

## Corporate Governance

The Group strives to reinforce its corporate governance for the purposes of quickly making decisions in response to a changing business environment, clarifying management accountability, and increasing business transparency.

We employ a Corporate Officer System in order to separate management functions from business execution functions, as well as a Corporate Auditor System.

### Management Functions

#### Board of Directors

The Board of Directors consists of nine Managing Directors, including two outside Managing Directors, and meets, in principle, once a month. The Board decides and reports on key corporate issues. The term of office for Managing Directors is one year. This is to secure a flexible management structure that can quickly respond to the changing business environment and to clarify the accountability of Managing Directors.

### Business Execution Functions

#### Corporate Officer System

The Company has adopted a Corporate Officer System in an active effort to separate the functions of management oversight and business execution.

#### Executive Council

The Executive Council, composed of Representative Directors, undertakes quick and efficient decision making as an entity that deliberates material matters related to the execution of business.

#### Committees

To bring a practical perspective to the deliberation of specific management issues related to the execution of responsibilities by Managing Directors, we have established various committees, including the R&D/Investment Committee, the Project Review Committee, the Risk Management Committee, the Compliance Committee, the Security Committee, the Environmental Activity Committee, and the CSR Committee.

### Collective Decision Making System

To deal with issues that require decisions beyond the authority of first-tier unit managers, we developed and operate a system of approval in which responsible corporate officers or Representative Directors collectively decide based on due consideration of expert opinions presented by related corporate staff managers.

### Audit System

#### Audit by Corporate Auditors

There are four Corporate Auditors, including three full-time Corporate Auditors, two of whom are outside Corporate Auditors. Based on the Audit Standard, audit policy and audit plan formulated by the Board

of Corporate Auditors, Corporate Auditors attend meetings of the Board of Directors and other important meetings, and also review the status of operations and assets, thereby monitoring the execution of responsibilities by Managing Directors. They also audit the status of management of Group companies and concurrently seek to enhance the quality of management.

#### Accounting Audit

The Company undergoes statutory audits by the independent public accounting firm Deloitte Touche Tohmatsu, with whom the Company maintains no conflicts of interest in terms of personnel, financial or business relationships. Deloitte Touche Tohmatsu or other auditing firms conduct a separate audit of major Group companies.

#### Internal Audit

The Internal Audit division, a 34-member organization within the Company, conducts internal audits of all divisions across the Group. The Internal Audit division audits the appropriateness and efficiency of internal controls and reports to top management on the results of audits and suggests improvements and corrective actions as required. It also confirms the results of these actions. Information regarding audits, including audit results, is disclosed to unit managers to accelerate the pace of improvements and corrective actions and to share them with other divisions. In addition, information is provided to Deloitte Touche Tohmatsu. The Internal Audit division and the Board of Corporate Auditors maintain a close collaborative relationship. They exchange opinions on the audit plan formulated by the Board of Corporate Auditors, while the Corporate Auditors, in turn, attend review sessions on internal audit of business divisions. The Internal Audit division also provides regular audit reports on issues concerning the Group.

