

Reference materials related to the board
(Disclosures based on Principle 3.1 (iv), etc.)

January 20, 2016
Tokyo Stock Exchange, Inc.

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1

Principle 3.1 (iv)

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- iv) Board policies and procedures in the appointment of the senior management and the nomination of directors and *kansayaku* candidates

Supplementary Principles 4.11.1

The board should have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with its view.

1. Policy on election/nomination

Company A (Company With *Kansayaku* Board)

Director candidates (except for outside director candidates) shall be persons who **understand company management/ the business of the Company**, meet the Company's business requirements and have superior **personality/judgment**.

Outside director candidates shall be persons that can pursue the role of **independently monitoring and supervising management** and advice on the company's corporate activities based on their broad **knowledge and experience** and **superb judgment**.

Statutory auditors candidates must have **superior personality and judgment**, and also either has **deep knowledge of company management and the business of the company**, or **deep knowledge and experience** in areas such as **law, finance, accounting**, etc.

Each director and statutory auditor candidate is appointed based on a proposal of the chairman of the board of directors and determination by resolution of the board of directors. The chairman of the board must make a proposal regarding a statutory auditors candidate after obtaining prior consent from the board of statutory auditors.

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1 (continued)

Company B (Company With *Kansayaku* Board)

For the election of director candidates, XXXX maintains a basic policy of having its Board of Directors be composed of directors from inside the company who have specialist skills and knowledge about each business segment, corporate planning, human resources, finance and accounting, research, development, and production, among other areas. The Board of Directors also includes several outside directors who can proactively share their views and point out issues with regard to growth strategy and governance from the standpoint of our diverse stakeholders and society. This enables **appropriate and agile decision making** to be carried out and supervisory duties fulfilled with regard to **the company's business activities, given the fact that they are global in nature and span many business segments**, including foods, AminoScience, and pharmaceuticals, among others. The election of director candidates is based on the findings of our Nominating Advisory Committee.

<Balance between knowledge/experience/skills>

Company C (Company With Three Committees)

In nominating a director candidate, the Nominating Committee shall consider:

1. **diversity in the experience and expertise**, etc. possessed by the director candidates, **the composition ratio between outside directors and other directors** (directors concurrently serving as executive officers and non-executive directors from within the Hitachi Group), and other such matters in order to **ensure the effectiveness of the management supervision and decision-making functions** of the Board;
2. that to maintain **the continuity of the Board, new candidates do not constitute all or almost all of the nominees**; and
3. **the period of time since the candidate's assumption of office as the Company's director** and the candidate's **age** to keep bringing fresh ideas and viewpoints regularly to the Board.

In principle, a person will not be nominated as a director candidate after his or her 75th birthday. However, the Nominating Committee may nominate a person over 75 as a director candidate in special circumstances.

Company D (Company With *Kansayaku* Board)

The Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings **deliberate** on the appropriateness of the Business Strategies, the risks related to their realization and other matters **in an objective and multifaceted fashion**. They also **supervise and audit the status of execution**. To conduct these tasks, the Company considers it **important that parties from inside and outside the Company with a greater diversity of experience, knowledge, expertise and insight conduct examinations through joint contributions of opinions from various perspectives**. Consequently, the Company **nominates the appropriate Directors and Audit & Supervisory Board Members** to realize this objective.

In addition, to promote **sharing of the knowledge and information** obtained related to the Company's management and businesses **from predecessor to successor**, the Company sets **staggered terms of office for Outside Directors and Outside Audit & Supervisory Board Members**.

Senior Management are nominated with emphasis on their understanding of the business environment and of the status of the Kao Group's businesses and management in order to deal with such environment necessary to plan the Business Strategies, and on their experience and ability to display strong leadership in quickly and properly executing the Business Strategies set by the Board of Directors.

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1 (continued)

Company E (Company With *Kansayaku* Board)

In our company, the number of directors is less than 10, and we appoint several outside directors who have experience in corporate management and strong **insights/specialist knowledge** in **IT fields and global domains where we are aiming to achieve future growth**. Active discussion is carried out in board meetings. We have set up an optional advisory committee that reviews the appointment and dismissal of directors and makes proposals to the board. More than half of the optional committee is made up of outside directors.

<Diversity>

Company F (Company With *Kansayaku* Board)

Diversity of the directors and the audit & supervisory board members must be ensured in the critical decision-making at meetings of the Board of Directors. In this respect **female value and thinking is of particular importance** to XXXXX, **a cosmetic manufacturer**, and as a result, the Company believes that **electing female directors and audit & supervisory board members is vital**. As of the end of June, 2015, six directors include one with a career background in management outside the XXXXX Group, two with career backgrounds in the XXXXX Group, and three members outside the Company with high degrees of independence. Meanwhile, five audit & supervisory board members include two full-timers with career backgrounds in the Shiseido Group and three part-time members outside the Company with high degrees of independence. The total of 11 directors and audit & supervisory board members comprises three females and eight males.

Company G (Company With *Kansayaku* Board)

We accept diverse values regardless of nationality, age and gender, and **our policy is to actively promote diverse human resources** who can play a role, but it **is not a policy that specifies a framework for women or foreigners** in particular.

Company H (Company With *Kansayaku* Board)

XXXXX stipulates the maximum number of directors at 15 in its Articles of Incorporation. **The Board of Directors elects director candidates who are considered most suitable for the position, regardless of aspects such as nationality, ethnicity, gender, or age**. Currently, there are nine directors serving, all of whom have a wealth of knowledge and experience regarding business management and a global perspective. Three of the nine directors are independent external directors, and four are non-Japanese, thereby ensuring constructive and lively discussion in the Board of Directors meetings from diverse perspectives.

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1 (continued)

<Non-executive officers/independence>

Company I (Company With Supervisory Committee)

In order to **divide the roles of management and supervision, a majority of the board** is held by **non-executive members**.

Company J (Company With Three Committees)

To **ensure management transparency and supervisory objectivity, one-third or more** of Directors are **Independent Outside Directors**, and **Directors who do not concurrently serve as Executive Officers constitute the majority** of the total number of Directors.

Company K (Company With *Kansayaku* Board)

To expand our business with a focus on cosmetics in Asia and the global area, **ensure adequate oversight function without damaging the quality and mobility of decision-making**, and achieve sustainable improvement in corporate value, **besides the representative director (president & executive officer)** we think that the optimal size of the board is to have **3-5 executive directors with detailed knowledge in our group businesses and several independent outside directors**.

<Optimal size>

Company L (Company With *Kansayaku* Board)

With regard to size, as a holding company that is at the center of a conglomerate, our basic stance is to have the minimum required number of directors and **we make sure that the board has an optimal size with a good balance** while taking into consideration the required human resources and succession framework as and when necessary.

Company M (Company With *Kansayaku* Board)

The Company believes the Board of Directors should have **at most 12 members**, in order to promote sustainable growth and enhancement of corporate value of the Group over the mid- to long-term, and **to ensure substantive discussions**. The Company also believes it is necessary to have multiple Outside Directors to provide supervision and advice in reaching appropriate management decisions, in addition to overseeing the conduct of business.

Currently, the Board of Directors of the Company comprises eight members, among whom three are Outside Directors. The term of office of the Directors is one year. The Board of Directors comprises diverse personnel, with differing areas of experience and professional expertise.

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1 (continued)

2. Procedures for election/nomination

Company N (Company With *Kansayaku* Board)

Every year, **the representative director selects the candidates**, and after **approval by the board**, the proposed candidates are submitted as an item on the agenda of the General Meeting of Shareholders to get approval.

Company O (Company With Supervisory Committee)

The appointment of the senior management and nomination of directors candidates is performed by the board of directors based on the board's criteria for suitable personnel for appointment or candidacy. The criteria which is taken into consideration includes performance, experience, knowledge, popularity, etc. in XXXX Corporation or in other companies.

Furthermore, in order to preserve diversity within the board of directors, and to prevent membership from gravitating towards all members having similar characteristics, **the board of directors will solicit opinions from the independent outside directors before making its final decision.**

Company P (Company With Three Committees)

The Company is a Company with a Nomination Committee, etc., system. The Nomination Committee has the authority to **determine General Meeting of Shareholders proposals related to the election and dismissal of Directors**, as well as **the basic policy, rules and procedures**, etc., required for the election and dismissal of Directors. The Nomination Committee determines **proposals regarding the composition of the Board of Directors for the next fiscal year** and the **requirements, etc., for independence and neutrality** of Outside Directors and **selects candidates for directorship**. The duties, contents of activities, etc., of the Nomination Committee have been disclosed in Notice of Convocation of the 103rd Ordinary General Meeting of Shareholders (the Business Report).

The **election of Corporate Officers** is an agenda item to be resolved by the Board of Directors. The **Representative Corporate Officer and CEO proposes** candidates to the Board of Directors (including the reasons for those candidates), and the **Board of Directors elects the individuals.**

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1 (continued)

Company Q (Company With *Kansayaku* Board)

In appointing officers, the Company's Board of Directors has supplemented the legally required procedures by establishing a **Nomination Advisory Committee** (in this section (4), the "Committee") **comprised of all the independent outside directors** and **the President and representative director**. The Committee acts as an optional advisory body to the Board of Directors in order to enhance the Board of Directors' independence, objectivity, and accountability, as well as to proactively obtain the involvement, advice, and supervision of the outside directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

The Committee is consulted by the Board of Directors relating to **proposals for appointment of senior management (the Chief Executive Officer and representative directors)** and **proposals for nomination of candidates for the positions of director and corporate auditor**. In addition, it receives reports in advance detailing the reasons for appointment of each individual, participates in deliberations, offers advice, and **reports the results of its deliberations to the Board of Directors**.

The Committee also receives reports on **proposals for appointment of executive officers** before their submission to the Board of Directors, and **confirms the suitability of the selections made**.

The Board of Directors passes resolutions on these agenda items relating to appointment of officers after receiving the recommendations back from the Committee. **If the Board of Directors comes to a decision that differs from the Committee's own recommendations, the Committee can request the Board of Directors to explain the reason**.

The Board of Directors consulted the Committee with regard to these policies and procedures relating to appointment of officers (including the ideal attributes and the independence standards for outside directors and outside corporate auditors), and the Committee deliberated on their appropriateness before making recommendations to the Board of Directors. If any revisions are made to the content of the policies and procedures in future, the same process will be followed.

Disclosures based on Principle 3.1 (iv)/Supplementary principle 4.11.1 (continued)

< Selection process of senior management >

Company R (Company With *Kansayaku* Board)

Nomination of candidates for directors and appointment of corporate officers are determined upon resolution by the Board of Directors after the Company receives a report from the Nomination Advisory Committee chaired by an external director on whether or not the candidates are adequate. In addition to following the procedure, appointment of President and CEO is further carefully reviewed by the Nomination Advisory Committee. **The candidate for President and CEO is selected from both inside and outside of the Company** without excluding all sorts of possibilities from the standpoint of realizing the corporate philosophy and corporate strategies of the Company, and is bound to be subject to deliberation at **the Nomination Advisory Committee chaired by an external director and a special working group** established by the Chair of the Committee, starting from this selecting stage.

Company S (Company With Three Committees)

To select new Executive Officers, candidates who have completed **senior executive candidate training** must do the first stage of the selection process, which involves **submitting documents and completing an interview**. Next, an **assessment** is performed in order to reach a highly objective and appropriate decision. This process includes input from both an external perspective and from the perspective of people at the Group who frequently interact with these candidates as part of their jobs. **An evaluation conference, which consists of the President and CEO and the Executive Officer responsible for personnel**, is held **to examine the results** of this process. This results in the selection of candidates to become Executive Officers.

To determine the new team of Executive Officers, the President and CEO selects from the list of Executive Officer candidates the individuals who are believed to be well suited to serve as Executive Officers. Next, a proposal for the selection of Executive Officers for the new fiscal year is prepared and submitted to the Board of Directors with a list of the duties for each Executive Officer. Prior to the submission of this proposal to the Board of Directors, the **Nominating Committee performs oversight of the whole process**, including a confirmation that a suitable process was used. Oversight includes receiving the **proposal for the new Executive Officer team** (including the proposed new Executive Officer selections from the President and CEO) and a report about the **proposed duties of each Executive Officer**.

Company T (Company With *Kansayaku* Board)

As XXXX Group supplies a wide range of industries with basic materials, an ability to make appropriate management judgments based on rich experience at the worksites and deep expertise and an ability to oversee management based on fiduciary responsibilities from an objective standpoint independently of business operations are set as the criteria for nominating candidates for members of the Board.

For promotion from within the Company, it is important to **systematically train and nurture candidates for members of the Board in advance in consideration of their potential to serve as future Presidents or other members of the senior management**. With respect to **key positions for business operations**, the main criterion for selecting candidates is **an ability to make appropriate judgments based on experience at the worksites and deep expertise**, according to criteria similar to those for nominating candidates for members of the Board. Meanwhile, **mid- to long-term succession plans for key positions** are periodically created and **approved by the Board of Directors**.

Disclosures based on Supplementary principle 4.14.2

Supplementary principle 4.14.2

Companies should disclose their training policy for directors and *kansayaku*.

1. Target/contents

Company U (Company With *Kansayaku* Board)

Internal directors aim to continually acquire knowledge. They attend external seminars on **finance, accounting and compliance** at the time of appointment, and **based on their level of knowledge and experience**, continue to attend **external seminars** after their appointment and receive **private coaching** when necessary. The Company provides necessary support for this self-improvement. Furthermore, group training for directors and Audit and Supervisory Board Members, along with **lectures** and **exchanges of opinions** with external instructors are periodically carried out to provide information and knowledge required by directors to fulfill their roles.

Internal Audit and Supervisory Board Members, upon appointment, take external seminars on **accounting and finance** should they have no experience in working at the accounting or finance divisions. Also, after appointment, depending on their level of knowledge and experience, they participate in seminars on various topics, including **auditing methods, CSR, risk management and compliance**. The Company provides the necessary support for internal Audit and Supervisory Board Members to carry out this self-improvement.

At the time of appointment, **Outside Directors and Outside Audit and Supervisory Board Members** are provided with **explanations of the Group's operations** to deepen their understanding of the Group and the airline industry. After their appointment, they are given the **opportunity to tour sites and facilities, including airport handling, aircraft maintenance, flight operations and passenger cabins**. In addition, ongoing training is being implemented, covering topics such as basic knowledge on the airline industry, and explanations of business operations at major subsidiaries.

Company V (Company With *Kansayaku* Board)

As **outside directors and outside corporate auditors** significantly vary in their fields of specialization and degree of experience in corporate management, the Company **individually handles them mainly in light of their individual backgrounds**.

Company W (Company With Three Committees)

In our company, to let directors/executive officers fulfil their responsibilities properly, we implement various kinds of training such as **media training**, training on legal and financial affairs by external specialists whenever appropriate, and directors/executive officers also participate in external training sessions whenever necessary. For outside directors, we provide explanations of our company's business, organization and management issues, and provide opportunities to develop a better understanding of our company's business by organizing inspections of our company's power generation plants and business offices whenever appropriate.

Disclosures based on Supplementary principle 4.14.2 (continued)

Company X (Company with supervisory committee)

Training of Directors (excluding Outside Directors) For Directors (excluding Outside Directors), an explanation shall be provided by the responsible department in relation to matters centering on the obligations and responsibilities as Directors at the time of assumption of office, and opportunities for lectures, etc. by outside experts shall be provided also after the assumption of office. In addition, **proper training opportunities shall be made as appropriate if deemed necessary based on the results of analysis and evaluation relating to the effectiveness of the Board of Directors as a whole** provided for in Article 31.

2. Timing

Company Y (Company With *Kansayaku* Board)

(1) Our company implements training concerning the roles and responsibilities (including laws/rules and regulations that should be observed) **when the management take up their appointment.**

- 1) Corporate philosophy (including XXXX GROUP VISION, CSR policy, etc.)
- 2) Required knowledge concerning business/finance/organization, etc.
- 3) Duties and responsibilities of the management (laws/rules and regulations that should be observed, Corporate Governance Code)
- 4) Internal control system

(2) Our company provides opportunities/ acts as an intermediary for **learning required and updated knowledge**, and gives support for the expenses.

- 1) Organizing internal training seminars for the management
- 2) Organizing lectures and seminars by inviting external lecturers (laws and regulations/compliance/safety/quality/technology, etc.)
- 3) Participating in various conferences, lectures, study trips and other external seminars organized by one's business association

Company Z (Company With *Kansayaku* Board)

We implement study sessions **once every quarter** for directors with the objective of building personal connections, improving perspective/vision/outlook of managers and developing their readiness to become a global leader.

Disclosures based on Supplementary principle 4.14.2 (continued)

3. Disclosure/reporting of status of implementation

Company AA (Company With Three Committees)

Training meetings, etc., for Directors are planned and conducted as needed in light of requests from Directors. Before assuming their appointments, newly elected Outside Directors are given an overview of the Company and explanations of the corporate philosophy, management status, matters related to corporate governance and the various rules and regulations related to executives, in preparation for beginning their assignments as Directors of the Company. Soon after they have begun their assignments, explanation meetings by the assigned Corporate Officers and office tours, etc., are conducted to deepen their understanding of the Company, including the Company's business activities, trends in the pharmaceutical industry and the Company's business environment, etc.

In addition, the Compliance Workshops are held periodically for Directors and Corporate Officers.

Soon after newly elected Corporate Officers have assumed their posts, new Corporate Officer training is conducted to enable them to learn about the roles, duties, responsibilities and types of contracts with the Company, as well as gain the legal knowledge that Corporate Officers should have, to understand the Company's executive-related rules and to gain the knowledge and skills that contribute to improving their leadership capabilities as executives.

The **status of implementation** of executive workshops in FY2014 was **disclosed in Notice of Convocation** of the 103rd Ordinary General Meeting of Shareholders (the Business Report).

Company BB (Company With *Kansayaku* Board)

The General Manager of the Corporate Planning Division will **report the implementation status of training** for the directors and the members of the Audit & Supervisory Board to the Board of Directors **every year**.

(Reference) Examples of non-compliance with Supplementary principle 4.14.2

Company CC (Company With *Kansayaku* Board)

Each director/each *kansayaku* **is nominated based on an evaluation of whether** his/her **knowledge and experience are suitable for completing the duties**, and approval is obtained at the **General Meeting of Shareholders**. We don't think **it is necessary to conduct regular training** for directors/*kansayaku*, so **we don't plan to establish a training policy**.