Board of Directors exercises its leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured. [2]

2. Corporate Philosophy

The Group operates businesses based on biotechnologies derived from fermentation technologies in the Alcoholic Beverages, the Enzymes and Pharmaceuticals, and other fields, guided by its group management philosophy: “From the bounty of nature and with biotechnology as our base, we aim to help people find enjoyment and health through food.” [2-1]

3. Universal Values and Guiding Principles

The Group has adopted “a focus on customers” and “a focus on profit” as universal values that underpin its actions. It has established the following guiding principles, which reflect the necessary mindset to realize its corporate philosophy and universal values.

- a) Think and act strategically based on global standards.
- b) Create and provide new value with improved reliability for our customers.
- c) Be aware of and fulfill public roles and responsibilities.
- d) Provide a better working environment to encourage free-minded ideas.

Through its universal values and guiding principles, the Group strives to ensure appropriate cooperation with and serve the interests of stakeholders, and aims to achieve group-wide sustainable growth and creation of corporate value over the medium to long term.

The Board of Directors endeavors to ensure that its corporate philosophy, universal values, and guiding principles are broadly disseminated and observed, including at the front line of the Group’s business operations, and it strives to promote and increase corresponding awareness across the Group. In addition, the Board of Directors reviews and revises the guiding principles as necessary. [2-2]

- (1) The Board of Directors conducts appropriate, periodic reviews to evaluate whether its universal values and guiding principles are broadly implemented, and strives to establish a corporate culture that is consistent with the aim and spirit of its universal values and guiding principles by taking necessary measures. [2-2-1]

4. Sustainability Issues

The Group aspires to be an organization that is trusted by society as a good corporate citizen by working to resolve sustainability issues, including social and environmental matters, through business activities based on its corporate philosophy and universal values. [2-3]

- (1) The Board of Directors recognizes that dealing with sustainability issues is an important element

of risk management, and works to positively and proactively resolve these matters by taking appropriate action. [2-3-1]

5. Ensuring Diversity within the Company

The Company recognizes that human resources with diverse perspectives that reflect diverse value systems are essential to achieve group-wide sustainable growth and improvement in corporate value over the medium to long term, and therefore aims to hire officers and employees with a diverse range of attributes, and promotes the development of an organization that leverages the unique characteristics and qualities of its personnel.

Specifically, the Company promotes organizational development driven by four perspectives: gender, age, disabilities, and nationality. It is particularly committed to the active participation of women. [2-4]

6. Whistleblowing

The Company provides a framework for whistleblowing that allows its Group employees and other parties to report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. The framework, which is supervised by the Board of Directors, also facilitates objective assessment of and appropriate response to the reported information or concerns. [2-5]

(1) The Company has established a legal/compliance breach consultation desk operated by an outside attorney and a harassment consultation desk operated by a third party as points of contact that are independent of its management team. In addition, it has established rules to secure the confidentiality of information providers and prohibit any disadvantageous treatment in its Regulations Regarding Whistleblowing Framework. [2-5-1]

Section 4: Ensuring Appropriate Information Disclosure and Transparency

1. Basic Views

The Company makes appropriate disclosures in compliance with relevant laws and regulations to gain the trust of its shareholders and other stakeholders and, by extension, realize group-wide sustainable growth and improvement in corporate value over the medium to long term. The disclosures includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk, and governance. The Company also proactively works to provide information beyond that required by law.

The Company recognizes that disclosed information serves as the basis for constructive dialogue with shareholders, and therefore works to ensure that such information is accurate, clear, and useful to recipients. [3]

2. Full Disclosure

The Company strives to disclose and proactively disseminate the information listed below from the standpoint of enhancing transparency and fairness in its decision-making and ensuring effective corporate governance. [3-1]

- a) Corporate philosophy, business strategies, and medium-term management plans disclosed on the Company website and through other channels.
- b) Basic views and basic policy on corporate governance disclosed on the Company website and through other channels.
- c) Basic policies and procedures to determine officer remuneration disclosed on the Company website and through other channels.
- d) Basic policies and procedures to select or dismiss its representative director and to nominate director and auditor candidates disclosed on the Company website and through other channels.
- e) Explanations with respect to the appointment or dismissal of its representative director and the nomination of director and auditor candidates disclosed in convocation notices and other materials.

(1) In disclosing information, the Board of Directors strives to ensure that disclosures add value for shareholders and various other stakeholders, and that the information is not boiler-plate or lacking in detail. [3-1-1]

(2) The Company has set up an English version of its website. The English website contains securities reports, summaries of quarterly results reports, factbooks, and other materials. In addition, the Company also prepares a condensed version of convocation notices and other reference documents in English. [3-1-2]

3. External Auditors

The Company recognizes the responsibility external auditors owe toward shareholders and investors in terms of the reliability of disclosed information, and accordingly provides an environment that facilitates the proper execution of audits by external auditors. [3-2]

(1) The Company's Auditing Group ("the Auditing Group") establishes standards for the appropriate selection and proper evaluation of external auditors, and evaluates external auditors in accordance with these standards. In addition, the Auditing Group establishes standards to verify the independence and expertise of external auditors, and confirms their independence and expertise in accordance with these standards. [3-2-1]

(2) The Company takes the following measures to secure the proper execution of audits by external auditors. [3-2-2]

- a) Prepare an audit schedule and ensure sufficient time for audits following advance deliberations with external auditors.

- b) If so requested, ensure external auditors have access, such as via interviews, to the representative director or responsible directors.
- c) Aim to support continuous coordination between external auditors, auditors, and the Auditing Dept. and hold meetings as necessary. Going forward, the Company will consider the establishment of a framework that facilitates coordination between external auditors and outside directors.
- d) If external auditors discover misconduct that requires a response, or if they identify inadequacies or concerns, rapidly examine and correct the issues. In addition, the Company's auditors confirm the examinations and examination reports by the Board of Directors or other parties, and request corrections to the representative director as necessary.

Section 5: Responsibilities of the Board of Directors

1. Basic Views

The Group has adopted a pure holding company structure that clearly distinguishes between management oversight and execution functions.

Given its fiduciary responsibilities and accountability to shareholders, the Board of Directors of the Company—which is a holding company—strives to appropriately fulfill the following roles and responsibilities in order to promote group-wide sustainable corporate growth and improvement in corporate value over the medium to long term, and to enhance earnings, capital efficiency, and other indicators. [4]

- a) Set the broad direction of corporate strategies and other policies for the Group.
- b) Establish an environment that supports appropriate risk-taking by the Board of Directors and group companies.
- c) Carry out highly effective oversight of management by directors and group companies from an independent and objective standpoint.

2. Roles and Responsibilities of the Board of Directors

(1) The Board of Directors views the setting of strategic direction and other policies for the Company as a major aspect of its roles and responsibilities. It accordingly engages in constructive discussion before making decisions with respect to its long-term vision (which reflects the broad direction to be pursued by the Group), medium-term management plans, management policies, and other plans. In addition, it ensures major operational decisions are based on its long-term vision, medium-term management plans, management policies, and other plans. [4-1]

- i. The Board of Directors makes decisions on matters specified in laws and regulations, matters specified in the Company's articles of incorporation, matters delegated to the Board of Directors by a resolution of the general meeting of shareholders, and other important

matters related to management. Decision-making for other matters regarding business execution is delegated to the representative director and responsible directors.

The Board of Directors receives reports on delegated matters and matters related to management from directors and group companies, and confirms operational decisions are consistent with the broad direction reflected in the Company's long-term vision, medium-term management plan, and management policies, and other plans. [4-1-1]

- ii. The Board of Directors recognizes that a medium-term management plan is a commitment to shareholders, and accordingly strives to realize corresponding targets.

It fully analyzes the Company's progress with the achievement of medium-term management plan targets, provides explanations to shareholders, and reflects analytic findings in its plan for subsequent years. [4-1-2]

- iii. The Company regards directors and executive officers of core group companies as director successors, and cultivates the knowledge, experience, and capabilities required from director successors in such individuals by delegating decision-making with respect to management to them. In addition, it regards directors of the Company as representative director successors, and cultivates the knowledge, experience, and capabilities required from representative director successors by delegating decision-making with respect to group management to them.

The Board of Directors monitors training plans by confirming the degree of acquisition of knowledge, experience, and capabilities required from successors through nomination procedures for director candidates and selection procedures for the representative director.

[4-1-3]

- (2) The Board of Directors welcomes proposals from directors and group companies based on healthy entrepreneurship, and conducts full and multidimensional examinations of such proposals from an independent and objective standpoint. When such proposals are implemented, the Board of Directors provides an environment that supports timely and decisive decision-making by the directors and group companies.

The remuneration of directors include incentives to ensure it reflects medium- to long-term business results and potential risks and contributes to healthy entrepreneurship. [4-2]

- i. Remuneration of directors (excluding outside directors) comprises fixed compensation, bonuses linked to short-term earnings performance, and stock-based compensation (Board Benefit Trust [BBT]) linked to medium- to long-term consolidated earnings performance. The stock-based compensation not only clarifies the correlation between the Company's earnings and its share value and enhances directors' motivation to contribute to medium- to long-term earnings improvement and corporate value

expansion, but also ensures directors share the risks of fluctuations in the stock price with shareholders.

The design of the remuneration structure and the actual amount of director compensation are determined based on deliberations by the Nomination and Remuneration Committee. [4-2-1]

(3) The Board of Directors recognizes that effective oversight of the management of directors and group companies from an independent and objective standpoint is a major aspect of its roles and responsibilities. It accordingly evaluates the Company's earnings and other performance, and appropriately exercises its authority over personnel, including the appointment and dismissal of directors.

To adequately evaluate the Company's earnings and other performance, the Board of Directors appropriately establishes a timely information disclosure system and supervises the system. In addition, it appropriately establishes internal control and risk management systems, and supervises such systems.

The Board of Directors also requires transactions between directors, major shareholders, and other related parties to obtain prior approval from the Board of Directors—which includes independent directors—and accordingly monitors conflicts of interest. [4-3]

i. The selection or dismissal of the representative director and the appointment or dismissal of directors are determined by the Board of Directors based on deliberations by a Nomination and Remuneration Committee that comprises a majority of outside directors, with the aim of enhancing transparency and fairness of the decision-making process. [4-3-1, 2, 3]

ii. The Board of Directors establishes internal control systems for compliance and financial reporting and a risk management system, evaluates the operational efficiency of such systems, and accordingly realizes highly effective oversight. [4-3-4]

(4) The Board of Directors recognizes its fiduciary responsibilities to shareholders, and executes its duties in an effort to secure appropriate cooperation with stakeholders and further the interests of the Company and the common interests of shareholders. [4-5]

3. Roles and Duties of the Auditing Group

(1) While bearing in mind their fiduciary responsibilities to shareholders, the Company's auditors and its Auditing Group make decisions from an independent and objective standpoint when auditing the execution of duties by directors, appointing or dismissing external auditors, or exercising their rights related to the determination of audit remuneration.

The auditors and Auditing Group positively and proactively exercise their rights related to

business and accounting audits without interpreting the scope of their defensive function too narrowly, and express their views appropriately in the boardroom or to directors. [4-4]

- i. The Company's outside auditors audit the execution of duties by directors from an independent and objective standpoint. In addition, they draw on their expertise and experience to express opinions that contribute to group-wide sustainable growth and improvement in corporate value to the Company's directors. The Company's full-time auditors leverage their advanced information-gathering capabilities to perform highly accurate audits.

The Auditing Group effectively combines the strong independence of the aforementioned outside auditors with the advanced information-gathering capabilities of full-time auditors to increase the effectiveness of audits. The Auditing Group holds regular meetings with outside directors in an effort to strengthen the information-gathering capabilities of independent directors. [4-4-1]

- (2) The Company's auditors recognize their fiduciary responsibilities to shareholders, and execute their duties in an effort to secure appropriate cooperation with stakeholders and further the interests of the Company and the common interests of shareholders. [4-5]

4. Independent Directors

- (1) The Company appoints independent directors who do not engage in business execution to ensure effective, objective, and independent oversight of management by the Board of Directors. [4-6]
- (2) The responsibilities of the Company's independent directors are the execution of the following roles. [4-7]
 - a) Provide advice on business policies and business improvement based on their knowledge.
 - b) Supervise management through decision-making for major operational decisions by the Board of Directors.
 - c) Monitor conflicts of interest between the Company and directors, controlling shareholders, or other parties.
 - d) While recognizing their fiduciary responsibilities to shareholders, appropriately represent the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management team and controlling shareholders.
- (3) In accordance with its Policy for Nominating Director Candidates and its Criteria Regarding the Independence of Outside Officers, the Company appoints two or more independent directors who can execute roles and responsibilities that contribute to group-wide sustainable growth and improvement in corporate value over the medium to long term.

In addition, independent directors make up at least one third of the Board of Directors to ensure effective oversight of management. [4-8]

i. To ensure they can present opinions to, raise issues with, and provide advice in the boardroom, independent directors aim to exchange information and develop a shared awareness from an independent and objective standpoint by holding meetings with the representative director before and after board meetings and by exchanging opinions with the representative director at Nomination and Remuneration Committee and other meetings. [4-8-1]

ii. The Company provides a framework to communicate with management, providing opportunities for the representative director to directly explain proposals to independent directors ahead of deliberations in board meetings.

The independent directors hold regular meetings with and accordingly increase coordination with the Auditing Group. [4-8-2]

(4) The Board of Directors has independently established Criteria Regarding the Independence of Outside Officers, and discloses these criteria on the Company website. [4-9]

5. Use of Optional Approach

The Company has established a Nomination and Remuneration Committee that comprises a majority of outside directors as an optional approach. [4-10]

(1) To strengthen fairness and transparency of nominations of director and auditor candidates and the decision process for director remuneration and other matters, the Company has established a Nomination and Remuneration Committee that comprises a majority of independent directors under the Board of Directors, and accordingly seeks appropriate involvement and advice from independent directors.

The Nomination and Remuneration Committee comprises three or more members (majority of independent directors) selected via a resolution of the Board of Directors. [4-10-1]

6. Preconditions for the Board of Directors and the Auditing Group's Effectiveness

The Company ensures its Board of Directors has a balanced composition in terms of knowledge, experience, and skills necessary to effectively fulfill its roles and responsibilities, and that is constituted in a manner to achieve both diversity and appropriate size.

In addition, it appoints at least one person with appropriate expertise in finance and accounting as an auditor.

The Board of Directors endeavors to improve its functions by analyzing and evaluating its overall effectiveness, and through initiatives such as improving problem areas and reinforcing the strengths of

the Company. [4-11]

- (1) The Company ensures diversity in its Board of Directors by including directors with extensive experience in various fields such as group businesses, sales, production, and management, as well as independent directors who can exercise oversight of management from an independent and objective standpoint.

As per its Articles of Incorporation, the Company believes it is appropriate for the Board of Directors to have no more than 10 directors to facilitate timely and decisive decision-making, and that it is necessary to appoint at least two outside directors to support effective oversight of management from an independent and objective standpoint.

The Board of Directors nominates individuals who possess the expertise, capabilities, high sense of ethics, fairness, and integrity required of directors as director candidates.

When selecting directors, the representative director prepares a proposal, which is approved by the Board of Directors following deliberation by a Nomination and Remuneration Committee that comprises a majority of outside directors. The proposal is subsequently submitted to the general meeting of shareholders for approval. [4-11-1]

- i. If its directors or auditors concurrently intend to serve as officers at other listed companies (in director, auditor, or executive positions), the Company requires that such activities are approved by the Board of Directors to ensure the relevant directors and auditors can devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities at the Company.

The status of important concurrent positions of directors and auditors is disclosed in the reference documents, business reports, or other materials accompanying convocation notices. [4-11-2]

- ii. Each year, the Board of Directors analyzes and evaluate its effectiveness as a whole by taking into consideration self-evaluations submitted by all directors and auditors and other information, and discloses a summary of the results. [4-11-3]

7. Active Board Deliberations

The Board of Directors endeavors to foster a climate where free, open, and constructive discussions and exchanges of views take place. [4-12]

- (1) The Board of Directors ensures the following in relation to the operation of board meetings to make deliberations active. [4-12-1]

- a. Distribute materials for board meetings to directors and auditors in advance of the meeting date.
 - b. Strive to provide sufficient information as necessary, including additional and immediately

relevant supplemental information.

- c. Confirm the annual schedule for the next fiscal year at the board meeting held at the end of the current fiscal year, and notify the schedule to all directors.
- d. Set the number of agenda items and the frequency of board meetings appropriately.
- e. Make arrangements to review agenda items and change the time of meetings to ensure sufficient time for deliberations.

8. Information Gathering and Support Structure

The Company's directors and auditors request the provision of additional information from the Company as necessary in order to fulfill their roles and responsibilities.

To support the collection of such information, the Company has established a system that allows directors and auditors to browse saved and stored information regarding the execution of duties by directors at all times in accordance with its Regulations Regarding the Handling of Important Documents. In addition to board meetings, the Company's auditors attend important meetings such as the Conference of Group Management, and the CSR and Compliance Committee, giving them opportunities to express their views. The Company has also established a system under which its directors and employees or the directors and employees of group companies immediately notify the Company's auditors of matters designated by law, matters that have a material impact on the Group, and facts reported based on the whistleblowing system. In addition, the Company has established a system that allows its auditors to request the provision of necessary information from its directors and employees, and from the directors and employees of group companies.

The Company has established an Auditing Department to facilitate the smooth execution of duties by auditors.

Decisions on matters such as personnel transfers, personnel evaluations, and disciplinary action for the Auditing Department require advance approval from the Company's auditors. In assisting the duties of the Company's auditors, the members of the Auditing Department only follow the directions and orders of such auditors.

The Board of Directors and the Auditing Group supervise the operation of the aforementioned systems, and strive to ensure smooth provision of information to all directors and auditors. [4-13]

(1) To effectively fulfill their roles and responsibilities, the Company's directors may request additional information from the Company.

To fulfill their roles and responsibilities effectively, the Company's auditors endeavor to gather the necessary information to perform audits, including by exercising their audit rights based on laws and regulations, and by coordinating with the Auditing Dept. or external auditors. [4-13-1]

(2) The Company has established a system under which the Company's directors and auditors can request advance payments, reimbursements, or other forms of payments for expenses that arise during the execution of their duties. Except for cases in which the requested funds are deemed

unnecessary for the execution of the duties of the Board of Directors or the Auditing Group, the Company rapidly processes the expenses or financial obligations. [4-13-2]

- (3) The Auditing Department, which functions as an internal audit department, reports the results of internal audits to directors and auditors. It also conducts audits of matters specifically requested by directors and auditors, reports results to, and ensures coordination with the relevant directors and auditors.

In addition, the Corporate Planning Dept. and the Auditing Dept. provide support to ensure outside directors and auditors can gather the necessary information, communicate, coordinate, and engage in mutual cooperation within the Company. [4-13-3]

9. Director and Auditor Training

The Company's directors and auditors deepen their understanding of their roles and responsibilities as a critical governance body of the Company, and endeavor to learn by acquiring and update necessary knowledge and skills.

The Company has established a system under which it provides and arranges training opportunities suitable to individual directors and auditors along with financial support for associated expenses.

The Board of Directors supervises whether the aforementioned system is appropriately provided. [4-14]

- (1) When assuming their position, the Company's directors and auditors strive to acquire an understanding of their roles and responsibilities and necessary knowledge on the Company's businesses, finances, organization and other matters, and renew and update such knowledge as necessary after their appointment.

When newly assuming their position, outside directors and outside auditors receive an explanation about the Group's management strategy, management plan, business operations, and financial conditions, as well as other information, and they are given the opportunity to inspect important bases of operations of the Group to support the acquisition of knowledge related to the Group. [4-14-1]

- (2) The Company's basic policy is to provide continual opportunities for directors and auditors to receive training required to appropriately fulfill their roles and responsibilities as a critical governance body of the Company. [4-14-2]

Section 6: Dialogue with Shareholders

1. Basic Views

The Company engages in constructive dialogue with shareholders even outside the general meeting of shareholders. During such dialogue, the Company's directors listen to the views of shareholders, pay

due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner, and make efforts to gain shareholders' understanding. In addition, they strive to develop a balanced understanding of the positions of shareholders and other stakeholders and take appropriate action based on such understanding. [5]

2. Policy for Constructive Dialogue with Shareholders

The Company responds to the requests from shareholders to engage in dialogue as necessary and within a reasonable extent. The Board of Directors establishes policies concerning constructive dialogue with shareholders and strives to promote such dialogue. [5-1]

(1) Taking the requests and interests of shareholders into consideration, the basic position of the Company is to have the director responsible for investor relations accommodate interviews with shareholders as necessary and within a reasonable extent. [5-1-1]

(2) The Company's directors promote constructive dialogue with shareholders based on the following policies. [5-1-2]

- a) Have the director responsible for investor relations supervise and strive to realize constructive dialogue.
- b) Make the Corporate Communication Dept. responsible for investor relations and have the department strive to cooperate with other departments involved in investor relations to ensure reasonable and smooth dialogue with shareholders.
- c) Proactively work to expand and enhance investor briefings and investor relations activities.
- d) Appropriately and effectively relay shareholder views and questions learned through dialogue to the Board of Directors.
- e) When engaging in dialogue with shareholders, strive to prevent the handling or leaking of unannounced important information in accordance with the Regulations Regarding Management of Internal Information and Restrictions on Insider Trading, which aim to prevent insider trading.

(3) The Company conducts shareholder identification surveys based on the fiscal year-end shareholders' register as necessary. [5-1-3]

3. Establishing and Disclosing Business Strategy and Business

When establishing and disclosing business strategies and business plans, the Company articulates basic policies for its earnings plans and capital policy, and presents targets for profitability, capital efficiency, and other indicators based on an accurate grasp of its capital costs. It also provides explanations that are clear and logical to shareholders with respect to reviews of its business portfolio and what needs to be executed in terms of the allocation of management resources and other areas in

order to achieve its plans and targets. [5-2]

Section 7: Revisions or abolitions

Any revisions or abolitions of this Basic Policy must be implemented by a resolution of the Board of Directors. However, minor changes such as the names of departments, and other revisions that do not change the intent of the original provisions, etc., are approved by the representative director.

*** Numbers in square brackets reflect the number of the corresponding principle of the Corporate Governance Code.**

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Basic Policy for Capital Strategy

The Company's basic policy is to pursue a capital strategy that maintains a balance between the following three objectives with the aim of achieving sustainable growth and improving corporate value over the medium to long term.

1. Improving capital efficiency

The Company strives to improve capital efficiency by using internal reserves to fund active R&D investment, capital investment, M&A-driven business expansion, and other initiatives in fields expected to drive future growth.

2. Conducting shareholder returns

The Company aims to issue continuous and stable dividends based on a comprehensive consideration of factors such as earnings, consolidated results, medium- to long-term earnings outlook, capital investment plan, appropriate level of internal reserves, and payout ratio.

In addition, as necessary, the Company considers share buybacks to adapt to changes in its management environment, improve capital efficiency, or achieve other objectives.

3. Maintaining sound financial position

The Company aims to maintain shareholders' equity at sufficient levels to enable investments in sustainable growth and prepare for unexpected risks.

4. Revisions to and the abolition of this basic policy shall be resolved by the Board of Directors

Basic Policy on Cross-Shareholdings

1. The Company strategically holds shares of other listed companies deemed necessary to maintain and strengthen trading relationships between the Oenon Group and its business partners, and to enhance corporate value over the medium to long term.

Each year, the Company's Board of Directors verifies risks and returns of principal cross-shareholdings, taking into consideration the purpose of its holdings. If the Company judges that its shareholdings contribute to maintaining and strengthening trading relationships and to enhancing corporate value over the medium to long term, it maintains these holdings.

2. The Company's basic policy on the exercise of voting rights on cross-shareholdings is to exercise these rights in a rational manner that it believes will contribute to enhancing the corporate value of the Company over the medium to long term.
3. Revisions to and the abolition of this basic policy shall be resolved by the Board of Directors

Basic Policy for CSR

The Oenon Group recognizes that meeting society's expectations and trust-based relationships with society is essential to achieving sustainable growth and creating corporate value over the medium to long term.

The Oenon Group considers its CSR to be based on the Group corporate philosophy, considering "what role the Company should play as a good corporate citizen and on whose behalf," with decisions based on its universal values: a "focus on customers" and a "focus on profit." The Company works with society to respond appropriately to environmental, social and governance problems, contributing toward the sustainable development of society and building long-term trust-based relationships with society.

Basic Policy on Determining Officer Remuneration

1. Objective

The Company has established its remuneration structure with the objectives of securing excellent human resources and increasing motivation toward sustainable growth of the Oenon Group and enhancing corporate value over the medium to long term.

2. Remuneration levels

Remuneration levels reflect levels at other companies in the industry and economic and social circumstances.

3. Remuneration structure

Remuneration comprises fixed compensation and performance-linked compensation

4. Director remuneration

To ensure fairness and transparency in the process of deliberating director remuneration, representative directors who have been appointed by the Board of Directors shall determine specific payment amounts within the scope of total compensation resolved at the general meeting of shareholders on the basis of advice from the independent outside directors.

(1) Inside directors (i.e., all directors other than outside directors)

a) Remuneration is set to maintain a balance between appropriateness and fairness to increase motivation to ensure sustainable growth of the Company and enhance corporate value over the medium to long term.

b) Fixed compensation is determined based on position, responsibilities and other considerations.

c) Performance-linked compensation is determined based on position, responsibilities, consolidated operating performance in the previous fiscal year, and other considerations.

(2) Outside directors

a) Outside directors receive only fixed compensation because they are expected to engage in and provide advice on management from a

standpoint that is independent from business execution.

5. Auditor remuneration

Auditor remuneration is determined through deliberation by the Auditing Group, within the scope approved at the general meeting of shareholders.

Auditor remuneration consists only of fixed compensation.

6. Revisions

Revisions to and the abolition of this policy shall be resolved by the Board of Directors.

Basic Policies on the Selection and Dismissal of Representative Directors and the Nomination of Director and Auditor Candidates

1. Policy on the selection and dismissal of representative directors

To realize the Group's corporate philosophy, achieve sustainable growth and enhance corporate value over the medium to long term, the Company selects representative directors who are suitable by virtue of their extensive experience, high degree of insight and ability, advanced level of specialization, high ethical standards, fairness and honesty.

The Company may dismiss a representative director if the representative director is recognized as having an insufficiency of such qualities.

The selection and dismissal of representative directors is determined by the Board of Directors, following deliberation by the Nomination and Remuneration Committee.

2. Policy on nominating director candidates

The Company nominates as inside director candidates people who have knowledge and experience in the Oenon Group's management in order to supervise management of the Oenon Group and make important decisions on matters of business execution, as well as having the insight, ability, high ethical standards, fairness and honesty required of directors.

Furthermore, the Company nominates multiple outside director candidates to reinforce the Board of Directors' management supervisory function. As independence is an important criterion for outside director candidates, the Company nominates people who satisfy the "independent officer" requirements provided by the Tokyo Stock Exchange, Inc. and the Criteria Regarding the Independence of Outside Officers set forth by the Company. In addition, the Company nominates people who have knowledge that would enable them to provide advice to the Company and who are expected to have a high level of specialized expertise and extensive experience in such fields as law, accounting, and taxation, enabling them to appropriately supervise the Company's management.

When nominating director candidates, the president and CEO prepares a draft proposal, which is screened by the Nomination and Remuneration Committee and decided on by the Board of Directors.

3. Policy on nominating auditor candidates

The Company nominates as internal auditor candidates people who have the knowledge of the Oenon Group's management to enable them to appropriately audit and monitor the Oenon Group's management or a high level of specialized expertise in such areas as accounting, finance, law or risk management. In addition, the company nominates as internal auditor candidates people who have the level of insight, ability, high ethical standards, fairness and honesty necessary to an auditor.

As a "company with an Auditing Group," half or more of auditors are outside auditors. The Company nominates as outside auditor candidates people who satisfy the "independent officer" requirements provided by the Tokyo Stock Exchange, Inc. and the Criteria Regarding the Independence of Outside Officers set forth by the Company. In addition, the Company nominates people who have a high level of specialized expertise and extensive experience in such fields as law, accounting, and taxation, who can be expected to appropriately audit and monitor the Company's management.

The Company also nominates one or more candidates who have appropriate expertise related to accounting and finance.

To nominate auditor candidates, the president and CEO prepares a draft proposal in deliberation with the full-time auditors. Following screening by the Nomination and Remuneration Committee and approval by the Auditing Group, the draft is decided on by the Board of Directors.

4. Revisions to and the abolition of this policy shall be resolved by the Board of Directors.

Established: March 23, 2016

Revised: December 27, 2018

Criteria Regarding the Independence of Outside Officers

To ensure the objectiveness and transparency of its governance, the Company has established the requirements outlined below for independence between candidates for outside directors and outside auditors (hereinafter, referred to collectively as outside officers) themselves, as well as the companies and organizations to which they belong, on the one hand and the Company and the Company's subsidiaries (hereinafter, the Group) on the other hand. The Company judges outside officers and outside officer candidates to be independent if none of the following items apply.

1. A person who is currently an executive^(Note 1) of the Company and the Company's subsidiaries (hereinafter, the Group) or who has in the past been an executive of the Oenon Group

Note 1: "Executive" refers to an executive director, operating officer, executive officer, or equivalent person or employee. Outside auditors judged to be independent include non-executive directors.

2. A person who is currently a major shareholder^(Note 2) or other executive of the Company or is an executive of a company in which the Oenon Group is currently a major shareholder

A person who, within the past three years, has been one of the Company's current major shareholders or an executive thereof

Note 2: "Major shareholder" refers to a party who, as of the end of the Company's most recent fiscal year, held under his/her own name or under the name of another party shares in the Company corresponding to 10% or more of total voting rights.

3. One of the Oenon Group's principal business partners^(Note 3) or an executive thereof

A person who, within the past three years, has been one of the Oenon Group's principal business partners or an executive thereof

Note 3: "Principal business partner" refers to a company that accounts for 2% or more of consolidated net sales of the Oenon Group or the business partner (including the parent company and important

subsidiaries) in terms of payments made by the Oenon Group to the business partner or received from the business partner to the Oenon Group.

4. A party that receives large contributions^(Note 4) from the Oenon Group (if the party receiving large contributions is a corporation, association or other organization, an executive of that organization)

Note 4: "Large contribution" refers to a total contribution amount that corresponds to an average of ¥10 million or more over the past three years or 2% or more of that organization's total income, whichever is larger.

5. An executive of a company corresponding to an officer selected by an executive of the Group

6. A person who, in the past three years, has been person with major responsibility for audit operations^(Note 5) at the audit firm that is the accounting auditor of the Oenon Group

Note 5: A "person with major responsibility for audit operations" refers to the following.

- (1) A person responsible for executing audit operations
- (2) A person involved in the examination of audit operations
- (3) Any other person who makes important decisions or judgments on important matters related to audit operations

7. A party that does not fall under item 6. above but who is provider of specialized services, including as a certified public accountant, attorney at law or consultant, and who receives large amounts of cash or other property^(Note 6) other than officer remuneration from the Oenon Group (if the party receiving large amounts of property is a corporation, association or other organization, a person who belongs to that organization)

Note 6: "Large amounts of cash or other property" refers to a total amount that corresponds to more than an average of ¥10 million or more over the past three years (if the party is an individual) or (if the party is an organization) 2% or more of that organization's total income.

8. A person who is a spouse, relative within the second degree of kinship, family member residing in the same household, or member of the same household of a person who falls under items 1. to 7. above (however, if employees, limited to important employees^(*7))

Note 7: "Important employee" refers to a person of general manager level or higher.

9. Revisions to these criteria shall be resolved by the Board of Directors.

Established: March 23, 2016

Revised: December 27, 2018

Policy for Constructive Dialogue with Shareholders (Draft)

1. Have the director responsible for investor relations supervise and strive to realize constructive dialogue.
2. Make the Corporate Communication Dept. responsible for investor relations and have the department strive to cooperate with other departments involved in investor relations to ensure reasonable and smooth dialogue with shareholders.
3. Proactively work to expand and enhance investor briefings and investor relations activities.
4. Appropriately and effectively relay shareholder views and questions learned through dialogue to the Board of Directors.
5. When engaging in dialogue with shareholders, strive to prevent the handling or leaking of unannounced important information in accordance with the Regulations Regarding Management of Internal Information and Restrictions on Insider Trading, which aim to prevent insider trading.
6. Revisions to and the abolition of this basic policy shall be resolved by the Board of Directors. However, changes in department names and other minor revisions, as well as changes that reflect revisions to other regulations and do not change the gist of this policy may be resolved by the representative director.