

# **Enplas Corporate Governance Policy**

## **CHAPTER 1. GENERAL PROVISIONS**

### **1. Purpose and Basic Stance on Corporate Governance**

Enplas (hereinafter referred to as the "Company") has established this Enplas Corporate Governance Policy (hereinafter referred to as this "Policy") in order to achieve sustained improvement of corporate value and will strive to ensure the ongoing enhancement of corporate governance based on the following corporate philosophy.

#### **Corporate Philosophy**

##### **(1) The Company mission**

The Company will maintain a strong management foundation capable of handling any changes, based on the bonds of trust, and contribute to the development of a prosperous society by putting into practice the following:

1. Providing products and services appreciated by our customers;
2. Nurturing a sense of fulfillment in our employees by fairly evaluating abilities and achievements; and
3. Aiming to improve corporate value by meeting the expectations of our shareholders.

##### **(2) Business areas**

The Company will provide creative value to world markets by further pursuing cutting-edge technology, based on the advanced technology developed in engineering plastics.

##### **(3) Management stance**

1. The Company will pursue competitiveness and growth through outstanding technology and reliable products.
2. The Company will aim for steady development based on a sound financial position.
3. The Company will take responsibility for assured quality in all of our corporate activities.

##### **(4) Code of conduct**

1. The Company will set creative goals and strive passionately to achieve them.
2. The Company will value grateful hearts and eagerness to learn.
3. The Company will distinguish between public and private, and act fairly.

The Company's corporate philosophy is one that embodies the Company's management policies and corporate spirit and ethics, and in addition to clarifying the corporate mission in order to contribute to the development of society, the corporate philosophy also serves as the basic principle behind the Company's corporate governance.

## 2. Establishment, Revision, and Abolition

The establishment, revision, and abolition of this Policy shall be carried out pursuant to Resolutions adopted by the Board of Directors of the Company.

## CHAPTER 2. RELATIONSHIPS WITH STAKEHOLDERS

### 1. Relationships with Shareholders, etc.

#### (1) General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of the Company. To sufficiently secure the period for exercise of shareholders' rights and environment in which the shareholders can appropriately exercise their rights, the Company will establish the following.

- To ensure shareholders are given sufficient time to consider proposals, convocation notices will be sent to shareholders approximately three weeks prior to the date of the General Meeting of Shareholders. In addition, a notice shall be posted on the Company's home page and the Tokyo Stock Exchange website the day prior to the date on which convocation notices are sent.
- An English translation of a summary of the convocation notice will be prepared and posted on the Company's English-language home page.
- To eliminate any obstacles which may prevent shareholders' attendance, the Company will endeavor to avoid setting the date for the General Meeting of Shareholders on a date on which many companies are also holding their Shareholders' Meetings (in Japanese, a “*shu-chu-bi*”).
- The Company will allow voting rights to be exercised through use of the Internet.

#### (2) Securing shareholders' rights

The Company will endeavor to protect shareholders' rights and to promote the exercise of those rights, as well as to secure the equality of all shareholders. When more than a significant number of votes, among the voting rights cast, are cast against a Company proposal, the Company will analyze the reasons for such opposition and the significant number of negative votes, and the results of such analysis will be reported to the Board of Directors. In addition, upon receiving the analysis results the Board of Directors will examine whether there is a need for dialogue or other interaction with shareholders.

(3) Constructive dialogue with shareholders

- The Company will appoint an Executive Officer in charge of IR (investor relations), and hereby designates the Corporate Planning Department as the Department in charge of IR for the Company.
- The Company will endeavor to promote constructive dialogues with shareholders and investors by holding a financial results briefing session for analysts and institutional investors each quarter, and holding IR meetings and company briefing sessions for individual investors. In addition, the Company will endeavor to carry out IR overseas and hold separate meetings with foreign shareholders.

(4) Basic policy on capital strategies

- The management benchmarks indicating the success of business strategies will be consolidated ROE (return on equity) and consolidated EPS (earnings per share).
- Capital policies that impact shareholders' interests will be determined by Resolution of the Board of Directors. In addition, the Company will endeavor to provide sufficient explanations to shareholders by promptly disclosing not only the details of capital strategies, but also the purposes, etc., for the implementation of those strategies.

(5) Policy on cross-shareholdings

The Company holds shares for the purpose of sustainable improvement of corporate value and further improving social value.

- When shares are acquired, the holding purpose and rationale will be determined by Resolution of the Management Strategy Committee of the Company.
- In cases in which the book value of each individual subject company share is 1% or more of the Company's consolidated total assets as of the balance sheet date, the purpose and rationale for holding such shares will be determined by Resolution of the Management Strategy Committee and reported to the Board of Directors.
- In cases in which the voting rights of shareholdings in subject company shares exceeds 5%, the exercise of the voting rights will be determined by Resolution of the Management Strategy Committee and reported to the Board of Directors from the viewpoint of improving the medium to long-term corporate value of the relevant company.

(6) Anti-takeover measures

Anti-takeover measures will be implemented by the Company with the aim of maintaining and improving consolidated ROE, and further securing and improving the Company's corporate value and the common interests of the shareholders. Specific details will be disclosed on the

Company's homepage.

(7) Prevention of transactions between related parties

Competitive trading by Directors and Executive Officers of the Company, and the officers of the subsidiaries of the Company, as well as self-dealing and conflict-of-interest transactions by Directors of the Company will be regulated by Resolution of the Board of Directors after having received pre-approval from the Audit Committee of the Company.

2. Employee Relations

- The Company has established "Our Policy" to put into practice the basic management policy and corporate philosophy of the Company, and will disseminate the policy to all employees to ensure familiarity with the codes of conduct.
- The Company will proactively promote various measures including promoting active participation by women, and hire and make use of a diverse range of individuals, with the aim of creating a good workplace and work-life balance in order to improve organizational strength.
- The Company has established whistle-blowing regulations to establish structures for proper reporting concerning organizational or individual compliance violations within the Company, and will endeavor to quickly detect and correct any such violations. In addition, under the whistle-blower system, the Company has established provisions concerning non-disclosure of whistleblowers' names, etc., to ensure that whistleblowers will not become subject to any disadvantageous treatment.

3. Customer Relations

The Company will strive to contribute to the development of society and improve customer satisfaction by way of "providing products and services that customers appreciate," which is one of the Company's missions under its corporate philosophy.

4. Supplier Relations

The Company will promote open and fair transactions through compliance with laws and regulations as well as by establishing internal regulations, and build supplier relations that aim for mutual prosperity as business partners based on proactive communication with suppliers.

5. Relationship with Society (particularly the environment)

- The Company has established and complies with environmental policies.
- The Company promotes energy conservation (reduced electric power usage, etc.).
- The Company promotes the reduction and recycling of plastic waste.

## CHAPTER 3. ENHANCEMENT OF INFORMATION DISCLOSURE

### 1. Standards for Information Disclosure

In order to gain the understanding of stakeholders of the Company, including its shareholders, the Company will comply with all applicable laws and regulations, the rules established by the Tokyo Stock Exchange and the internal standards established independently by the Company, and will carry out appropriate disclosure of information on the Company's home page with respect to information deemed important to all stakeholders.

- Since the Company is a manufacturer of high-precision/high-performance parts which are susceptible to changes in the product market, and is in an industry in which it is difficult to formulate a fixed medium to long-term profit and loss plan, it is most important to predict changes in the product market and quickly respond to those changes.
- In carrying out twice yearly business plan reviews, the Company attempts to predict changes in the internal and outside environments three years in advance, define the vision for the Company, and then establish the management strategy for the current period and have it determined by Resolution of the Board of Directors.
- Important items regarding the established management strategy and business plan are disclosed at the financial results briefing session and on the Company's official website, etc.

## CHAPTER 4. CORPORATE GOVERNANCE SYSTEMS

### 1. Organizational Structure

The Company has selected to adopt a form of governance known as the "Company with an Audit Committee."

### 2. Board of Directors

#### (1) Roles and responsibilities of the Board of Directors

The Board of Directors deliberates and determines basic management policies for each financial year based on the medium- to long-term management policy of the Company's Group, and other factors, which are prioritized with the aim of realizing the corporate philosophy by establishing an appropriate corporate governance. In addition, the Board of Directors will exert its supervisory functions and carry out fair and reasonable decision making.

- Independent Outside Directors will leverage their international experience and expertise to engage in discussions from an independent and neutral position at Board of Directors' Meetings.

- The Articles of Incorporation stipulates that some of the matters to be handled by the Board of Directors may be delegated to individual Directors, and the following matters may be so delegated as determined by Resolution of the Management Strategy Committee, which is made up of Executive Directors and Executive Officers. However, Directors are required to report to the Board of Directors with respect to the matters delegated to them.
  - Appointment or serving concurrently as an Officer of subsidiaries or affiliates of the Company, or other suppliers and partners, etc., of the Company (other than existing subsidiaries)
  - Disposal and acceptance of important assets
  - Incurring of a large amount of debt
  - Appointment or dismissal of important employees
  - Discontinuation of the development of research and development projects that have an impact on consolidated income exceeding 1 billion yen
  - Rationalization, such as personnel reductions, etc.
  - Simple reorganization

#### (2) Structure of the Board of Directors

- The Board of Directors will be made up of independent Outside Directors who have international experience and expertise and Directors who have a deep insight and extensive experience in corporate practices and financial matters, etc., and have a number of members in order to ensure the effective and efficient performance of those functions.
- Two or more independent Outside Directors will be appointed.

#### (3) Internal controls

- The Board of Directors carries out the monitoring of the efficacy and efficiency of internal control systems and endeavors to ensure that risk decisions can be made systematically.
- At the twice yearly Total Risk Management Committee of the Company, which is attended in principle by all Directors, verification of material risks in conducting business, including efficacy and efficiency of internal control systems under the Companies Act, is carried out and measures for such risks are deliberated on and determined.

#### (4) Ensuring effectiveness of the Board of Directors

- From the viewpoint of enhancing appropriate governance systems, the majority of the Board of Directors will be non-executive Directors.
- The overall effectiveness of the Board of Directors is analyzed and assessed at the Board of Directors' Meeting, and a summary thereof is disclosed in the Corporate Governance Report.

### 3. Audit Committee

#### (1) Roles and responsibilities of the Audit Committee

- The Audit Committee is made up of full-time Audit Committee Members and Outside Audit Committee Members (Audit Committee Members that are independent Outside Directors). In addition, the Audit Committee endeavors to analyze the effectiveness and improve the function of the Board of Directors by participating in assessment of overall effectiveness of the Board of Directors.
- The role of Audit Committee Members with voting rights at the Board of Directors is not only to protect the Company, but also to endeavor to provide meaningful opinions and advice for the Company's decision-making, by utilizing their extensive knowledge and experience.
- The Audit Committee's effectiveness is enhanced by appointing full-time Audit Committee Members, and directly instructing and utilizing the Internal Audit Department.

#### (2) Relationship between Accounting Auditors and the Internal Audit Department

- The Audit Committee will collect necessary information as required and confirm the status of business operations by cooperating with the Internal Audit Department and will provide information, etc. required by Outside Accounting Auditors.
- In cases in which Outside Accounting Auditors find wrongdoings and request appropriate action, and in cases in which they point out deficiencies and issues, the Audit Committee will cooperate with the Internal Audit Department and related Departments, and conduct investigations and request necessary corrections.

### 4. Accounting Auditors

#### (1) Roles and responsibilities of Accounting Auditors

Accounting Auditors play an important role in guaranteeing the reliability of disclosed information, and conducting appropriate audits.

- Accounting Auditors have systems to enable cooperation with the Audit Committee and the conduct of appropriate audits.
- Accounting auditors have independence and a high level of expertise.
- Accounting auditors comply with required auditing standards in order to appropriately carry out accounting audits.

### 5. Directors

#### (1) Directors

Directors recognize their fiduciary responsibilities to shareholders, and execute their duties for the common interests of the Company and shareholders, while endeavoring to collaborate

appropriately with other stakeholders of the Company.

- The election of candidates for Directors and Executive Officers shall be carried out by fair and highly transparent procedures through discussions and decisions based on individual evaluations carried out by Directors.
- When appointing Directors, the individual biographies, reasons for appointment and the status, etc. of main concurrent positions held will be mentioned and explained in the election proposal for the General Meeting of Shareholders.
- Policies regarding the determination of the amount or the method of calculating remuneration, etc. for the Company's Board of Directors (except for Directors that are Audit Committee members) will be stipulated in the Directors Regulations. The Representative Director will prepare a draft with respect to the amount of remuneration, etc. for directors, within the limits of the total compensation determined at the General Meeting of Shareholders, and the amount shall be determined through a resolution of the Board of Directors.

#### (2) Independent Outside Directors

- Officers of other listed companies will not be appointed to be Directors of the Company. In addition, the status of positions currently held by Directors at other companies will be disclosed at the time of appointment, and also disclosed every year through the convocation notices for the General Meeting of Shareholders and in securities reports, etc.
- Only persons who have international experience and expertise, and who do not have interests in the Company and who can appropriately perform duties from an independent standpoint will be selected as candidates to be independent Outside Directors for the Company.
- Independent Outside Directors will aim to improve the medium to long-term corporate value, carry out the supervision of the management through the decision-making at the Board of Directors' Meeting, monitor directors' conflict of interest transactions, and endeavor to reflect the opinions of each stakeholder from an independent position.
- As a means to support appropriate risk-taking by independent Outside Directors, the Company will ensure sufficient opportunities for explanations and answers to questions to enable independent Outside Directors to obtain appropriately the necessary information for decision making for business operations.

#### (3) Audit Committee Members

- Audit Committee Members will cooperate with Directors (other than Directors that are Audit Committee Members) and the Internal Audit Office, and carry out the collection of information required for the conduct of audits. In cases in which there are deficiencies in collected information, principally full-time Audit Committee members will request related Departments

of the Company to provide necessary information and materials.

- The distribution of remuneration for Audit Committee Members will be determined by consultation with Audit Committee Members, within the limits of the total compensation determined by the General Meeting of Shareholders.

#### (4) Independent Outside Audit Committee Members

Two or more persons will be elected as independent Outside Audit Committee Members (Audit Committee Members who are independent Outside Directors), and they will supervise operations executed by Directors and proactively provide opinions, etc., at the Board of Directors' Meetings to enhance the common interests of the Company and its shareholders.

#### (5) Independence requirements

In addition to the requirements concerning Outside Directors prescribed in the Companies Act and the Tokyo Stock Exchange regulations, the Company has independently established independence criteria pertaining to independence of Outside Directors, and persons who meet those standards will be independent Outside Director candidates. (For details, please refer to the attachment "Independence Criteria for Outside Directors".)

#### (6) Support systems

- The Company will endeavor to distribute sufficiently analyzed materials early to facilitate lively discussions at the Board of Directors' Meetings. In addition, The Company will give advance notification of annual schedules, and carry out management to ensure sufficient deliberation time on the date of meetings.
- Directors will request related departments to provide information and materials regarding information required for execution of their duties.
- With respect to Directors, the Board of Directors Secretariat will principally provide support concerning their decision making.
- The Internal Audit Office and support staff that support the Audit Committee's audit operations will not be subject to orders and instructions from Directors (excluding Directors who are Audit Committee Members) with regard to instructions concerning audit operations from the Audit Committee. In addition, the Company's regulations stipulate that support staff are to follow the orders and instructions of the Audit Committee, and the consent of the Audit Committee is to be obtained with regard to support staff's personnel transfers, personnel evaluations, and disciplinary actions, etc.
- Audit Committee Members will request the Board of Directors Secretariat to provide additional information necessary to effectively fulfill their roles and responsibilities, and with respect to

matters that are deemed to require the additional opinions and viewpoints of third parties, they may utilize the advice of outside experts at the Company's expense to carry out examinations.

(7) Training policy

Directors, including Outside Directors, will be provided with necessary training and information as appropriate in order for them to fulfill properly their roles and responsibilities.

- When Directors are newly appointed, the Board of Directors Secretariat and persons in charge of responsible Departments will provide opportunities for Directors to acquire the knowledge concerning business, finance, and organization, etc., required to deepen their understanding of the Company.
- The Company will provide opportunities for Directors to acquire knowledge in order to understand fully the roles and responsibilities required of them as Directors, and provide or arrange training opportunities, and provide support for costs with the aim of continually updating such knowledge during their tenures.

Established on October 30, 2015

Enplas Corporation Corporate Governance Policy Attachment

Independence Criteria for Outside Directors

(Established on October 30, 2015)

Outside Directors of Enplas Corporation (hereinafter referred to as the "Company") to whom none of the following criteria apply will be deemed to be independent.

1. Persons who are Executive Officers and employees of the Company and Group companies.
2. Persons who were Executive Officers and employees of the Company and Group companies.
3. Shareholders who hold 10% or more of total voting rights of the Company's stock.
4. Executive Officers of companies, etc., to whom any of the following applies.
  - (1) Key suppliers that have an annual transaction amount with the Group exceeding 2% of the Company's consolidated net sales, or 2% of the supplier's consolidated net sales.
  - (2) Financial institutions with which the Group has outstanding loans exceeding 2% of the Company's consolidated total assets as of the end of our business year.
  - (3) Companies, etc. in which the Group hold stock with 10% or more of total voting rights.
5. Certified public accountants belonging to audit firms that are accounting auditors of the Group.
6. Professionals such as consultants, certified public accountants, tax accountants, lawyers, judicial scriveners, and patent attorneys who receive significant amounts of money or other compensation from the Group.

(\* "Significant amounts of money" applies in cases in which the consideration received from the Group exceeds 10 million yen a year for individuals, or exceeds 2% of the annual gross income amount for organizations such as corporations and unions.)
7. Persons who have received significant amounts of donations from the Group.

(\* Refers to individuals and organizations such as corporations and unions that have received donations of more than 10 million yen per year from the Group.)
8. In cases in which the Company's directors concurrently serve as Outside Director or Outside Auditor of other companies, persons who are Executive Directors, Executive Officers, corporate officers or managers and other employees of such other companies.

9. Persons whose close relatives fall under any of the items in 1. to 8. above.

(\* "Close relative" refers to spouses or relatives within the second degree.)

10. Persons who have fallen under items 2. to 9. above in the past 10 years.

11. Notwithstanding the provisions of the preceding paragraphs, persons who are deemed to be in other special circumstances that might potentially cause a conflict of interest with the Company.

End

Notice:

1. This announcement contains forward-looking statements. These forward-looking statements are based on Enplas's current assumptions, expectations and beliefs in light of the information currently possessed by it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Enplas's actual results, financial position or cash flows to be materially different from any future results, financial position or cash flows expressed or implied by these forward-looking statements. These risks, uncertainties and other factors referred to above include, but are not limited to, those contained in Enplas's latest Annual Securities Report and Quarterly Securities Report, and Enplas undertakes no obligation to publicly update or revise any forward-looking statements.

2. The official version of this announcement was published in Japanese. An unofficial English translation is provided for the convenience of overseas investors. For any discrepancies between the Japanese and English versions, the Japanese version shall prevail.