Policy on Cross-Shareholdings

We hold, review, and exercise voting rights regarding cross-shareholdings in accordance with the following policies.

[1] Policy on holding of cross-shareholdings
The Company does not hold cross-shareholdings for such purposes as securing stable shareholders. However, the Company's main businesses are ones that rely on comprehensive and integrated technological capabilities from the stage of raw materials through that of finished products, and it may hold shares of stock in suppliers as necessary for smooth business operations by building positive and cooperative relationships with various businesses in such processes as product development, manufacture, sale, and distribution and in other activities within the scope necessary for business continuity and for achievement of management objectives and improving corporate value over the medium to long term.

[2] Standards on review of holding of cross-shareholdings
(1) Standards on review of holding of cross-shareholdings
In light of the fact that environmental changes related to the Corporate Governance Code and risks of fluctuations in share prices could have a considerable impact on its financial standing, the Company periodically and continually verifies whether or not the following decision standards are satisfied:

(i) Whether maintenance and enhancement of transaction relationships with the supplier can be considered to contribute to such matters as achievement of medium- to long-term management objectives and the progress of the Company's businesses

(ii) Whether cross-shareholdings can be considered to contribute to maintenance and improvement of the corporate value of the supplier and the Group based on such perspectives as the supplier's growth potential, future potential, and business recovery and on verification of current and future economic rationality (e.g., profitability and earning potential)

(iii) Whether there is a risk that fluctuations in share prices could have a major impact on our financial standing

(2) Reducing cross-shareholdings
We proceed with sale of shares of stock judged not to satisfy our standards based on the verification described under (1) above.

[3] Standards on exercise of voting rights
Our standards on exercise of voting rights related to cross-shareholdings are described below:

(i) In principle, we exercise our voting rights on all resolutions.

(ii) We decide whether to support or propose each resolution based on comprehensive
consideration of the need to maintain a positive relationship with the issuing company, its business conditions, whether it is making appropriate decisions to lead to growth in corporate value over the medium to long term through maintenance of an appropriate governance structure, and the perspective of growth in the Group’s corporate value.

[4] Application of this Policy

(i) This Policy shall take effect beginning on September 14, 2018.

(ii) The Board of Directors shall decide on any revisions to this Policy.