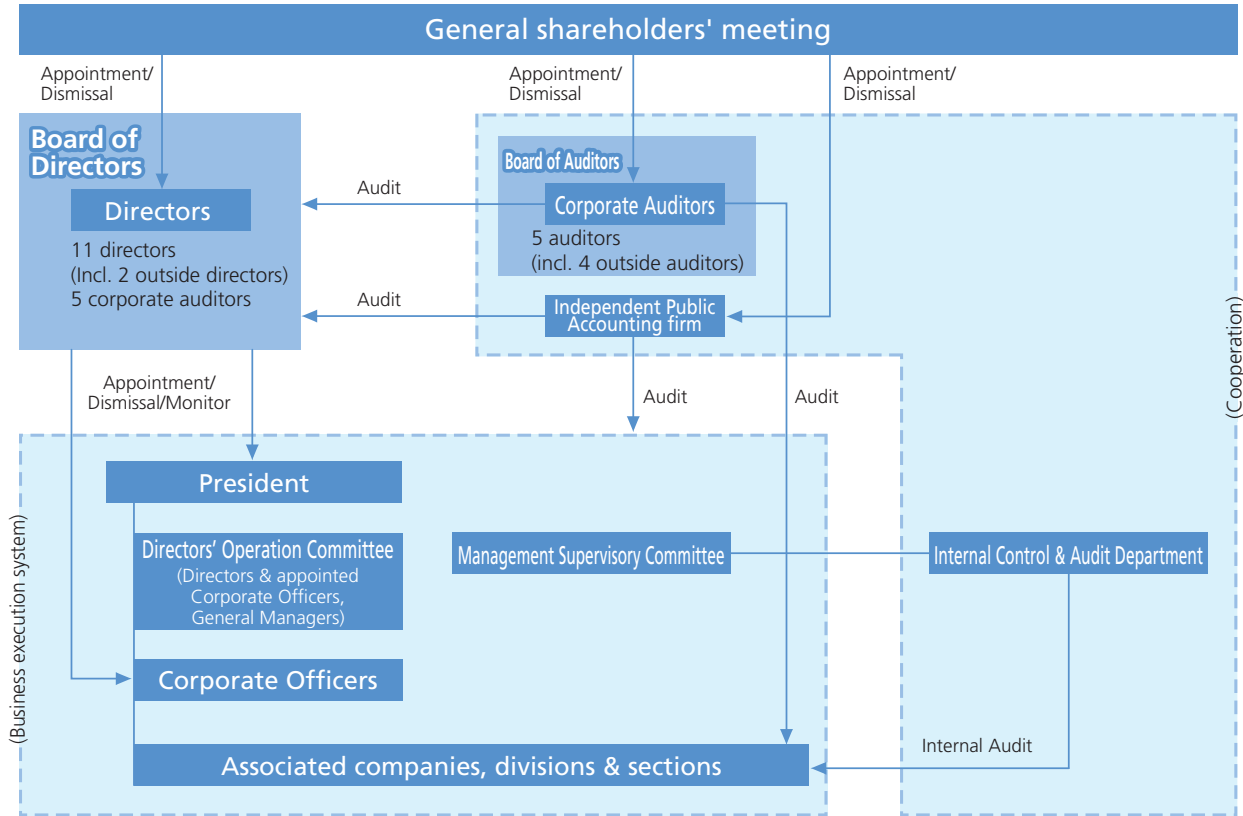


Corporate governance

Corporate governance system

The main purpose of our management system is to respond quickly and accurately to changes in our business climate and to maintain fair business operations. Achieving sustainable growth and improvement in corporate value over the medium and long term is our top priority of management. To maintain favorable relations with our stakeholders including shareholders and customers, we are endeavoring to expand and improve our corporate governance.



Board of Directors/ Directors' Operation Committee

Meetings are held once or more per month to make decisions on basic matters in relation to management as well as matters set forth in laws, regulations and the articles of association. Regarding the business execution, the corporate officers fulfill their duties smoothly as the persons responsible for the various operations. In addition, to manage businesses in a sound manner, Directors' Operation Committee meetings are held at least twice a month in order to share the latest information and discuss and report on how the business should be operated, the existence of risks, and how to prevent and avoid them.

Management Supervisory Committee

We hold the Management Supervisory Committee once a month with the chairman of the Board of Directors as the head, all the directors as members and all the auditors as observers to check if compliance is penetrated thoroughly into the Group, as well as to check the measures and their status to establish and maintain internal control system.

Information disclosure with transparency

With the aim of ensuring information disclosure with transparency, ISEKI has established a system for disclosing material information to stakeholders in a timely and appropriate manner in ways such as ensuring appropriate business operations and sharing information by creating group-wide management regulations and building a reporting system.

Board of Auditors

Corporate Auditors attend the Board of Directors and Management Supervisory Committee meetings. They independently formulate audit policy and audit the operations and assets of our offices and subsidiaries in cooperation with the Internal Audit Department and accounting auditors. Moreover, they strictly check the important agenda at the Directors' Operation Committee meetings and the status of operation execution by Directors to monitor management status and ensure the effectiveness of our corporate governance.

Outside Directors and Outside Auditors

Two Outside Directors are appointed to introduce external perspectives into management, further strengthen the supervisory function on business execution and further improve the transparency. In addition, the Board of Auditors is set up with five Corporate Auditors including four Outside Auditors to enhance and reinforce the auditing system and strengthen the monitoring of management.

Number of Outside Directors: 2

Number of Outside Auditors: 4

Compliance

Promotion of compliance

In order to continue with its compliance-focused management, ISEKI Group works to make the importance of compliance thoroughly understood and enforced by “each and every one” of the group members with the aim of raising compliance awareness.

System for promoting compliance

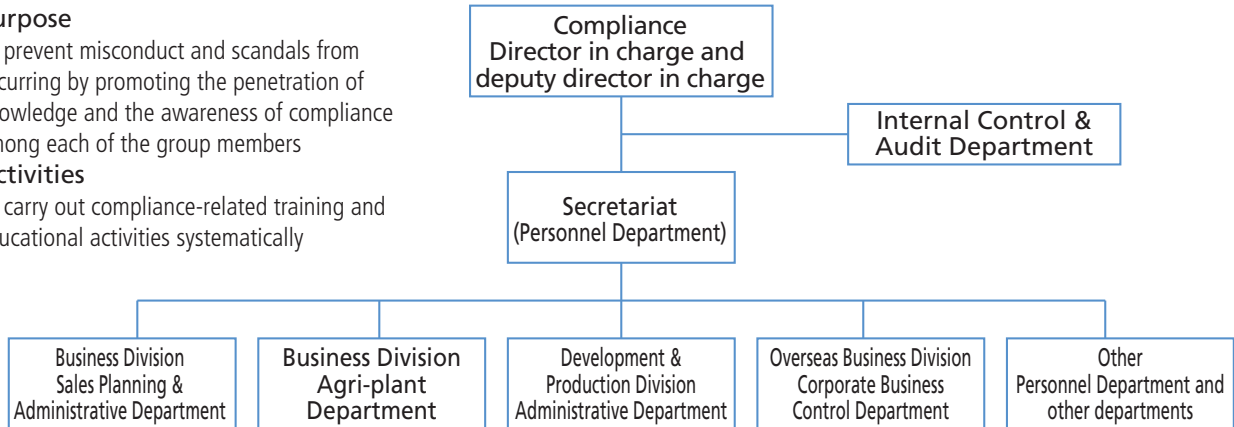
The Compliance team established as an intragroup organization promotes compliance under the leadership of the director in charge of compliance.

◆ **Purpose**

To prevent misconduct and scandals from occurring by promoting the penetration of knowledge and the awareness of compliance among each of the group members

◆ **Activities**

To carry out compliance-related training and educational activities systematically



Activities for penetration and education on compliance

- ◆ Distribution of the pamphlet “ISEKI Group Code of Ethical Behavior” to all group members
- ◆ Inclusion of information into group house magazines
- ◆ Issuance of “Compliance News” on a quarterly basis to introduce initiatives at each workplace

Compliance training

- ◆ Incorporation into company-wide events and educational training programs
 - Sales subsidiary president meetings, manager meetings, executive training, newly-appointed manager training, newly-hired employee training
- ◆ Individual training programs
 - Sales subsidiary employee meetings of sales departments
 - Facility personnel training of facility departments
 - Specialized employee training of development departments



Compliance training

Whistle-blower system

ISEKI Group has set up a group-wide whistle-blower system (Ethical Hotline) in order to establish an open corporate culture. Posters on the system are posted at each office to make the method of use widely known by all employees.

<Whistle-blower system (overview)>

Scope of informants	<ul style="list-style-type: none"> • All employees and retired employees of ISEKI Group • All suppliers and their employees
Channels for reporting	<ul style="list-style-type: none"> • Staff organization channel • Personnel Department channel • External channel (lawyers)
Matters to report	<ul style="list-style-type: none"> • Violations of laws and regulations • Matters related to violations of internal regulations including the “Code of Ethical Behavior,” the Work Regulations, etc.

Initiatives for fair trade

ISEKI works to prevent the recurrence of any event that would result in a cease and desist order, etc., under the Anti-Monopoly Act by steadily implementing measures therefor which have been formulated in response to the receipt of such orders, etc., in relation to facility construction.

Initiatives for protecting personal information

The Privacy Policy concerning the handling of personal information is formulated and internal regulations concerning the management of personal information are created and maintained. ISEKI Group works to appropriately protect personal information by carrying out activities for even further awareness and education on such protection for employees.