

G-TEKT Corporate Governance Basic Policies

Introduction

G-TEKT (the “Company”) adopted these “G-TEKT Corporate Governance Basic Policies” pursuant to a resolution passed in a meeting of the board of directors (the “Board”), to indicate the Company’s basic views, frameworks and operating guidelines regarding the corporate governance of the Company.

1. Basic Policy Regarding Corporate Governance

Article 1 Basic Views

The Company strives to seek sustainable growth and the increase of corporate value over the long term by enhancing corporate governance as one of the most important tasks for its management, in order to strengthen the trust of our customers, employees, shareholders/investors, and society; encourage timely, decisive and risk-considered decision-making; and become “a company that society wants to exist”.

2. Corporate Governance Structures

2.1 Company with the Audit and Supervisory Board

Article 2 Reason to choose the Institutional design

(1) The members of the audit and supervisory with an independent perspective shall not have rights to vote at the Board meetings, which enables them to audit objectively the execution of directors’ duties.

(2) The members of the full-time audit and supervisory board with experience as a person in charge shall be able to collect necessary information for audits.

(3) The members of independent audit and supervisory board with management or academic experience shall further increase the diversity of the Board by expressing opinions with a high level of expertise and insight, which shall be beneficial for proper deliberation, supervision and audit of execution.

2.2 The Directors and the Board

Article 3 Roles and Responsibilities of the Board

(1) The Board shall monitor the performance by the directors and make decisions concerning key issues of the Company such as its basic management policies and matters that should be determined in accordance with the articles of incorporation and applicable laws, set out in the Company’s provisions, *the Provisions of the Board* and *the Examination Criteria of the Board*.

(2) The Board shall delegate the issues apart from the Provision (1) above to corporate officers, the Executive Meeting and the Overseas Regional Directors Meeting composed of the senior officers.

Article 4 Constitution of the Board

- (1) The Board shall consist of an appropriate number of directors totaling no more than 12.
- (2) In order to fulfill its role of making decisions concerning key matters of the Company and monitoring and overseeing directors, the Board shall consider the balance in the diverse knowledge and experience of the Board as a whole.
- (3) The Company shall appoint at least 2 independent directors who fulfill the independence criteria defined by Tokyo Stock Exchange.
- (4) The Board shall appoint one of the independent directors to be the senior independent director in order to be external contact points with shareholders, while they shall internally make contact with independent directors and collaborate with auditors or the board of corporate auditors.

Article 5 Policy for Selection of Candidates for Directors

- (1) The Board shall, in principle, upon the president's proposal and the consideration for diversity, select director candidates who have experience, knowledge and ability to increase long-term corporate value.
- (2) Inside directors shall have expertise in the Company's businesses and be capable of supervising all the management accurately and fairly.
- (3) Independent directors shall have abundant experience and deep insight and be capable of overseeing the management accurately and fairly from a standpoint that is independent from the Company.
- (4) The Board shall state their each reason to nominate director candidates on the notice for the annual shareholders meetings and annual securities reports.

Article 6 Appointment of Chief Executive Officer

- (1) The president, Chief Executive Officer shall regard the training for its successor as the most important duty, select the candidate and train him/her based on the long-term training plan.
- (2) The Board shall appropriately supervise the successor's plan, in principle, upon the president's proposal, discuss and select a person who has flexibility, decisiveness, great personality and insights suitable for Chief Executive Officer as the successor of the president.

Article 7 Approaches for Improving Board Effectiveness

The Board shall take the following approaches to enhance its effectiveness.

Provision of Information

- (1) So that the Company can have fruitful discussions at each board meeting, all the materials relating to the agenda and expected resolutions for board meetings should be available for the directors and corporate auditors in advance of the meeting date.

(2) The secretariat of the Board shall determine the schedule of the Board meetings well ahead of time.

Director and Corporate Auditors Training

The Company shall support the new independent directors and auditors to obtain knowledge about the Company's business through the visits of its establishments.

Besides, the Company shall hold corporate governance trainings and provide directors and auditors with opportunities to deepen their understanding of their roles and duties through outside trainings.

Concurrent Post

When independent director or independent corporate auditor also serves as an officer at another listed company, the number of such directors or auditors shall be limited to a reasonable extent for such position, which shall be disclosed on the notice for the annual shareholders meetings.

Self-Evaluation

The Board shall consider analyzing and evaluating the effectiveness of the Board as a whole, based on the self-evaluations of each director.

Exchange of Information among Independent Officers

The independent directors and independent corporate auditors shall call meetings consisting of independent directors for the information exchange and recognition sharing.

Cooperation between Corporate Auditors, Board of Corporate Auditors and Independent Auditors

In order to share information and cooperate each other, corporate auditors and independent auditors shall exchange information on a regular basis.

Establishment of Advisory Committee

The Company shall voluntarily establish advisory committee including the independent directors in order to strengthen the independence, objectivity and accountability of the Board's function regarding the nomination and remuneration determination of the executives and directors.

Article 8 Conflicting Interest Transactions

(1) A director shall not carry out, for himself/herself or for a third party, any transaction that is against the interests of the Company.

(2) If a director intends to carry out any transaction with the Company for himself/herself or for a third party, the director shall obtain the approval of the Board in accordance with the procedures set forth in the Companies Act.

2.3 Executive Officer

Article 9 Basic Views

(1) In order to strengthen business operations in global regions and fields, and to make timely and appropriate business decisions, the Company shall place executive officers who will be responsible for business operations in their respective area of responsibility, for five overseas area headquarters and functional headquarters, and other main organizations.

(2) The Company shall clarify the scope of the authorities granted to the executive officers and the decision-making process by establishing the Executive Meeting and the Overseas Regional Directors Meeting, putting in place agendas to be discussed at each meeting, etc., and thereby establish systems that enable timely and appropriate business decisions.

Article 10 Appointment Policies and Terms of Office of Executive Officers

(1) The Board shall, upon the president's proposal, discuss and appoint executive officers who are capable of being responsible for important aspects of the Company Group's business operations of the Company.

(2) Executive officers shall be exceptional people who are familiar with corporate management and the Company's business, and have superior character and insight. Gender, nationality and other attributes shall be of no consequence.

(3) The mandate contract of executive officers shall be 1 year.

(4) The Company shall precisely reflect the evaluation of its business performance in the appointment and dismissal of executive officers

2.4 Corporate auditors and Board of Corporate auditors

Article 11 Constitution of Board of Corporate auditors

The board of corporate auditors shall consist of an appropriate number of auditors totaling no more than 5, and more than one half of them shall be independent corporate auditors who fulfill the independence criteria. 1 or more of the corporate auditors shall be a person who has an appreciable extent of expertise regarding finance and accounting.

Article 12 Policy for Selection of Candidates for Corporate auditors

(1) The Board shall, in principle, upon the president's proposal, discuss and select corporate auditor candidates who are capable of responding to entrustment of the shareholders and performing auditing practices appropriately. The president shall obtain the prior consent of the board of corporate auditors before the president proposes corporate auditor candidates to the Board.

(2) Corporate auditor candidates shall be persons who have superior character and insight and shall be either: (i) a person who is familiar with corporate management and the Company's business, or (ii) a person who has high expertise and abundant experience in legal, governmental, accounting, educational or other areas. Gender, nationality and other attributes shall be of no consequence.

(3) The Board shall state their each reason for nominating auditor candidates on disclosure documents such as the notice for the annual shareholders meetings and annual securities reports.

2.5 Remuneration

Article 13 Remuneration Policies

(1) The Company's remuneration structure for the officers shall be designed with the aim of motivating them to contribute not only to short-term, but also to long-term business results, to enable the sustainable enhancement of the corporate value of the Company.

(2) Remuneration of the directors and executive officers shall consist of a fixed monthly remuneration, an executive bonus and stock-related remuneration including performance-related one.

(3) Remuneration of the independent directors and auditors shall not be a performance-related stock one.

3. Relations with Shareholders

Article 14 Shareholder Meeting

The Company shall strive to provide shareholders with sufficient time to consider the agenda for shareholders meetings and to take measures to put in place an environment in which shareholder rights can be exercised appropriately.

Article 15 Securing the Rights of Shareholders

(1) The Company shall secure equal treatment of shareholders and give adequate consideration to the exercise of the rights that are also granted to minority shareholders.

(2) If a resolution proposed by the Company is approved at a shareholders meeting, but a considerable number of votes have been cast against the proposal, the Company shall analyze the reasons behind the opposing votes and shall consider taking necessary measures.

Article 16 Basic Policies for Capital Policy

(1) The Company shall pursue the enhancement of its financial base as well as the fulfillment of profitability for sustainable growth and improvement of long-term corporate value.

(2) With regard to capital policy, to prevent unjust harm for existing shareholders, the Company shall consider its necessity and rationality in the Board meetings, if necessary, shall explain it to shareholders.

Article 17 Basic Policies for Cross-Shareholdings and Exercise of Voting Rights as to Cross-Shareholdings

(1) Based on the comprehensive judgements about the retention of business relationships with customers as well as financial institutions, the necessity and economical rationality in operating business, the Company shall hold listed shares and properly sell stocks that are less beneficial to hold resulting from annual reviews.

(2) The Company shall adequately exercise its voting rights for the shareholdings in view of the possibility that proposed resolutions damage corporate values and expectation that exercising is of benefit to the management and improves the values.

Article 18 Take Over Bid

The Board shall explain the Company's opinions for accepting takeover bid to shareholders.

Article 19 Policies for Dialogue with Shareholders

For the purpose of providing valuable and useful information, which is useful for shareholders and investors to make investment decisions, in a timely, fair and accurate manner, and for the purpose of achieving the improvement of the understanding of shareholders and investors and the appropriate evaluation of the corporate value of the Company, the Board shall prescribe policies for promoting dialogue with shareholders as follows.

(1) The management top shall undertake dialogue with shareholders and the director/general manager of Corporate Management Department shall oversee IR practices.

(2) For appropriate dialogue with shareholders, persons in charge of IR shall exchange information with each division on a regular basis and build an organic cooperation system.

(3) In order to deepen the understanding of shareholders and investors toward the Company's business, the Company shall proactively and continuously undertake the financial results briefings, the provision of information on the Company's web site, the explanation of business reports at shareholders meetings, sending to shareholders of literature such as shareholders newsletter, factory tours and questionnaire for shareholders. Furthermore, the Company shall hold individual meetings with main shareholders who have the same investment policy as long-term benefits of shareholders.

(4) Shareholders' views which have been recognized through dialogue shall be fed back to the Board meetings periodically.

(5) The contact persons who engage in dialogue with shareholders shall receive training on the handling of insider information and confidential information, and engage in appropriate dialogue with shareholders in compliance with the relevant internal rules of the Company.

4. Relations with Stakeholders Other Than Shareholders

Article 20 Relations with Stakeholders

The Company recognizes that its sustainable growth and the enhancement of long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including customers, employees, business partners and local communities. As such, the Company shall strive to establish an appropriate relationship of cooperation with those stakeholders.

Article 21 Securing Diversity

The Company shall promote to secure diversity including advancement of women in the workplace so that it can bring the Company diverse views and values for the Company's sustainable growth.

Article 22 Establishment of Internal Reporting System

- (1) The Company shall accept reports for offences against laws, in-house rules and policies or common senses through its own internal reporting system.
- (2) Internal reporting system shall set outside contact points as well as in-house ones.
- (3) The Company shall not bring disadvantages to those who provide information and cooperate to ascertain all the facts.
- (4) Auditors shall be notified of the reports including offences by the executives.

5. Disclosure

Article 23 Appropriate Disclosure of Information and Securing of Transparency

In order to further strengthen the trust and mutual feeling of investors and society, the Company shall strive to improve corporate transparency by conducting the appropriate disclosure of corporate information, such as the timely and accurate disclosure of quarterly financial results and management measurements.

Executed on December 17, 2015