

## Corporate Governance Report

[TRANSLATION]

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Last Update: June 30, 2017

**IBIDEN Co, Ltd.**

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The corporate governance of IBIDEN Co., Ltd., (“the Company”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

Our Group (hereinafter collectively termed “the Group”) considers corporate governance to be a key management mechanism for transparent, fair, prompt and resolute decision-making, and all Group companies are thus actively committed to improving corporate governance. As part of the Group’s corporate governance, we are enhancing internal control by proactively undertaking activities to advance compliance and risk management and we are expanding/strengthening the management oversight functions of our Board of Directors and the audit functions of our Audit and Supervisory Committee. These steps will enable us to construct a transparent corporate governance system worthy of the trust of shareholders and other stakeholders and fulfill our corporate social responsibilities, and will help us improve our corporate value through sustained growth.

Following a resolution at the 164th Ordinary General Meeting of Shareholders held on June 16, 2017, regarding the transition to a company with Audit and Supervisory Committee, the Company will improve further prompt decision-making structure and an additional layer of strength in the supervisory functions of the Board of Director through having Directors who are Audit and Supervisory Committee Members possess voting rights in the Board of Directors.

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

We are putting into practice all of the Code’s principles. (Full Comply)

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

[Principle 1-4 Cross-Shareholdings

##### **1. Policy on cross-shareholding**

Our basic policy when engaging in investment for purposes other than pure investment is to give

comprehensive consideration to the shares we hold in terms of their importance in implementing our business strategy and strengthening our relations with business partners for the sake of improving corporate value over the medium to long term, and to continue holding shares deemed necessary from this policy perspective. The Board of Directors confirms shares the Company owns and the policy of such shareholdings, at any time as needed.

2. Standards for the exercising voting rights

Although no specific standards have been set out regarding the exercise of the voting rights for these shares, our aim in exercising the voting rights is to contribute to the sustained growth of the issuing company and improve its corporate value over the medium to long term, all the while contributing to our own profits as well.

[Principle 1-7 Related Party Transactions]

When the Company engages in transactions with its executives, the key facts of these transactions are submitted to the Board of Directors for approval in accordance with the Rules of the Board of Directors and the Agenda Criteria of the Board of Directors. We also conduct an annual questionnaire survey of all company executives and the presidents of key subsidiaries to check if there have been any transactions between related parties, and we have developed a system to manage these transactions between related parties. When the Company engages in an important transaction with any shareholder qualifying as a principal shareholder (a major shareholder) holding more than 10% of voting rights, the transactions are submitted to the Board of Directors for approval in accordance with the Agenda Criteria of the Board of Directors.

[Principle 3-1 Full Disclosure]

(i) Company Objectives (e.g., business principles), Business Strategies and Business Plans

The Company's corporate philosophy, i.e., the behavioral mindset that all employees should share, as well as our medium-term management plan has been posted at the Company's website (URL: <http://www.ibiden.com/>).

(ii) Basic Views and Guidelines on Corporate Governance Based on Each of the Principles of the Code

Our basic policy on corporate governance is described in "1. Basic Views" above, and published on the company's website and in our securities reports.

(iii) Board Policies and Procedures in Determining the Compensation of the Senior Management and Directors

The compensation for the Company's Directors who are not Audit and Supervisory Committee Members, Executive Officers and Managing Officers comprises monthly compensation and bonuses. The monthly compensation for Corporate Directors who are not Audit and Supervisory Committee Members is calculated based on their job positions, within the limits approved by the general meeting of shareholders, and is approved by the Board of Directors. Bonus allotments for Corporate Directors who are not Audit and Supervisory Committee Members are based on the degree to which each Director contributed to the Company's operations, within the scope of the total amount of bonuses calculated using the stipulated formula approved by the general meeting of shareholders, and are approved by the Board of Directors. The monthly compensation of Executive Officers and Managing Officers is approved by the Board of Directors. In determining the compensation, broad consideration is given to a suitable balance with the monthly compensation for Corporate Directors who are not Audit and Supervisory Committee Members, assessments of respective Executive Officers' job performance, and other factors. The amounts of bonuses to be paid are approved by the Board of Directors. Bonus amounts are calculated in accordance with the degree of the Executive Officers' contribution to the Company's business results and other factors. Nomination/Remuneration Committee including Outside Directors who are not Audit and Supervisory Committee Members, prior to a resolution of the Board of Directors, deliberates on compensation and bonus of Corporate Directors, the Executive Officers and Managing Officers, and reports to President & CEO. Outside Directors, being in positions independent of the execution of operations, are only paid a set basic compensation.

(iv) Policies and Procedures for the Selection of Corporate Managers and the Assignment of Director

Candidates by the Board of Directors

Candidates for Corporate Manager and Directors who are not Audit and Supervisory Committee Members are selected/assigned from the perspective of placing the right person in the right job, with due

consideration given to the number of people that would enable precise and prompt decision-making and to a balance of knowledge, experience and skills among the Corporate Management Team/the Board of Directors overall. Candidates for Audit and Supervisory Committee Members are also selected/assigned from the perspective of placing the right person in the right job, with due consideration given to a balance among knowledge of financial, accounting and legal matters, knowledge about the Company's business, and other perspectives pertinent to corporate management. Given the above, assignment for Audit and Supervisory Committee Member candidates was resolved by the Board of Directors after Audit and Supervisory Committee deliberated and agreed on it. Assignment for Corporate Director candidates, prior to a resolution of the Board of Directors, after it has been sufficiently deliberated by the Nomination/Remuneration Committee including Outside Directors who are not Audit and Supervisory Committee Members and reported to President & CEO.

(v) Explanation of Individual Selections/Assignments when Selecting Corporate Managers and Assigning Director Candidates

The career histories of Director candidates are included in the reference documentation for general meetings of shareholders. For Outside Director candidates, we include other information regarding the reasons for their selection and their degree of independence in addition to their individual career histories in the reference documentation for general meetings of shareholders.

[Supplementary Principle 4-1-1 Roles and Responsibilities of the Board of Directors]

The Company has established Rules of the Board of Directors to set down clear-cut agenda criteria stipulating what the Board of Directors itself may decide/approve in accordance with laws, regulations, and the articles of incorporation. For other decision-making and the execution of operations, regulations governing organizations, job classifications and division of duties have been established to clarify the scope which a corporate management may execute.

[Principle 4-8 Effective Utilization of Independent Outside Directors]

The Company has selected 6 Outside Directors including 3 members of Audit and Supervisory Committee, who put to good use the expertise and wide-ranging experience in corporate management that they have cultivated in their careers heretofore in managing the Company so as to contribute to the Company's sustained growth and development. The Outside Directors also proactively offer their views on management oversight, management policies, and management improvements based on their own knowledge, and are adequately fulfilling the roles that the Company expects of them. The Company will further consider the ratio of the number of the Outside Directors examining the prospect of business operations, potential business fields, the company-with-committees system, and business environments whenever the need arises.

[Principle 4-9 Qualification and Credentials for Independent Outside Directors]

In selecting an independent Outside Director who is not an Audit and Supervisory Committee Member, we place importance on a wealth of experience and a high level of knowledge regarding corporate management and our industry, in addition to the requirements stipulated in the Companies Act and the criteria established by the financial instruments exchanges on which the Company is listed. In selecting an Outside Director who is an Audit and Supervisory Committee Member, we place importance on a wealth of experience and a high level of knowledge regarding tax practice, accounting and law. The Company registers only those as independent Executives, who satisfy the above conditions and who pose no potential conflict of interest with general shareholders.

[Supplementary Principle 4-11-1 Overall Balance of Knowledge, Experience and Skill, Diversity, and Size of the Board of Directors]

In selecting Director candidates, to allocate a right person to right work, as a comprehensive deliberation, the sufficient number of the Board of Directors Members that enables the Board of Directors to make eligible and prompt decision and overall balance of knowledge, experience and skill among the members of the Board of Directors are considered while referring to the reports by the Nomination/ Remuneration Committee.

[Supplementary Principle 4-11-2 Concurrent Service of Directors as Executives at Other Listed Companies]

The Company discloses information about important positions concurrently held by Directors, including positions at other listed companies, in our business reports and in the reference documentation for general meetings of shareholders. The Company also requests the presences of Directors for the meetings of the Board of Directors or the Audit and Supervisory Committee, in order to enable them to fulfill their duties and

responsibilities while on service as executives at other listed companies. In accordance of the policy, the Company discloses the information on the attendance at the Board of Directors' meeting or the Audit and Supervisory Committee as well as other major position concurrently held.

[Supplementary Principle 4-11-3 Overview of Results of Analysis/Evaluation of Effectiveness of Board of Directors as a Whole]

The Board of Directors conducted analysis and evaluation to verify if the Board of Directors functions effectively, with an aim to improve problems and to strengthen advantages for improvement on further function of the Board of Directors. Results of analysis and evaluation made in fiscal year 2016 are as below;

1. Evaluation Method

1) Between February and March in 2017, all Directors and Auditors including Outside Directors and Outside Auditors performed self-evaluations by answering a questionnaire about effectiveness of the Board of Director's function in a fiscal year 2016 that an administrative office for the Board of Directors (Corporate Planning Group, Office of the President) has prepared.

2) Evaluation Items

The followings are the evaluation items;

- ① Effectiveness of discussion and deliberation
- ② Effectiveness of supervisory function
- ③ Effectiveness of leadership
- ④ Effectiveness of environment development status
- ⑤ Effectiveness of correspondence to shareholders and stakeholders
- ⑥ Effectiveness of organization of the board of directors

3) Evaluation Method

- ① Surveys were carried out by signatures
- ② Five-grade evaluation was applied as a measure for evaluation (5=Excellent, 3=Acceptable 1=unacceptable )
- ③ In the questionnaire result tabulation, questionnaires were separated into 2 categories; "Corporate Directors" and "Outside Directors and Auditors."
- ④ In the questionnaire result analysis, analysis on items that there were big differences between evaluation results of Corporate Directors and those of Outside Directors and Auditors was intensively performed.
- ⑤ Results of evaluation and analysis were disclosed to the Board of Directors, and the Board of Directors made resolution for evaluation results of effectiveness of the Board of Directors' function, on March 31, 2017.

2. Overview of Results of Analysis and Evaluation

As a result of questionnaire result tabulation made by each Director and Auditor, both "Corporate Directors" and "Outside Directors and Auditors" rated all evaluation items listed in a preceding clause 2, as 3.0 points or above. The results could be analyzed and evaluated as that the Board of Directors largely secured the effectiveness in its function.

On the other hand, the questionnaire results tabulation found that there were still tasks and rooms for improvements on the items below. The Company and the Board of Directors will place priority on those.

1) Further Tasks Acknowledged

- ① Enhancement of staff diversity
- ② Meeting material distribution to Outside Directors prior to a date of meeting

2) Further Company Actions

- ① The Company has been encouraging promotion of active female participation to enhance staff diversity. Furthermore, the Company will strengthen the activity. The Company will also set the number of Outside Directors as the majority of the Directors including one female to implement strength of corporate governance and enhancement of staff diversity with transition to establishing a company with Audit and Supervisory Committee.
- ② If an agenda is concerning capital investments with high specialties, a proposing Director has explained it to Outside Directors prior to the Board of Directors meeting. In future, to further improve efficiency, we will strive to share information with Outside Directors on the process of the certain framework and

enable them to review all the agenda in advance of the meetings.

The Board of Directors will continuously improve the effectiveness of its function, with taking the results of evaluation including further tasks into their further considerations.

[Supplementary Principle 4-14-2 Guidelines on Training for Directors]

The Company has established a system to provide financial and other support to Corporate Directors to allow them to attend when necessary outside training sessions, seminars, etc., which will enable them to acquire the knowledge they need and better understanding of their roles and duties. Audit and Supervisory Committee Members are encouraging newly-assigned Directors in particular to participate in courses for new Directors to enhance their understanding of the knowledge needed in their positions. To enable full-time Audit and Supervisory Committee Members to play a key part in corporate governance, the Company has them participate in courses and study sessions conducted by the Japan Audit & Supervisory Board Members Association (JASBA) and other organizations as well as in outside networking events so that they can acquire the knowledge they need as the members and better understand their roles and duties as the members. We are arranging courses on the Companies Act and other content suited to the circumstances at the time to be conducted by outside experts for Outside Directors who are not Audit and Supervisory Committee Members.

[Principle 5-1 Policy for constructive dialogue with shareholders]

- 1) The Managing Officer in charge of the Strategic Corporate Planning Operation oversees the Company's IR activities as the executive responsible for IR, with the Corporate Planning Group within the Strategic Corporate Planning Operation, Office of the President serving as the principal organization responsible for these activities. The Company is actively committed to dialogue with shareholders and investors through results briefings and other means.
- 2) The Company's principal IR activities are as follows:
  - ① Ordinary general meetings of shareholders: once per year (chaired by the President & CEO)
  - ② Results meetings for analysts and institutional investors: twice per year (the President & CEO conducts briefings after the second-quarter and full-year financial statements are released)
  - ③ Press briefings: held quarterly
  - ④ Briefings for overseas investors: the Company accordingly participates in IR forums hosted by securities companies (the President & CEO conducts these briefings)
  - ⑤ Company website: IR-related materials (results briefing materials, summaries of financial results, notices of ordinary general meetings of shareholders, timely disclosures, press releases, and reports) are posted
- 3) The Company strives to provide feedback as needed to the President & CEO as well as to relevant directors and organizations on the opinions expressed by shareholders and others in dialogues, and to share/utilize the information.
- 4) The Company controls access to insider information by limiting dialogue with investors during silent periods between quarterly settlement dates and quarterly results announcements, and by carefully managing insider information in accordance with in-house disclosure rules and guidelines for managing insider trading. We also use the IBIDEN Standards for Employee Behavior to educate all company employees on points to bear in mind when handling insider information.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
NORTHERN TRUST CO. (AVFC) RESILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	9,137,700	6.87

Japan Trustee Services Bank, Ltd. (Trust Account)	6,531,000	4.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,296,500	4.73
Toyota Industries Corporation	6,221,500	4.68
NORTHERN TRUST CO.(AVFC) US TAX EXEPTED PENSION FUNDS	5,593,500	4.20
The Juroku Bank, Ltd.	4,130,200	3.10
The Ogaki Kyoritsu Bank, Ltd.	4,120,000	3.10
IBIDEN Partner Shareholding Association	3,558,904	2.67
Northern Trust Co. (AVFC)Account Non Treaty	3,262,600	2.45
IBIEN Employee Shareholding Association	2,804,857	2.11

Controlling Shareholder (except for Parent Company)	-
Parent Company	Nil

#### Supplementary Explanation

The listing of major shareholders is based on the shareholder registry as of March 31, 2017. In addition to the shares held by the major shareholders listed as of that date, the Company holds 7,780,695 treasury shares (5.85%).

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section Nagoya Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	23 including less than 7 Directors who are Audit and Supervisory Committee Members
Term of Office Stipulated in Articles of Incorporation	1 year for Directors who are not Audit and Supervisory Committee Members 2 years for Directors who are Audit and Supervisory Committee Members
Chairperson of the Board	Company Chairperson
Number of Directors	12 including 5 Directors who are Audit and Supervisory Committee Members
Number of Outside Directors	6
Number of Independent Directors	6

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Chiaki YAMAGUCHI	From another company									△			
Toshio MITA	From another company									△			
Koichi YOSHIHISA	Academic												○
Fumio KATO	Tax Accountant												○
Masaki HORIE	CPA												○
Nobuko KAWAI	Attorney												○

\*Categories for "Relationship with the Company"

\*"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\*"●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Chiaki YAMAGUCHI	○	As Representative Director & Senior Vice President of Toyota Industries Corporation until June 2015, Mr. Yamaguchi was engaged in the execution of operations for that company. Although our company does sell products to Toyota Industries Corporation, these sales accounted for less than 2% of our company's sales for fiscal year 2016, and are thus deemed insignificant. Mr. Yamaguchi is also serving now as President of Towa Real Estate Co., Ltd., with which our company has no reportable business relationship.	Mr. Yamaguchi suitably provides advice and oversight based on his plentiful and wide-ranging experience and knowledge in corporate management and other fields, and he also satisfies the criteria for Independent Director. Given that he presents no potential conflict of interest with general shareholders, we are convinced that we can count on him to contribute to appropriate corporate governance at our company and expect him to offer advice on our standards of conduct.
Toshio MITA	○	As President & CEO, Representative Director of Chubu Electric Power Co., Inc. until June 2010, Mr. Mita was engaged in the execution of operations for that company. Although our company does consume their electric power and have business based on renewable energy feed-in tariffs (FIT), the amount accounted for less than 2% of our company's sales for fiscal year 2016, and is thus deemed insignificant. Mr. Mita is also serving now as Adviser to Chubu Electric Power Co., Inc. and Auditor for NYK LINE with which he is not involved in the execution of operations.	Mr. Mita suitably provides advice and oversight based on his plentiful and wide-ranging experience and knowledge in corporate management and other fields, and he also satisfies the criteria for Independent Director. Given that he presents no potential conflict of interest with general shareholders, we are convinced that we can count on him to contribute to appropriate corporate governance at our company and expect him to offer advice on our standards of conduct.
Koichi YOSHIHISA	○	None	Mr. Yoshihisa can suitably provide advice and oversight

			based on his plentiful and wide-ranging experience in execution of business at College and acquirement as a scholar and expert to promote efforts towards academic-industry cooperation. He also meets the requirements of Independent Director. Given that he presents no potential conflict of interest with general shareholders, we are convinced that we can count on him to contribute to appropriate corporate governance at our company and expect him to offer advice on our standards of conduct.
Fumio KATO	○	None	Mr. Kato can provide insights and oversight of company operations based on his wealth of knowledge and experience in tax-related matters as a Tax Accountant. He also meets qualifications for Independent Director. Given that he presents no potential conflict of interest with general shareholders, we are convinced that we can count on him to contribute to appropriate corporate governance at our company and expect him to offer advice on our standards of conduct.
Masaki HORIE	○	None	Mr. Horie can provide insights and supervise company operations based on the expertise with his high-level wealth of knowledge and experience as Certified Public Accountant. He also meets qualifications for Independent Director. Given that he presents no potential conflict of interest with general shareholders, we are convinced that we can count on him to contribute to appropriate corporate governance at our company and expect him to offer advice on our standards of conduct.
Nobuko KAWAI	○	None	Ms. Kawai can provide insights and supervise company operations based on the expertise with her high-level wealth of knowledge and experience as Attorney. She also meets qualifications for

			Independent Director. Given that she presents no potential conflict of interest with general shareholders, we are convinced that we can count on her to contribute to appropriate corporate governance at our company and expect her to offer advice on our standards of conduct.
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**[Audit and Supervisory Committee]**

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	5	2	2	3	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	The Company judged that it is not required that Directors and/or Staff would support the Audit and Supervisory Committee, therefore the Company has appointed two full-time Audit and Supervisory Committee Members.
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

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Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

Our full-time Audit and Supervisory Committee Members hold audit consultations with accounting auditors every 3 months, and collaborate with them in conducting audits of our company and Group companies in accordance with all applicable laws, regulations, and rules. Our full-time Audit and Supervisory Committee Members also hold audit consultations with the Audit Group, CSR Promotion Division every 3 months, and share schedules of audits of our company and Group companies and otherwise collaborate with the Audit Group in accordance with all applicable laws, regulations, and rules.

**[Voluntary Establishment of Nomination/Remuneration Committee]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination/Remuneration Committee	Nomination/Remuneration Committee
All Committee Members	6	6

Full-time Members	-	-
Inside Directors	3	3
Outside Directors	3	3
Outside Experts	-	-
Other	-	-
Chairperson	Inside Director	Inside Director

Supplementary Explanation

One Inside Director, who is a Audit and Supervisory Committee Member, participates in the Committee as an observer without a voting right.

**[Independent Directors]**

Number of Independent Directors	6
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Matters relating to Independent Directors

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**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration , Other
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Supplementary Explanation

The 164<sup>th</sup> Ordinary General Meeting of Shareholders held on June 16, 2017 passed a resolution on paying the sum of 0.5% of each business year's consolidated net income and 1.6% of each business year's total annual dividends as bonuses to Directors who are not Audit and Supervisory Committee Members, excluding Outside Directors, with this sum not to exceed 440 million yen per year (calculations to be rounded down to the nearest million yen).

As the compensation for Directors who are not Audit and Supervisory Committee Members, the Company adopts the monthly salary and the performance-linked remuneration. As the compensation for Outside Directors who supervise the company operations and Audit and Supervisory Committee Members, the Company adopts fixed compensation plan simultaneously.

The monthly salary is consisted of fixed compensation depending on individual Directors with their own position and is resolved by the Board of Directors based on the report to the Nomination/ Remuneration Committee with respect to the amount and details of the compensation to the Directors under the amount resolved at shareholders meetings.

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

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Policy on Determining Remuneration Amounts	Established
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and Calculation Methods	
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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It is written in (iii) Board of Policies and procedures in determining the compensation of the senior management and directors, Principle 3-1 of “Disclosure Based on the Principles of the Corporate Governance Code.”
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### [Supporting System for Outside Directors]

A proposing Director or the Administrator for the Board of Directors provides explanations to the Outside Directors prior to meetings by the Board of Directors if an agenda is concerning capital investments with high specialties. To further improve effectiveness, on the process of the certain framework and enable them to review all the agenda in advance of the meetings, the Administration of the Board of Directors intends to share information with them in advance of the meetings.
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## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration

### Decisions (Overview of Current Corporate Governance System)

The Company has made a transition to a Company with Audit and Supervisory Committee gaining approval at the 164 <sup>th</sup> Ordinary General Meeting of Shareholders held on June 16, 2017, to make more swift decision-making structure and an additional layer of strength in the supervisory functions by the Board of Directors who is Audit and Supervisory Committee Members with voting rights.
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#### [Overview of Current System and Reasons for Adopting Current System]

To ensure fair and transparent company management, 6 Outside Directors attend Board of Directors meetings and there provide advice on company management. For fair and transparent procedures applied to nominate these Outside Directors and to determine their compensation, the Company has voluntarily established Nomination/Remuneration Committee. An Executive Officer System has been introduced to permit rapid management decision-making and quicker execution of operations. The Audit and Supervisory Committee has also been given robust check-and-balance functions to help them monitor decision-making by the Board of Directors and the execution of operations by representative Directors.

#### [Items Pertaining to Outside Directors]

The Company has taken the steps necessary to ensure that 6 Outside Directors are assigned and permitted to provide needed insights on the agenda and deliberations of Board of Directors meetings so that they can contribute to appropriate corporate governance at the Company and offer advice on our standards of conduct.

#### [Efforts to Strengthen the Functions of Audit and Supervisory Committee Members]

Audit and Supervisory Committee Members attend the Board of Directors meetings and other important meetings and audit Directors' performance of their professional duties, and full-time Audit and Supervisory Committee Members collaborate with CSR Promotion Division, the Company's internal audit organization, and Accounting Auditor in conducting audits of the Company and the Group companies in accordance with all applicable laws and regulations and rules. The presence of 3 Outside Audit and Supervisory Committee Members with a considerable level of knowledge in financial, accounting, tax and legal matters suitably ensures that the above functions are performed.

#### [Posting of Information on Securing Independent Directors]

The Company has determined that Mr. Yamaguchi, Mr. Mita and Mr. Yoshihisa as Outside Directors and Mr. Kato, Mr. Horie and Ms. Kawai as Outside Audit and Supervisory Committee Members present no potential conflict of interest with general shareholders and, convinced that we can count on them to contribute to appropriate corporate governance at the Company and to offer advice on our standards of conduct, we have assigned them as Independent Directors.

### 3. Reasons for Adoption of Current Corporate Governance System

We have assigned 5 Audit and Supervisory Committee Members to ensure that the Company's managerial decision-making is fair and transparent. These Members attend Board of Directors meetings and other important meetings and conduct audits of the execution of operations by Directors, and full-time Audit and Supervisory Committee Members collaborate with CSR Promotion Division, the Company's internal audit organization, and Accounting Auditor in conducting audits of the Company and of the Group companies in accordance with all applicable laws, regulations and rules.

We have also assigned 6 Outside Directors including 3 Audit and Supervisory Committee Members to ensure that the Company's managerial decision-making is fair and transparent. These Outside Directors take actions necessary to achieve the purposes above, including offering needed insights as necessary on the agenda and deliberations of the Board of Directors.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Notices are sent out early to inform shareholders about the meeting well in advance.
Scheduling AGMs Avoiding the Peak Day	General meetings of shareholders are held outside of concentrated days to allow as many shareholders as possible to attend the general meeting of shareholders.
Allowing Electronic Exercise of Voting Rights	Voting rights can be exercised via the Internet and via mobile phone.
Participation in Electronic Voting Platform	The Company participates in the voting rights electronic exercise platform for institutional investors run by ICJ Co., Ltd.
Providing Convocation Notice in English	English-language versions of notices are posted on our English-language website.
Other	Notices are posted in both Japanese and English on our websites and on the platform by 1 week before they are mailed out to shareholders.

### 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Disclosure rules have been established but not made publicly available.
Regular Investor Briefings for Individual Investors	—
Regular Investor Briefings for Analysts and Institutional Investors	We hold biannual briefings for analysts and institutional investors after the announcements of both interim results and year-end financial statements.
Regular Investor Briefings for Overseas Investors	The Company accordingly participates in IR forums hosted by securities companies.
Posting of IR Materials on Website	We post summaries of financial statements, notices of ordinary general meetings of shareholders, timely disclosures, press releases, reports, and briefing materials on the Company's website.
Establishment of Department and/or Manager in Charge of IR	Corporate Planning Group, Strategic Corporate Planning Operation

Other	As a general rule, all briefing materials are translated into English and promptly disclosed, either at the same time or after the Japanese-language materials are disclosed.
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### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Respect for our stakeholders is explained in the IBIDEN Standards for Employee Behavior and in the IBIDEN Social Responsibility Management Standards.
Implementation of Environmental Activities, CSR Activities etc.	Our company prepares CSR reports that are made publicly available on the company website.
Development of Policies on Information Provision to Stakeholders	Disclosure guidelines have been established in keeping with our Disclosure Rules.
Other	—

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

In accordance with Article 362.5 of the Companies Act, our company has approved the following regarding the establishment of a system to ensure that Directors execute operations in compliance with all applicable laws, regulations and the Articles of Incorporation, and a system needed to ensure that all operations at our company and its subsidiary companies (hereinafter collectively termed “the Group”) are conducted properly (hereinafter collectively termed “internal control systems”).

#### 1. Purposes of this resolution

This resolution establishes the basic guidelines with which the Company should comply in establishing the Group’s internal control systems and sets forth the necessary requirements for ensuring that the operations stipulated in Article 362.5 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act are carried out properly. In establishing the Group’s internal control systems, activities must be undertaken to strengthen corporate governance and promote compliance and risk management under the instruction of the responsible directors and the executive officers noted below (hereinafter, “the responsible executive officers”). The responsible executive officers will periodically report to the board of directors and the Management Council on the status of the internal control systems for which they are responsible and, after suitable monitoring and reviews, will put in place more appropriate systems.

#### 2. Overview of the Group’s internal control systems

(For details, see for Diagram posted at the end)

The names of organizations below are listed in accordance with the new organizational names adopted on April 1, 2017

#### 3. Systems to ensure that the performance of professional duties by directors and employees complies with laws, regulations and the Articles of Incorporation

(1) System to ensure that the performance of professional duties by directors and employees complies with laws, regulations and the Articles of Incorporation

- ① The Group’s basic compliance policy requires full compliance with domestic and foreign laws and regulations, the Articles of Incorporation, in-house regulations and corporate ethical standards (hereinafter, “compliance”) by all executives and employees in order to become a Group earning the trust of the international community through its open and fair corporate activities. In keeping with this basic policy, the Compliance Regulations, and the Standards for IBIDEN Employee Behavior that set out the standards for compliance in practice, the Group will actively undertake efforts to promote compliance within the Group (establishing compliance-related regulations, confirming the status of compliance activities in practice, and conducting educational activities and training for executives and employees). These compliance promotions will be implemented by the Executive Officer in charge of the CSR Promotion Division, the Executive Officer responsible for compliance,

who will report to the Corporate Compliance Promotion Committee chaired by the President & CEO.

- ② The Group has established proper reporting lines as well as a compliance consultation desk to enable all executives and employees to report compliance violations that have come to their notice. Executives and employees may either report in their own names to the person in charge at the compliance consultation desk or anonymously to outside specialists, and due consideration has been given to protecting the rights of whistleblowers by safeguarding their privacy and banning prejudicial treatment. The Executive Officer responsible for compliance will seek to better familiarize executives and employees with the compliance consultation desk system during training.
  - ③ When a compliance-related problem arises, the Compliance Committee chaired by the Executive Officer in charge of compliance will be convened to deliberate on how to respond to or resolve the matter and on how to prevent recurrences and serious problems – particularly those involving Directors – will be reported to the Board of Directors.
  - ④ The Company discloses information pertaining to management of the Group in a fair, timely and appropriate manner and in accordance with disclosure rules designed to help shareholders, investors, local communities and all other stakeholders better understand and properly assess the Group, and with the approval of the Disclosure Committee comprising the President & CEO, the Executive Officer in charge of the Finance Division, and other members. The Company complies with all applicable laws and regulations pertaining to financial instruments transactions and with the rules of securities exchanges, and exercises strict control of matters governed by insider trading regulations in accordance with the Guidelines on Managing Insider Trading to maintain the public trust on our company in securities markets.
  - ⑤ 2 Outside Directors have been assigned and granted robust check-and-balance functions to ensure the legality of Directors' performance of their professional duties at the Company.
- (2) Systems for saving and managing information relating to Directors' performance of their professional duties
- ① Information, documents and other materials relating to resolutions by the Board of Directors, decisions on the execution of operations by Directors and oversight of the same, etc. will be suitably saved and managed (e.g. discarded) in compliance with the Rules of the Board of Directors, the Approval Regulations, the Document/Record Management Regulations, and other applicable rules/regulations. Directors may access the information/documents at any time.
  - ② The Executive Officer in charge of the Strategic Corporate Planning Operation will verify as needed the steps taken to save and manage information on the execution of duties, review regulations and maintain a system by which the information on the performance of professional duties can be promptly accessed.
- (3) Regulations on managing the risks of loss, and other systems
- ① The Group has a basic risk management policy to enable the Group to continue by analyzing the various risks surrounding its business operations dealing appropriately with losses to management resources that serious impact the smooth administration of business, to ensure the safety of shareholders, customers, and executives and employees, reducing losses of management resources and to prevent recurrences. In line with this basic policy and risk management regulations, the Group will actively engage in risk management activities, including assigning responsibility for each risk category to specific organizations, reinforcing the chain of accountability, and training executives and employees. These risk management activities will be implemented by the Executive Officer in charge of the CSR Promotion Division, the Executive Officer responsible for risk management, and will be reported to the Corporate Risk Management Promotion Committee chaired by the President & CEO.
  - ② If an internal audit uncovers an action taken in the course of executing operations that presents a risk of loss, the Executive Officer in charge of the Strategic Corporate Planning Operation will promptly ascertain the nature of the risk and the degree of potential loss and will issue instructions for measures to be promptly taken by the relevant organizations in order to prevent such loss. Should a large-scale accident or disaster occur, the Executive Officer will immediately establish a task force, ascertain the circumstances, implement initial responses, prevent further damage, and endeavor to minimize the loss.
- (4) System for ensuring that Directors perform their professional duties efficiently

- ① As part of the management of corporate planning, the performance targets and budgets based on the consolidated medium-term management plan as well as the Group's fiscal year plans formulated each year based on this management plan are presented and the Executive Officers placed in charge of the execution of operations at each of the business groups undertake activities to achieve the targets established for each line. Monthly business results are promptly compiled into a database via an IT-based system, and the Executive Officer in charge of the Strategic Corporate Planning Operation periodically verifies whether progress is being made toward the established targets in accordance with the performance reports through performance reports from the respective Executive Officers at Management Council Meetings.
  - ② As part of the management of the execution of operations, all items on agenda for the Board of Directors or Management Council Meetings are without fail placed on the respective agendas and the materials required for deliberation of these agenda items are distributed to executives in advance.
  - ③ Authority for the day-to-day performance of professional duties is appropriately delegated in accordance with the regulations governing organizations, job classification and division of duties as well as regulations on administration authority and professional duties are performed properly and efficiently by persons endowed with decision-making authority in accordance with the decision-making standards set out in the Approval Regulations.
- (5) System to ensure the propriety of operations in the corporate grouping comprising the Company and its subsidiaries
- ① The Strategic Corporate Planning Operation is the organization responsible for overseeing and managing internal control at all of the Company's subsidiaries and it collaborates with other internal control promotion organizations to provide guidance and support to all of these subsidiaries.
  - ② The Company has adopted a system by which the execution of important operations by the Directors or the Boards of Directors of subsidiaries are reported in advance to the Company, and moreover decision-making is properly carried out at the Company in accordance with the Group's regulations on managing corporate decision-making.
  - ③ The Executive Officer in charge of the CSR Promotion Division satisfactorily exchanges information with the internal audit offices of subsidiaries or with the Directors in charge of organizations corresponding to such offices and thereby ensures the effectiveness of the Group internal audit system in order to prevent improper transactions/bookkeeping between the Company and its subsidiaries.
- (6) Relevant items required to make the Audit and Supervisory Committee's audit system effective
- ① System pertaining to employees requested by the Audit and Supervisory Committee to assist in their duties, and items pertaining to the independence of these employees from Directors  
No employees have been assigned at present to assist the Audit and Supervisory Committee with their duties and, consequently, no provisions on the independence of such employees have been made. Should the Audit and Supervisory Committee request an assistant be assigned to help out with his/her duties, a full-time or concurrently-assigned assistant will be assigned; the views of the Audit and Supervisory Committee on the specific details of such an assignment will be taken into account when making a decision, with due consideration to be given also to the views of the Executive Officer in charge of the Strategic Corporate Planning Operation and of the Executive Officers in charge of other relevant organizations. The assignment and reassignment of the assistant in question will require the consent of the Audit and Supervisory Committee. The assistant will perform his/her duties under the direction of the Audit and Supervisory Committee, and will not be under the authority of the sub-director head of the organization with which the assistant is affiliated.
  - ② System for reporting by Directors and employees of the Company and its subsidiaries as well as persons receiving reports from these directors/employees to the Audit and Supervisory Committee, and system for other reporting to the Audit and Supervisory Committee  
Executives, employees, etc., must report and provide information on serious violations of laws, regulations or the Articles of Incorporation or illegal actions occurring in the course of the performance of professional duties, facts that could cause significant harm to the Company, and other matters on which the Audit and Supervisory Committee request reports/information, in compliance with the Rules of the Audit and Supervisory Committee set out by the Audit and

Supervisory Committee. The Company may never mete out disadvantageous treatment for the provision of such information to the Audit and Supervisory Committee by executives, employees, etc.

- ③ Other systems to ensure that the Audit and Supervisory Committee are carrying out audits effectively

The Company has a system in place by which executives, employees, etc., can arrange opportunities for personal interviews with the Audit and Supervisory Committee or can request the attendance of the Audit and Supervisory Committee at various meetings when deemed necessary to ensure the operations are being conducted properly and to enable the Audit and Supervisory Committee to ascertain directly the circumstances of deliberations and reports. The Audit and Supervisory Committee will meet periodically with the representative Director and audit firms to exchange views. Executives, employees, etc., must accord due respect to the opinions of the Audit and Supervisory Committee on ensuring the effectiveness of audits. When deemed necessary by the Audit and Supervisory Committee, the Company will allocate the funds for hiring an attorney, a certified public accountant, a consultant, or other outside advisor to support the Audit and Supervisory Committee's audits.

- (7) Others

To satisfy the requirements of the Financial Instruments Exchange Act on establishing internal control for financial reporting, the Company reviews and administers our internal control system to ensure the propriety of financial reports as the Group, establish systems for monitoring and internal audits in order to ensure their reliability, and consistently undertakes promotion activities in line with the Company's basic plan and policies.

## 2. Basic Views on Eliminating Anti-Social Forces

- (1) Basic approaches to excluding anti-social forces

The Group's fundamental policy in this regard, as clarified in the IBIDEN Standards for Employee Behavior, is that all executives and employees must adopt a resolute attitude in opposition to anti-social forces and groups and pay careful attention to prevent any actions that might violate laws or corporate ethical standards.

- (2) Efforts to exclude anti-social forces

- ① The IBIDEN Standards for Employee Behavior stipulates that employees contacted by anti-social forces/groups or aware of potential trouble for the Company at the hands of such forces/groups should avoid dealing with these issues personally and should instead immediately consult with the organizations responsible for dealing with such matters. Executives and employees are being thoroughly familiarized with this policy through compliance education.
- ② The organizations responsible for dealing such matters will be the Strategic Corporate Planning Operation and the Personnel & General Affairs Division, both of which will designate persons responsible for thwarting unreasonable demands.
- ③ The Company keeps in close contact at all times with our consulting attorney and with the competent police units to handle unreasonable demands from anti-social forces. We also participate regularly in liaison meetings held by the police as one means of collecting/managing information on anti-social forces.
- ④ We have included in our company's prescribed standard contract forms clauses that specifically exclude dealings with anti-social forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

We periodically conduct surveys on the status of our foreign shareholders, and we continually monitor this status while bearing in mind such factors as legislation and decisions/interpretations by relevant authorities on

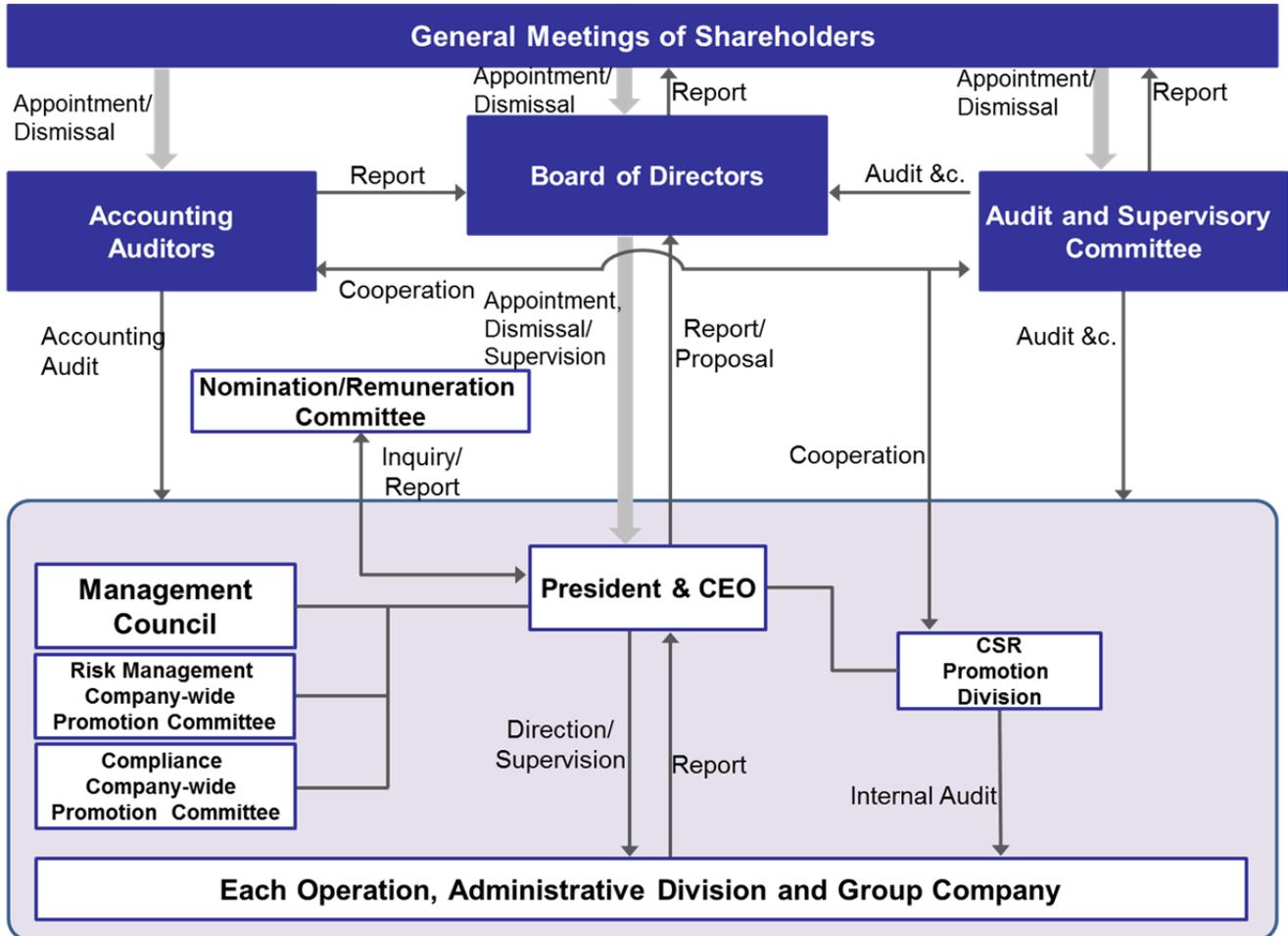
acquisitions.

## 2. Other Matters Concerning to Corporate Governance System

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[Chart (Reference)]

### [Chart of IBIDEN Group's Internal Control System]



[Outline of Internal Timely disclosure system (chart)]

**[Chart of IBIDEN Group’s Internal Timely Disclosure System]**

