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**GLORY LTD.**

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The corporate governance of GLORY LTD. (the “Company”) is described below.

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

#### 1. Basic Views

Based on our “Corporate Philosophy,” which embodies our determination to achieve growth as a sustainable enterprise by contributing to a prosperous society through our uncompromising approach to product development, GLORY and its subsidiaries (collectively, the “Group”) aim to improve the corporate value by striving to exist in harmony with society and earn the trust and support of all stakeholders. To this end, we will strive to improve corporate governance by strengthening supervisory and executive functions of management, ensuring expedited, transparent and objective decision-making, and enhancing compliance management, thereby further improving the corporate value.

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

<Principle 1.4: Cross-Shareholding\*>

It is our policy to hold other companies’ listed shares as cross-shareholdings only if, based on a broad consideration of factors such as the business strategies and transaction status of any investee company, we determine that the corporate value of the Group would increase by maintaining or enhancing our relationship with such company. We will pay attention to the soundness of the investee company, consider the market value of shares as well as the dividends and other returns of such company, thereby ensuring the economic rationale of such holdings.

Further, with respect to each individual cross-shareholding, the economic rationale and future outlook are examined by the Board of Directors from a mid- to long-term perspective based upon such factors as their returns and risks and, based on such examination, the purposes of such holdings and their rationale, as well as the justifiability of continuing such holdings, are verified on an annual basis. Additionally, such holding is reconsidered if it is not found to be suitable.

In FY 2018, the Board of Directors conducted verification of all listed shares held by the Company as cross-shareholdings in terms of the stock name, purpose and rationale of such holdings from the viewpoint of whether there are potentials for business synergy with the investee companies and whether the return and risk regarding such holdings balance with the capital cost, etc., and decided to continue to hold the stocks whose suitability was confirmed. Further, some of the shares were sold due to reasons such as deviation from the original purpose and the lessening of the significance of such holdings.

When exercising voting rights on cross-held shares, the Company will determine how to vote after comprehensively taking into consideration various circumstances, including the condition of each investee company, in addition to criteria such as whether exercising the voting rights will improve the corporate value of the Company and the investee company.

\* *Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.*

<Principle 1.7: Related Party Transactions>

When the Company conducts any transactions with related parties, such as Directors and *kansayaku* (hereinafter “Audit & Supervisory Board Members” or “A&SB Members”) or major shareholders, approvals of the Board of Directors are obtained in advance to ensure such transactions do not harm the Group or the common interests of its shareholders, unless the terms of the transactions are equivalent to those of other general transactions.

Further, aside from the foregoing, the Company’s “Regulations of the Board of Directors” stipulates that resolution of the Board of Directors is required before a Director conducts any competitive transactions, self-dealing transactions or any other transactions that would involve a conflict of interest with the Company.

Transactions with related parties are disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act and other applicable laws and regulations.

Meanwhile, A&SB Members require Directors, regularly on an annual basis, to submit confirmation letters concerning their respective engagement in competitive transactions, self-dealing transactions and any other transactions that would involve a conflict of interest with the Company or transactions with shareholders under unusual terms of transactions, and provide reports thereof to the Board of Directors.

<Principle 2.6: Roles of Corporate Pension Funds as Asset Owners>

The Company manages its corporate pension plan through the GLORY Group Corporate Pension Fund and a contract-type pension plan. Recognizing that how the pension fund reserves are managed can influence not only the stable formation of beneficiaries’ assets but also its financial condition, the Company has been cultivating and assigning personnel who have appropriate qualities for the management of the pension fund reserves. Additionally, the Company has established a system for the sound management of pension assets by setting up expert committees regarding the corporate pension plan and utilizing outside professionals as necessary. Further, the status of the management of the pension fund reserves is reported to the Board of Directors regularly.

<Principle 3.1: Full Disclosure>

(i) Managerial Creed, Etc., Corporate Management Strategy and Management Plan

The Company’s corporate philosophy, managerial creed, etc. are published on our website, and also its long-term visions and mid-term management plans are disclosed at stock exchanges, etc. as well as on our website whenever they are established.

■ Corporate Philosophy

<https://corporate.glory-global.com/groupinfo/philosophy/>

■ Long-Term Vision and the Medium-Term Management Plan

<https://corporate.glory-global.com/ir/management/plan/>

(ii) Basic Views and Policy on Corporate Governance

The Company sets forth its basic views and policy concerning corporate governance of the Group in the “Corporate Governance Guidelines.”

■ Corporate Governance Guidelines

<https://corporate.glory-global.com/groupinfo/governance/>

(iii) Policy and Procedures for Determining Remuneration of Directors and Other Officers

See “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” section under “II. 1. Directors’ Remuneration” herein.

(iv) Policy and Procedures for Appointing, Dismissing and Nominating Directors and Other Officers

When appointing senior management from among Directors or nominating candidates for Directors, the Company examines individuals based on such criteria as their extensive experiences in and out of Japan, depth of insight, suitability of skills and expertise for the expected roles, personalities, and other factors that are necessary to achieve our corporate governance system and to contribute to the continuing increase of the Group’s corporate value. Internal Director candidates are appointed from among individuals who have extensive knowledge of the domestic and overseas businesses or corporate operations of the Group. Outside Director candidates are appointed from among individuals who have expertise in such areas as

corporate management, law, finance and accounting and are qualified to provide proper recommendations and advice on management from a broad perspective.

A&SB Member candidates are appointed from among individuals who have adequate experience and ability as well as necessary knowledge of finance, accounting and legal matters for conducting audits regarding each business that the Group is engaged in Japan and overseas. In particular, the Audit & Supervisory Board will include at least one person who has sufficient knowledge of finance and accounting, and Outside A&SB Member candidates are appointed from among individuals who have high-level independence as well as rich experience and deep knowledge in such areas as law, finance, accounting and corporate management, etc.

Moreover, in order to secure transparency and objectivity in appointing Directors, A&SB Members and other executives, the Company has established, as an optional advisory committee to the Board of Directors, the Nomination Advisory Committee, with at least a half of the members being independent Outside Directors. Candidates for Directors and A&SB Members are determined by the Board of Directors (with the consent of the Audit & Supervisory Board in the case of A&SB Members), after taking into consideration the advice of the Nomination Advisory Committee.

In the event that any member of the senior management is deemed to no longer meet the criteria above, the Board of Directors determines, after deliberation by the Nomination Advisory Committee, his or her dismissal from the position.

(v) Explanation regarding Appointment, Dismissal or Nomination of Each Director and A&SB Member

The Company states reasons for appointing each candidate for Director or other officer in the convocation notices of its general meetings of shareholders. Further, when the Board of Directors has determined to dismiss any member of the senior management from his or her position, disclosure will be made regarding such information in accordance with the timely disclosure rules, etc. based on the regulations set forth by the Tokyo Stock Exchange (“TSE”).

<Supplementary Principle 4.1.1: Scope and Content of Matters Delegated to the Management>

The “Regulations of the Board of Directors” sets forth, as matters to be resolved by the Board of Directors, the matters stipulated in relevant laws and regulations and the Articles of Incorporation such as matters concerning general meetings of shareholders and accounting; Directors and the Board of Directors; the Company shares; basic policies on management; material assets; organization and personnel affairs; the Group’s management, and other important matters of the Group.

Also, the decision-making authority concerning matters that do not fall within the scope of the matters of resolution stipulated by the said Regulations are delegated to Representative Directors, executive officers or managers of relevant departments, as stipulated in the “Regulations on Approval Authority.”

<Principle 4.9: Independence Standards and Qualifications for Independent Outside Directors>

With regard to independence of individuals assuming the office of independent Outside Directors and independent Outside A&SB Members of the Company, the Company requires them to satisfy the Independence Standards for Independent Outside Directors described in this report under “II. 1. Independent Directors/ Independent A&SB Members” in addition to the independence criteria set forth by TSE.

<Supplementary Principle 4.11.1: Overall Balance, Diversity and Size of the Board of Directors>

In the belief that the securing of balance of knowledge, experience and skills as well as the diversity of the Board as a whole is important, the Board consists of (a) executive Directors who have extensive knowledge of the Group’s businesses or corporate operations in and out Japan and (b) Outside Directors who have expertise in areas such as corporate management, law, finance and accounting, etc. and are qualified to provide valuable recommendations and advice to the management from a broad perspective.

As to the number of Directors, in order to expedite the decision-making process and promote active deliberation at its meetings, the Board consists of no more than ten (10) Directors and include multiple number of independent Outside Directors having credentials to contribute to the sustainable growth and the increase of the corporate value over the medium to long term.

<Supplementary Principle 4.11.2: Situation of Directors and A&SB Members Concurrently Holding Positions>

Situations of Directors and A&SB Members concurrently serving as officers at other listed companies are disclosed in the convocation notices of the general meetings of shareholders, annual securities reports, the corporate governance reports or other similar publications.

■ Notice of Ordinary General Meeting of Shareholders

<https://corporate.glory-global.com/ir/meeting/>

<Supplementary Principle 4.11.3: Summary of Analysis and Evaluation of Effectiveness of the Board of Directors and Results thereof>

The Company endeavors to strengthen the function of the Board of Directors as a whole by having each Director perform a self-evaluation and, based thereon, analyzing and evaluating the effectiveness of the Board. A summary of the results is published on the Company's website.

■ Results of Analyses and Evaluation on Effectiveness of the Board of Directors

<https://corporate.glory-global.com/groupinfo/governance/evaluation/>

<Supplementary Principle 4.14.2: Policy for Training of Directors and A&SB Members>

It is the Company's basic policy to appropriately provide each Director and A&SB Member with such training opportunities as are necessary for them to fulfill their respective roles and responsibilities, regularly or as necessary.

Directors and A&SB Members endeavor to acquire, update and deepen necessary knowledge by participating in in-house training or seminars by TSE and various external organizations, etc. Opportunities are also provided for them to deepen knowledge and understanding regarding the business, finance, organizations and other matters of the Group through participating in factory tours and site visits, etc. of the Company and its subsidiaries. They continuously endeavor to acquire, update and deepen necessary knowledge by such measures as participating in workshops given by lawyers, experts in various areas and other outside professionals, as necessary.

<Principle 5.1: Policy for Constructive Dialogue with Shareholders>

In order to attain sustainable growth and the increase of corporate value of the Company over the medium to long term, it is our basic policy to have in place an integrated framework and implement activities for promotion of constructive dialogue with shareholders and investors. This policy is disclosed on the Company's website.

■ Policies concerning Disclosure of Information and Constructive Dialogue with Shareholders and Investors

<https://corporate.glory-global.com/ir/management/policy/>

## 2. Capital Structure

|                                   |                           |
|-----------------------------------|---------------------------|
| <b>Foreign Shareholding Ratio</b> | From 20% to less than 30% |
|-----------------------------------|---------------------------|

### [Status of Major Shareholders] <Updated>

| Name/Company Name                                    | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| Nippon Life Insurance Company                        | 3,427,224              | 5.64           |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 2,739,100              | 4.51           |
| Japan Trustee Services Bank, Ltd. (Trust account)    | 2,227,300              | 3.66           |
| GLORY Group Employees' Stock Ownership Association   | 2,190,996              | 3.61           |
| Sumitomo Mitsui Banking Corporation                  | 2,100,444              | 3.46           |
| Tatsubo Fashion Co. Ltd.                             | 1,500,000              | 2.47           |
| Japan Trustee Services Bank, Ltd. (Trust account 9)  | 1,433,300              | 2.36           |
| STATE STREET CLIENT OMNIBUS ACCOUNT OM 44            | 1,261,800              | 2.08           |
| JP MORGAN CHASE BANK 385174                          | 1,123,800              | 1.85           |
| Japan Trustee Services Bank, Ltd. (Trust account 5)  | 1,091,700              | 1.80           |

|   |      |
|---|------|
| Controlling Shareholder (except for Parent Company) | -    |
| Parent Company                                      | None |

Supplementary Explanation <Updated>

- (1) The “Status of Major Shareholders” above is based upon the status as of March 31, 2019. The Company, which holds 7,865,917 treasury shares, is not listed in the “Status of Major Shareholders.”
- (2) The “(Change) Report of Possession of Large Volume” dated April 7, 2011 filed by Nippon Life Insurance Company with the Director-General of the Kinki Local Finance Bureau indicates that such company held 3,878,824 shares of the Company (a holding ratio of shares of 5.65%) in total as of March 31, 2011. However, since the Company cannot confirm the number of shares beneficially held by that company, the number of shares held by it as registered on the shareholder registry is stated in the “Status of Major Shareholders” above.
- (3) In its “(Change) Report of Possession of Large Volume” made available for public inspection as of September 21, 2018, Schroder Investment Management (Japan) Limited states that it and its two joint holders held 3,464,726 shares of the Company (a holding ratio of shares of 5.05%) in total as of September 14, 2018. However, since the Company cannot confirm the number of shares beneficially held by such companies, it is not included in the “Status of Major Shareholders” above.

**3. Corporate Attributes <Updated>**

|   |  |
|---|--|
| Listed Stock Market and Market Section  | Tokyo Stock Exchange<br>First Section      |
| Fiscal Year-End   | March                                      |
| Type of Business  | Machinery                                  |
| 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 50 to less than 100                   |

**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 & Supervisory Board |
|-------------------|--|

**[Directors]**

|  |           |
|--|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation          | 10        |
| Term of Office Stipulated in Articles of Incorporation                       | 1 year    |
| Chairperson of the Board   | President |
| Number of Directors  | 8         |
| Number of Outside Directors  | 2         |
| Number of Independent Directors within the above number of Outside Directors | 2         |

Outside Directors' Relationship with the Company (1) <Updated>

| Name         | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |  |
|--------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
|              |                      | a                              | b | c | d | e | f | g | h | i | j | k |  |
| Joji Iki     | From another company |                                |   |   |   |   |   |   |   |   |   |   |  |
| Junji Uchida | From another company |                                |   |   |   |   |   |   |   |   |   |   |  |

\* 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) <Updated>

| Name     | Designation as Independent Director | Supplementary Explanation of the Relationship             | Reasons of Appointment  |
|----------|-------------------------------------|---|---|
| Joji Iki | ○                                   | There is no special interest between him and the Company. | Mr. Joji Iki possesses extensive experience and global knowledge as a management executive at another company.<br>The Company appointed him as an Outside Director based upon our judgement that, by receiving his proper recommendations and advice given from an independent standpoint, we would be able to strengthen the supervisory |

|              |   |   |  |
|--------------|---|---|--|
|              |   |   | function and ensure and enhance transparency and fairness in the Company's management.<br>He is also designated as "Independent Director," as we believe that there was, is and will be no likelihood for any conflict of interest arising between him and the Company's general shareholders.   |
| Junji Uchida | ○ | There is no special interest between him and the Company. | Mr. Junji Uchida has long supervised business management as a top of several main business units at another company and possesses extensive experience and global knowledge as a management executive.<br>The Company appointed him as an Outside Director based upon our judgement that, by receiving his proper recommendations and advice given from an independent standpoint, we would be able to strengthen the supervisory function and ensure and enhance transparency and fairness in the Company's management.<br>He is also designated as "Independent Director," as we believe that there was, is and will be no likelihood for any conflict of interest arising between him and the Company's general shareholders. |

|   |             |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

Committee's Name, Composition, and Attributes of Chairperson

|                       | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|---|---|
| Committee's Name      | Nomination Advisory Committee                   | Compensation Advisory Committee                   |
| All Committee Members | 4   | 4   |
| Full-time Members     | 0   | 0   |
| Inside Directors      | 2   | 2   |
| Outside Directors     | 2   | 2   |
| Outside Experts       | 0   | 0   |
| Other                 | 0   | 0   |
| Chairperson           | Outside Director                                | Outside Director                                  |

Supplementary Explanation

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**[A&SB Members]**

|  |             |
|--|-------------|
| Establishment of Audit & Supervisory Board                             | Established |
| Maximum Number of A&SB Members Stipulated in Articles of Incorporation | 4           |
| Number of A&SB Members   | 4           |

Cooperation among A&SB Members, Accounting Auditors and Internal Audit Departments

A&SB Members and the Company’s accounting auditors work in close collaboration to enhance the efficiency and effectiveness of their respective audit operations. In addition to the regular meetings held several times annually, they meet on an ad hoc basis, endeavoring to mutually ensure appropriateness and credibility of performance of their duties through such measures as providing explanation and consultation, or questioning and confirmation on matters that require special attention, regarding the annual audit plans and site audit plans (including audits of consolidated subsidiaries) at the beginning of each business year.

Further, A&SB Members and the Internal Audit Department personnel of the Company mutually work in close collaboration to enhance the efficiency and effectiveness of their respective audit operations. A&SB Members receive and confirm copies of the audit notification stating such matters as the schedule, subject, purpose, method and other matters of the relevant audit which is given from the Internal Audit Department whenever they implement an audit pursuant to the annual audit plan. After completion of the audit, A&SB Members receive explanations concerning matters pointed out and status of implementation of improvement by way of the report on implementation of internal audits, based on which mutual exchange of opinions is conducted between A&SB Members and the Internal Audit Department personnel.

|  |           |
|--|-----------|
| Appointment of Outside A&SB Members  | Appointed |
| Number of Outside A&SB Members   | 2         |
| Number of Independent A&SB Members within the above number of Outside A&SB Members | 2         |

Outside A&SB Members’ Relationship with the Company (1) <Updated>

| Name           | Attribute                   | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|----------------|-----------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                |                             | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Satoshi Hamada | Certified Public Accountant |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| Keiichi Kato   | Attorney-at-law             |                                |   |   |   |   |   |   |   |   |   |   |   |   |

\* 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 subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others



Outside A&SB Members' Relationship with the Company (2) <Updated>

| Name           | Designation as Independent A&SB Members | Supplementary Explanation of the Relationship             | Reasons of Appointment   |
|----------------|---|---|--|
| Satoshi Hamada | ○                                       | There is no special interest between him and the Company. | Mr. Satoshi Hamada possesses expert knowledge and experience as a certified public accountant. The Company appointed him as an Outside A&SB Members based upon our judgement that, by having him utilize such expertise and experience in the Company's audits from an independent standpoint, we would be able to ensure legitimacy and adequacy in the Company's management. He is also designated as "Independent A&SB Member," as we believe that there was, is and will be no likelihood for any conflict of interest arising between him and the Company's general shareholders. |
| Keiichi Kato   | ○                                       | There is no special interest between him and the Company. | Mr. Keiichi Kato possesses expert knowledge and experience as an attorney-at-law. The Company appointed him as an Outside A&SB Members based upon our judgement that, by having him utilize such expertise and experience in the Company's audits from an independent standpoint, we would be able to ensure legitimacy and adequacy in the Company's management. He is also designated as "Independent A&SB Member," as we believe that there was, is and will be no likelihood for any conflict of interest arising between him and the Company's general shareholders.              |

**[Independent Directors/Independent A&SB Members]**

|  |   |
|--|---|
| Number of Independent Directors/Independent A&SB Members <Updated> | 4 |
|--|---|

Matters relating to Independent Directors/Independent A&SB Members

The Company has designated as Independent Directors and Independent A&SB Members all Outside Directors and A&SB Members who satisfy the qualifications as Independent Directors and A&SB Members. The "Independence Standards for Independent Outside Directors and Independent Outside A&SB Members" set by the Company are as follows:

<Independence Standards for Independent Outside Directors and Independent Outside A&SB Members>

Independent Outside Directors and Independent Outside A&SB Members must not fall under any of the following.

- (1) Any person who is currently, or at any point in the past ten years has been, an executive of the Company or any of its subsidiaries.
- (2) Any person who is a major client or supplier\*1 of the Company or for whom the Company is a major client or supplier (or any executing person of the said major client or supplier if the client or supplier is a legal entity).
- (3) Any consultant, accounting or legal professional who receives a large amount\*2 of monetary consideration or any other property from the Company besides compensation as a director (or a person belonging thereto if the consultant, accounting or legal professional is a legal entity).

- (4) Any person who receives a large amount\*2 of financial contributions or support from the Company (or a person belonging thereto if the person is a legal entity).
- (5) Any person who is a major shareholder of the Company (or any executive of the said major shareholder if the shareholder is a legal entity).
- (6) Any person who has fallen under any of (2) through (5) above in the past three years.
- (7) A spouse or any family member within the second degree of kinship of any person (excluding those not in material positions\*3) listed below.
- a) Any person who falls under any of (1) through (5) above
- b) Any person who is not currently, or at any point in the past one year has not been, an executive of the Company or any of its subsidiaries. (Applicable only when judging independence of Outside A&SB Members.)
- \*1 (i) A client or supplier with whom the Company's average transaction value for the past three business years exceeds 2% of the consolidated net sales of the most recent business year of the Company or the client or supplier; or (ii) A financial institution from which the Company is borrowing money and from which the average of the amount borrowed by the Company as of the last day of the past three business years exceeds 2% of the consolidated total assets as of the last day of the most recent business year of GLORY.
- \*2 The average amount received during the past three business years exceeds (i) 10 million yen in the case of individuals or (ii) 2% of the gross revenue of the most recent business year of the said legal entity in case of a legal entity.
- \*3 "Material positions" means directors, audit & supervisory board members, executive officers or employees with senior management positions (such as division heads).

#### [Incentives]

|                                  |                                 |
|----------------------------------|---------------------------------|
| Incentive Policies for Directors | Performance-linked Remuneration |
|----------------------------------|---------------------------------|

Supplementary Explanation

Please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

|                             |   |
|-----------------------------|---|
| Recipients of Stock Options | - |
|-----------------------------|---|

Supplementary Explanation

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#### [Directors' Remuneration]

|  |                          |
|--|--------------------------|
| Disclosure of Individual Directors' Remuneration | No Individual Disclosure |
|--|--------------------------|

Supplementary Explanation<Updated>

The remuneration for Directors and A&SB Members for the fiscal year ended March 31, 2019 is as follows:

- ¥195 million for eight (8) Directors (including ¥24 million for two (2) Outside Directors)
- ¥50 million for four (4) A&SB Members (including ¥14 million for two (2) Outside A&SB Members)

Notes:

- (1) The amounts paid to Directors do not include employee salary portions for Directors who have concurrent responsibilities as employees.
- (2) It was resolved at the 72nd Ordinary General Meeting of Shareholders held on June 27, 2018 that cash compensation to Directors should be within a limit of ¥450 million per annum (including a maximum of

¥50 million for Outside Directors and excluding employee salary portions for Directors who have concurrent responsibilities as employees).

- (3) It was resolved at the 72nd Ordinary General Meeting of Shareholders held on June 27, 2018 that cash compensation for A&SB Members should be within a limit of ¥80 million per annum.
- (4) The amount paid to Directors includes ¥68 million as bonuses pertaining to the year ended March 2019 for six (6) Directors excluding Outside Directors.
- (5) In addition to the above, the amount of ¥17 million is reserved as a provision for performance-based stock compensation for the year ended March 2019 for six (6) Directors excluding Outside Directors.

|  |
|--|
| Policy on Determining Remuneration Amounts and Calculation Methods |
|--|

|             |
|-------------|
| Established |
|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods<Updated>

The Company has set a policy regarding the remuneration for Directors and A&SB Members as follows:

(Basic Policy on Remuneration)

Remuneration for Directors and A&SB Members of the Company is designed in such a manner that the value can be shared with the shareholders, the level is appropriate for their duties, and due consideration is given to incentives for continued improvement of corporate performance and securing of talented human resources.

(Procedures for Determination of Remuneration)

In order to secure transparency and objectivity, remuneration for Directors and A&SB Members is determined by resolution of the Board of Directors or by consultation among the A&SB Members, respectively, in line with a review by the Compensation Advisory Committee and within the ranges approved by the general meeting of shareholders.

(Structure of Remuneration)

【Remuneration for Directors】

(1) Remuneration for executive Directors consists of fixed compensation (“Fixed Compensation”), bonuses linked to short-term business performance (“Bonuses”) and stock compensation (“Stock Compensation”). The proportion of performance-based compensation is determined in stages according to the rank. Details of each type of compensations are as follows:

- Fixed Compensation is determined according to the position and responsibilities of the person concerned;
- The ratio between the base amount of cash compensation (Fixed compensation and Bonuses) and that of Stock Compensation is set approximately at 80% and 20% respectively;
- The ratio between the base amount of Fixed compensation and that of performance-based compensation (Bonuses and Stock Compensation) is set approximately at 50% for each for the president. For other Directors, the ratios are determined proportionately to the ratio for the president, according to the responsibilities, the general level of compensation and other factors;
- The target indicators for Bonuses are consolidated net sales and operating income from among the performance targets in the 2020 Medium-Term Management Plan. The amounts to be paid will be determined according to the degree of achievement toward those targets using a factor between zero times (if achievement degree is less than 60%) and two times (if achievement degree is 140% or more) a predetermined amount; and
- The target indicators for Stock Compensation are consolidated ROE and the operating margin from among the performance targets in the 2020 Medium-Term Management Plan. The number of shares to be allotted will be determined according to a number of points calculated by multiplying the basic number of points by a factor between zero times (if achievement degree is less than 90%) and two times (if achievement degree is 140% or more), depending on rank.

(2) No retirement benefits are paid to Directors.

(3) Remuneration for Outside Directors who mainly fulfill management supervision functions consists only of monthly Fixed Compensation.

**[Remuneration for A&SB Members]**

- Remuneration for A&SB Members who mainly fulfill auditing functions consists only of monthly Fixed Compensation.

**[Support System for Outside Directors and Outside A&SB Members]**

With regard to the system for communicating with Outside Directors, the Company endeavors to ensure that important management information is provided to them through such means as their attendance at management conferences or advance distribution of materials for the Board of Directors meetings, as well as reporting or providing other important in-house information as necessary.

Also, with regard to Outside A&SB Members, reports on day-to-day audits and important management information are provided mainly by full-time A&SB Members through meetings of the Audit & Supervisory Board. Further, by attending meetings of the Board of Directors, they receive important management information and reports from Directors concerned.

**[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]**

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

-

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.) <Updated>

1

Other matters

With the purpose of facilitating smooth management, the Company employs the system of appointing executive advisers from among retired presidents of the Company subject to an approval of the Board of Directors. Such advisers give advices on the Company's management from broader perspective and execute duties in the industry organizations and social contribution activities which lead to the improvement of the Company's corporate value. However, they do not have any authority for decision making of the management.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) <Updated>**

The outline of main organs which support the Company's corporate governance system is as follows:

(Directors and Board of Directors)

The Company's Board of Directors comprises eight (8) Directors (including two (2) Outside Directors), and in principle, meets at least once per month, with attendance of four (4) A&SB Members (including two (2) Outside A&SB Members). The Board of Directors, chaired by President & Director, decides the important business policies of the Group, supervises business execution, and receives reports on the status of business execution. Directors, including Outside Directors, engage in active discussion and exchange opinions among themselves, and A&SB Members express opinions as needed.

Also, two (2) Outside Directors attend, in addition to the Board of Directors meetings, such other important meetings as the Nomination Advisory Committee, the Compensation Advisory Committee and Management Conference, etc. Further, they receive information regarding internal control directly or indirectly from the officers and staff members of the Company as necessary. Thus, they play an important role in securing and improving transparency and fairness in the Company's management by providing advice from an independent standpoint and exchanging opinions. All Directors and A&SB Members attended all of the 16 meetings of the Board of Directors held in the fiscal year ended March 2019.

(A&SB Members and Audit & Supervisory Board)

The Company's Audit & Supervisory Board is composed of two (2) full-time A&SB Members and two (2) Outside A&SB Members for a total of four (4) members and chaired by a full-time A&SB Member. In

principle, they meet once per month. A&SB Members, including the Outside A&SB Members, conduct audits based on an annual corporate audit plan determined in accordance with audit policy and the assignment of duties determined by the Audit & Supervisory Board. Based on such audits, A&SB Members issue reports on the audit status and exchange information and views at meetings of the Audit & Supervisory Board.

The full-time A&SB Members attend the important conferences such as the meetings of the Board of Directors and the Management Conference, and express their opinions as necessary. They share with other A&SB Members, including Outside A&SB Members, information obtained through inspection of key documents regarding management approval and reports and explanations from Directors and executive officers concerned, thereby endeavoring to monitor the status of execution of operations and ensure the effectiveness of audits. They also report the status of implementation and results of the audits to President on a quarterly basis and exchange opinions.

The two (2) Outside A&SB Members play important roles in ensuring legitimacy and adequacy in the Company's management by leveraging their extensive knowledge and experience in conducting audits of the Company.

In addition, Mr. Toru Fujita, A&SB Member, has rich experiences as General Manager of Accounting Dept. of the Company and Mr. Satoshi Hamada, Outside A&SB Member, is a certified public accountant, both of whom possess considerable expertise in finance and accounting. Mr. Keiichi Kato, Outside A&SB Member, is an attorney-at-law who possesses rich experience regarding corporate legal affairs as well as considerable knowledge thereof.

Also, the Company assigns an employee dedicated to assist in the performance of A&SB Members' duties in order to secure effective auditing by A&SB Members.

#### (Executive Officers)

The Company employs an Executive Officer System in order to make business execution speedier and more efficient. The executive officers, under direct command of Representative Director, are charged with the execution of their appointed operations based on decisions made by the Board of Directors.

#### (Nomination Advisory Committee and Compensation Advisory Committee)

In order to secure transparency and objectivity in appointing, and determining remuneration for Directors and A&SB Members, the Board of Directors has established, as its advisory body, the Nomination Advisory Committee and the Compensation Advisory Committee, each with half or more members and the chairperson being independent Outside Directors.

#### (Management Conference)

The Company holds a Management Conference once a month to discuss the business policy and management plans and execution of major operations in accordance with basic policy determined by the Board of Directors. The Management Conference, chaired by President & Director, comprises Directors, including Outside Directors; the full-time A&SB Members; executive officers and other executives, and deliberates on issues and matters for company operation.

#### (Business Promotion Conference)

The Company holds the Business Promotion Conference for each of the domestic and overseas operations to promote prompt and appropriate execution of business operations. Each of the conferences, chaired by the head of each-operation, consists of general managers of sales, development, quality assurance, manufacture, service and other related divisions and formulates and implements business strategies, confirms progress of business plan, and reinforces coordination among various functions.

#### (Other Management Committees)

The Company has established various committees such as (i) the Risk Management Committee to prevent the emergence of assumed risks, reduce and mitigate the impact, minimize losses in the event of a crisis, and provide an early recovery, (ii) Compliance Committee to ensure legal compliance within the Company, and (iii) Disclosure Committee to facilitate timely and appropriate disclosure of corporate information. Matters discussed at these committees are reported to the Board of Directors appropriately.

Additionally, every committee is chaired by President & Director.

(Internal Audit Department)

In order to ensure compliance with legal and corporate requirements as well as continuous business efficiency improvement, the Company has established the Internal Audit Department, an 11-member group that reports directly to President and acts as the internal audit unit. This department conducts audits in accordance with an annual internal audit plan that identifies areas where compliance risks are high, and suggests improvement based on audit results. Also, to ensure a high level of trust in the Company's financial statements, the Internal Audit Department evaluates the effectiveness of internal controls pertaining to financial reporting.

(Accounting Auditors)

The Company has employed Deloitte Touche Tohmatsu ("Tohmatsu") as its accounting auditors since June 2007. There are no material conflicts of interest between the Company and the Tohmatsu and its staff engaged in the Company audits. A policy is in place at Tohmatsu to limit the audit staff members' involvement in the Company's Audit to a fixed period of time.

Furthermore, to enable Directors (excluding executive Directors and the like) and A&SB Members to fully perform their expected roles, the Articles of Incorporation of the Company provide that the Company may conclude agreements with such Directors and A&SB Members to the effect that liability of Directors and A&SB Members be limited. Based on this, the Company has concluded an agreement with each of the Outside Directors and the Outside A&SB Members to the effect that their liabilities may be limited in accordance with Paragraph 1, Article 427 of the Companies Act, details of which are as follows;

- \* Director or A&SB Member shall be liable for damages up to the minimum amount of liability stipulated in Paragraph 1, Article 425 of the Companies Act should he or she become liable for damages caused to the Company as a result of negligence in the performance of his or her duties.
- \* The liability limitation described above shall be applicable in cases where Director performed the duties that became the cause of liability in good faith and without gross negligence.

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

The Company believes that it is effective for its corporate management to have a structure whereby the Board of Directors having more than one (1) Outside Director makes decisions on important management issues and supervises the execution of business and the Audit & Supervisory Board monitors the activities of the Board of Directors. Under such belief, the Company has adopted "Company with the Audit & Supervisory Board" as a form of corporate organization under the Companies Act. Further, the Company has adopted the executive officer system and will endeavor to increase the speed and efficiency of business management by separating the supervisory function and the business execution function of management.

## 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 Meeting of Shareholders | In order to enable shareholders to adequately review proposals addressed at its ordinary general meetings of shareholders, convocation notices for the meetings have been delivered three weeks (statutory-required period plus six days) in advance since the June 2008 Ordinary General Meeting of Shareholders, and, in advance of such deliveries, disclosed on the TSE's website and the Company's website since June 2015. Further, the "convocation notice" is now fully colorized and contains photos and graphic charts, so as to be easy to understand for our shareholders. |
| Allowing Electronic Exercise of Voting Rights         | To enhance convenience for our shareholders and facilitate smoother exercise of their voting rights, an electronic method to exercise voting rights began to be used at the June 2003 Ordinary General Meeting of Shareholders.  |
| Participation in Electronic Voting Platform           | Since the June 2007 Ordinary General Meeting of Shareholders, the Company has participated in the electronic voting platform for institutional investors operated by ICJ, Inc.   |

|   |   |
|---|---|
| Providing Convocation Notice in English | The convocation notices and reference documents are available in English.   |
| Other                                   | At its general meetings of shareholders, audio-visual presentations and narrations, etc. are used, and business reports, balance sheet and P/L statements of the Company are presented to the shareholders by using photos of our products as well as graphic charts to deepen their understanding. Further, efforts are made to carefully answer questions raised by the shareholders in a comprehensible way. Since 2005, showroom tours and factory visits have been organized after the shareholders meetings to deepen their understanding of the Group through communication with our officers and staff members and through display of our products. |

## 2. IR Activities <Updated>

|   | Supplementary Explanations  | Explanation by president |
|---|---|--------------------------|
| Preparation and Publication of Disclosure Policy                    | The Company has established and published on our website “Policies concerning Disclosure of Information and Constructive Dialogue with Shareholders and Investors.”<br><a href="https://corporate.glory-global.com/ir/management/policy/">https://corporate.glory-global.com/ir/management/policy/</a>  |                          |
| Regular Investor Briefings for Individual Investors                 | Our business strategies, etc. are explained by holding company briefings or participating in IR events. During fiscal year 2018, the briefings for individual investors were held eight (8) times.<br>Our website has a special section for individual investors, on which the company profile and business details are explained in plain terms.<br><a href="https://www.glory.co.jp/ir/kojin/">https://www.glory.co.jp/ir/kojin/</a> (available only in the Japanese language)                                  | ○                        |
| Regular Investor Briefings for Analysts and Institutional Investors | Briefing sessions are held following the announcements of annual and second quarter financial results, and telephone conferences after the announcements of first quarter and third quarter financial results, through which the President personally explains financial results information and the recent situation of the Company’s operations.<br>After the briefings on financial results, exhibitions of our products, etc. are appropriately held with the aim of promoting understanding of our business. | ○                        |
| Posting of IR Materials on Website                                  | The following materials are published on the Company’s website:<br>[Published Materials]<br>Financial results, “timely disclosure” materials other than financial results, annual securities reports (Japanese only), quarterly reports (Japanese only), company briefing materials, convocation notices for its general meetings of shareholders, annual reports, etc.<br><a href="https://corporate.glory-global.com/ir/">https://corporate.glory-global.com/ir/</a>  |                          |
| Establishment of Department and/or Manager in Charge of IR          | Department in charge of IR:<br>Corporate communications Dept.,<br>Management Strategy Headquarters  |                          |

### 3. Measures to Ensure Due Respect for Stakeholders

|   | Supplementary Explanations  |
|---|---|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | Under the Company’s compliance framework, the “Corporate Action Guidelines” and the “Employee Action Guidelines” have been established as conduct guidelines for a “better businessperson and member of society.” These guidelines stipulate that the respective positions of all stakeholders such as shareholders, customers, suppliers, employees, business partners and local communities must be respected.  |
| Implementation of Environmental Activities, CSR Activities etc.           | It is the Group’s belief that contributing to the development of a safe and secure society through provision of products of a highly public nature, i.e. “money handling machines,” matches our corporate philosophy, and to realize such philosophy is equal to fulfilling our corporate social responsibility (CSR). Based upon this corporate philosophy, we have established a policy to “enable a confident world” as the basic policy of our “Long-Term Vision 2028,” and endeavor to contribute to the development of sustainable society.<br>Also, under its environmental policy of “We will act in earth-friendly ways and endeavor to provide environment-friendly products with the consent of the company,” the Company has obtained ISO14001 certification and implemented activities to preserve the environment based upon our environment management system. For more details, reference should be made to the Company’s CSR reports and website.<br><a href="https://corporate.glory-global.com/csr/">https://corporate.glory-global.com/csr/</a>   |
| Development of Policies on Information Provision to Stakeholders          | The Company has established the policy concerning information disclosure under which we promptly disclose to our shareholders, investors and other stakeholders information on financial conditions and management strategies, as well as other information considered as effective for understanding of the Company, while paying attention to transparency, fairness and continuity.  |
| Other   | In order to create a work environment in which the diversity, personality and individuality of the employees of the Group are respected and each of them can fully utilize his/her ability and career experience, the Group is committed to promote diversity through a variety of efforts. These include: (1) developing human resources serving for promotion of globalization; (2) promoting gender equality in the workplace; (3) utilizing workers who are re-employed after retirement and (4) promoting employment of people with disabilities.<br>In particular, as part of efforts to support active involvement of the female employees, the Company offers the “GLORY Women’s College” for their career development and is working to establish and enhance various systems and programs from the standpoint of securing a work-life balance. In 2013, the Company received an accreditation from the Minister of Health, Labour and Welfare as a company promoting measures under the Act on Advancement of Measures to Support Raising Next-Generation Children, and obtained the “Next-Generation Certification Mark” (known as the “ <i>Kurumin</i> ”).<br>In addition, in 2016, the Company opened an in-house daycare center called “Glory Kids Home” on the premises of our headquarters, aiming to support child care and the career development of our employees. |



#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and its Current Status <Updated>

Pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company has established, based on a resolution of the Board of Directors, the “Basic Policy on the Internal Control System” which stipulates a framework for ensuring Directors’ performance of their duties in compliance with relevant laws and regulations and the Articles of Incorporation and also ensuring proper business operations of the Company and those of the corporate group comprising the Company and its subsidiaries. The contents of this Basic Policy are as follows:

(1) Framework to secure performance of duties of the directors and employees of the Company and its subsidiaries in compliance with relevant laws and regulations and the Articles of Incorporation

a. The Group’s “corporate philosophy” is “We will contribute to the development of a more secure society through a striving spirit and co-operative efforts.” This philosophy expresses our determination to achieve growth as a sustainable enterprise by contributing to a prosperous society through our uncompromising approach to product development.

Based upon this philosophy and in order for the Group to exist in harmony with society and build relationships of trust with all its stakeholders, the President and all Directors voluntarily endeavor to implement “compliance management,” while at the same time repeatedly communicating to employees a message saying that compliance with relevant laws and regulation and social ethics is a prerequisite for corporate activities. Further, the basic views and policies related to corporate governance within the Group are set forth in the “Corporate Governance Guidelines.” Further, the basic views and policies related to corporate governance within the Group are set forth in the “Corporate Governance Guidelines.”

b. The Company’s Board of Directors makes decisions on important matters and supervises Directors’ performance of their duties in accordance with relevant laws and regulations, the Articles of Incorporation and Regulations of the Board of Directors.

c. The Company has established the Nomination Advisory Committee and the Compensation Advisory Committee, which support and monitor from an independent standpoint the performance of deliberation function of the Board, thereby securing transparency and objectivity of nomination of Directors, A&SB Members and executive officers and of decision-making process of the amounts of their remuneration.

d. A&SB Members attend the Board of Directors meetings regularly to confirm that Directors perform their duties in compliance with relevant laws and regulations as well as the Company’s Articles of Incorporation.

e. The Company has established the Compliance Committee chaired by the President, in which its members, including outside experts, deliberate on important compliance-related issues concerning the Group and report the results to the Board of Directors.

Also, the Board appoints a Chief Compliance Officer from among the Officers, who, with the secretariat of the Compliance Committee playing a primary role, assumes responsibility for organizing, planning, implementing various measures concerning compliance, as well as conducting monitoring and training.

f. As the consultation contacts (helpline) concerning overall compliance matters of the Group, the Company has established four contact points: (1) the immediate supervisor of the consultor; (2) the secretariat of the Compliance Committee; (3) the workplace counselling staff and (4) outside consultation services. Such contact points are intended to promote detecting at an early stage and rectifying any problem and to protect those seeking consultation in accordance with the “Internal Rules on Consultation.”

(2) System for storage and management of information related to performance of Directors’ duties

a. With regard to the storage and management of information related to performance of Directors’ duties, type of documents to be stored, the period of storage and a person in charge of document management are designated pursuant to the “Document Management Rules” to properly store and manage the relevant information.

b. Directors and A&SB Members may at any time inspect the minutes of the Board of Directors meetings.

- c. The “Information Security Rules” are stipulated and enforced in order to maintain appropriateness of information storage and management.
- (3) Regulations and other frameworks for control of risk of loss of the Company and its subsidiaries
- a. The Company has set the “Risk Management Manual” and the “Crisis Management Manual” pursuant to the “Risk Management Rules” for implementation of appropriate measures to obviate any risks and to minimize loss and prompt early recovery upon occurrence of crises within the Group.
- b. The Company has established the Risk Management Committee as an organ to supervise risk management within the Group, which designates the responsible department and person for each of the risk items and implements preventive measures against such risks. The Company has also established a structure to enable prompt responses at times of crisis.
- (4) Structure to ensure that the duties of directors, etc. of the Company and its subsidiaries are effectively executed
- a. The Company’s Board of Directors holds a regular meeting once each month and extraordinary meetings as necessary to make appropriate decisions regarding basic policies and other important matters relating to management and to supervise the performance of Directors’ duties.
- b. The Company has adopted an executive officer system to ensure that Directors’ duties are performed efficiently by delegating executive authority to executive officers.
- c. The Company has established the “2020 Medium-Term Management Plan” as a company-wide target to be shared by Directors and employees, with the aim of promoting appropriate and efficient business operations pursuant to relevant strategies.
- d. The Company has established a framework to enable prompt and appropriate decision-making by clearly defining in the “Regulations on Approval Authority” responsibilities and authorities assumed by each organization and rank in the Company and each of its subsidiaries and by appropriately delegating authority thereunder.
- (5) Structure to ensure proper business operations as a corporate group comprising the Company and its subsidiaries
- a. The Company selects an Officer in charge of Group compliance to implement educational activities for the officers and employees of the subsidiaries and to ensure thorough compliance with the “GLORY Legal Code of Conduct” and the internal rules of each subsidiary.
- b. A&SB Members meet with the audit & supervisory board members of the subsidiaries regularly and as needed and collaborate closely with the accounting auditors and internal audit department to ensure that supervision and audit of the entire Group compliance with the Group’s consolidated management is effectively and properly conducted.
- c. The Company promotes proper business operations of its subsidiaries by having them obtain approval of the Board of Directors on important matters related to their business strategies as well as their basic management policies and earnings plans, and submit reports to the Board on quarterly operating results and financial conditions as well as other important matters.
- d. The Company assigns certain Directors, A&SB Members, executive officers and other officers of the Company to the office of Directors or the audit & supervisory board members of its subsidiaries as necessary, and also requires its subsidiaries to report on important managerial matters pursuant to the “Rules on Management of Affiliated Companies,” etc.
- e. The Company’s corporate planning department is assigned to designate appropriate governance departments to supervise the subsidiaries. It is also assigned to designate decision-making authorities and operations of the Company and its subsidiaries, and controls them in accordance therewith, while appropriately administering and guiding the subsidiaries. The governance department implements the management administrating of the subsidiaries in collaboration with the management planning department.
- f. In order to ensure that no false statements, errors or similar incorrect entries are included during the course of preparation of financial reports, effective internal control is implemented in various manners, including control with the use of information technology.

- g. In order to ensure that its financial statements are properly prepared as required by the Financial Instruments and Exchange Act, the Company endeavors to promote cooperation among the departments concerned and make its internal control system effective by establishing the Internal Control Evaluation Committee. Further, A&SB Members obtain regular reports from Directors and employees regarding the status of internal control system.
- (6) Matters concerning employees assigned to assist the duties of A&SB Members upon request of A&SB Members, and matters concerning the independence of such employees from Directors
- a. The Board of Directors assigns, through consultation with A&SB Members, certain employees who have sufficient knowledge required by A&SB Members, dedicated to assist in the performance of A&SB Members' duties.
  - b. Such assistant employees perform their duties in accordance with the instructions of the A&SB Members and are permitted to assume the office of audit & supervisory board members at relevant subsidiaries.
  - c. To secure independence of the assistant employees, the right to give instructions to them belongs to A&SB Members during the period designated by relevant A&SB Members, and they will not subject to instructions of any Directors.
  - d. Any decisions on appointments, changes or personnel affairs regarding the assistant employees are subject to prior consent of A&SB Members.
- (7) System for directors and employees of the Company and its subsidiaries to report to A&SB Members and other systems for making reports to A&SB Members
- a. Directors or employees of the Company or its subsidiaries' directors, audit & supervisory board members or employees, or any person who have received a report from any of the foregoing persons (hereinafter the "Directors and Employees, Etc." in this section) provide a report to A&SB Members promptly if any matter that may cause material damage to the Group, fraudulent conduct or material violation of laws or regulations or the Articles of Incorporation occurs or is likely to occur.
  - b. Within the Group, it is prohibited to treat Directors and Employees, Etc. disadvantageously on the grounds that a report under the preceding Item has been made thereby.
  - c. A&SB Members may receive reports and information from Directors and Employees, Etc. and inspect the materials and records of meetings as necessary, to which Directors and Employees, Etc. must immediately and appropriately respond.
- (8) Other practices to ensure that audits by A&SB Members are effectively implemented
- a. A&SB Members may utilize services of certified public accountants, attorneys-at-law, consultants and other outside advisers as necessary in order to form independent views or to implement audits.
  - b. When A&SB Members make claims for payment of any expenses or debts incurred for execution of their duties, the Company will immediately bear the expenses or debts unless the Board of Directors determine that it is unnecessary.
  - c. Representative Directors regularly have meetings with A&SB Members to exchange views concerning issues to be dealt with by, and risks surrounding, the Company as well as the situation of the environment for audits by A&SB Members and material issues related to audits.
  - d. A&SB Members are entitled to be present at meetings at which execution of material duties of Directors is deliberated, in addition to meetings of the Board of Directors.

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

In the "GLORY Legal Code of Conduct," the Company stipulates as its basic policy that it resolutely deals with any antisocial forces by blocking any and all relationships with, giving no benefits whatsoever to such forces and by working in close cooperation with related administrative agencies. Further, the department in charge of general affairs, as the supervisory department, designates a responsible officer to readily coordinate and cooperate with persons in charge at the branch offices. Such department actively and constantly participates in seminars and other opportunities sponsored by related administrative agencies to collect necessary information and implement training for Directors and employees as needed and in an emergency act in collaboration with company attorneys and related administrative agencies.

## V. Other

### 1. Adoption of Anti-Takeover Measures <Updated>

|                                    |      |
|------------------------------------|------|
| Adoption of Anti-Takeover Measures | None |
|------------------------------------|------|

Supplementary Explanation <Updated>

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### 2. Other Matters Concerning to Corporate Governance System

Other matters concerning the corporate governance system are as follows:

- (1) Basic disclosure policy
  - a. Basic disclosure policy  
The Company commits to “communicating with stakeholders and striving for appropriate information disclosure” in its Corporate Action Guidelines. Based on this stance, the Company is dedicated to increasing the transparency in its management through quick, accurate and fair means of providing the latest corporate information and to gaining a better understanding of its management policies and business activities through constructive dialogue, thereby building long-term relationships of trust with shareholders and investors.
  - b. Information disclosure standards  
The Company discloses its corporate information in accordance with the Companies Act, Financial Instruments and Exchange Act and other laws and regulations as well as with the timely disclosure rules of the Tokyo Stock Exchange (the “Timely Disclosure Rules”), where the Company’s stock is listed. Also, with respect to the information that is not covered by the Timely Disclosure Rules, including non-financial information, the Company endeavors to voluntarily disclose such information taking into consideration the timeliness and fairness of information disclosure, to the extent that the Company believes such disclosure is useful for shareholders and investors to reach investment decisions.
- (2) Deliberation and disclosure procedures for corporate information
  - a. Information concerning facts that have occurred  
Upon occurrence of major disasters or filing of a lawsuit, or when similar events arise, information regarding such fact is immediately reported by the responsible department to the Disclosure Committee, and following deliberation by the Disclosure Committee, will be disclosed without any delay pursuant to a resolution of the Board of Directors or direction of President.
  - b. Information concerning facts that have been determined  
Material information concerning the facts that have been determined is reported by the responsible department in charge of the relevant matters to the Disclosure Committee, and following deliberation by the Committee, will be disclosed promptly after resolution by the Board of Directors.
  - c. Information concerning disclosure of annual and quarterly financial results etc.  
Information concerning settlement of financial results, quarterly disclosures, etc. is reported by the department in charge of the relevant matters to the Disclosure Committee, and following deliberation by the Committee, will be disclosed promptly after resolution by the Board of Directors.
  - d. Information concerning subsidiaries  
Material information concerning subsidiaries is reported by the department in charge of the relevant matters to the Disclosure Committee, and following deliberation by the Committee, will be disclosed promptly after resolution by the Board of Directors.
- (3) Deliberation and determination regarding information to be disclosed
  - a. When facts, etc. arise concerning the Company or any of its subsidiaries that must be disclosed, the Disclosure Committee will discuss whether to disclose the information and about the timeliness and appropriateness of such disclosure. If it is determined that it is necessary to disclose such information, it will be disclosed pursuant to a resolution of the Board of Directors or President. When information

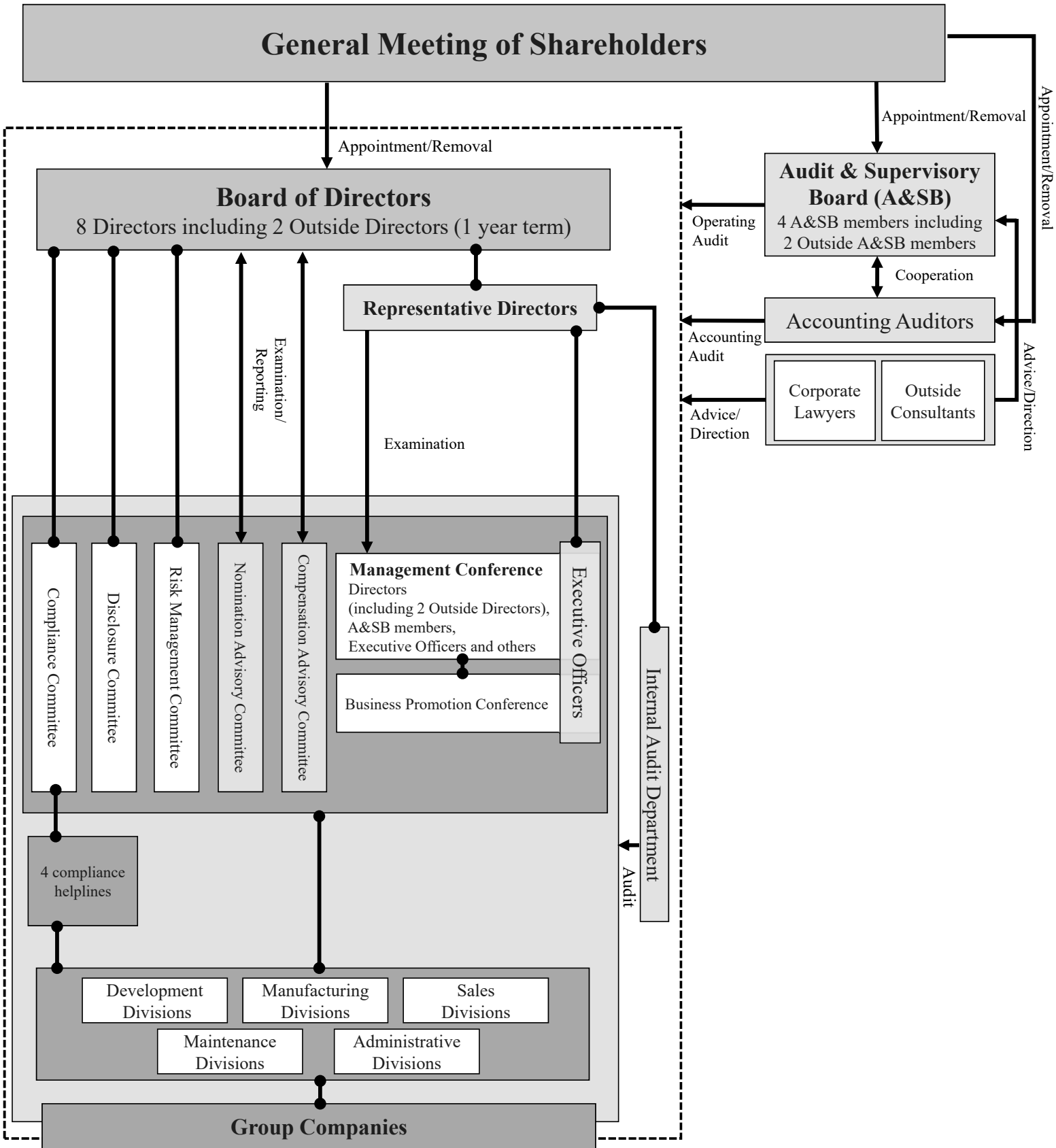
is disclosed pursuant to a resolution of President, he/she will report to the Board of Directors the content of the disclosed information and the reason for disclosure.

b. Information concerning facts that have been determined is disclosed following resolution by the Board of Directors after deliberation of the Disclosure Committee. However, the emergency information may be disclosed by a resolution of President. In such a case, President will report to the Board of Directors the content of the disclosed information and the reason for disclosure.

(4) Chief Information Officer and his/her role

With respect to the Chief Information Officer stipulated in the Timely Disclosure Rules, an Officer involved in the Company's management is appointed to such position and he/she assumes the duties stipulated in said Rules and endeavors to effect optimal information disclosure through consultation with stock exchanges from time to time as necessary.

# < Corporate Governance Framework >



# < Disclosure Framework of GLORY >

