

[Translation]

## Chiyoda Corporation Corporate Governance Policy (Revised on December 26, 2018)

This policy sets forth the basic views and basic guideline of Chiyoda Corporation (hereinafter the “Company”) with regard to corporate governance with the objective of contributing to the sustained growth and the enhancement of the mid- to long-term corporate value of the Company and its group companies.

### I. Basic Views on Corporate Governance

The Company believes that management that earns the trust and empathy of all its stakeholders, including shareholders, customers, business partners, creditors, employees and local communities, is the basis of our corporate activities, and are working to continue to strengthen our management foundation and ensure sound and transparent management with the objective of sustained growth in the mid- to long-term. We uphold the continued strengthening of corporate governance and the development and reinforcement of an internal control system as important issues, and make efforts to put these into practice.

### II. Basic Guideline on Corporate Governance

#### Chapter 1 Securing the Rights and Equal Treatment of Shareholders

##### 1. Securing the Rights of Shareholders

The Company establishes an environment that enables the timely and appropriate disclosure of information and the smooth exercise of voting rights in order to substantially secure the rights of shareholders.

##### 2. Exercise of Shareholder Rights at General Shareholder Meetings

The Company regards the General Meeting of Shareholders not only as the highest decision-making body of the Company, but also as a valuable means of communication with shareholders, and establishes an environment conducive to shareholders exercising their voting rights including those overseas not only by ensuring a period to review proposals through the early dispatch of convocation notices, but also by determining a date for meetings that allows the highest possible number of shareholders to attend, and in the case of those shareholders unable to attend, organizing methods for shareholders to exercise their voting rights by arranging the mailing of voting ballots, the exercising of voting rights via the Internet, and providing English translations of convocation notices.

##### 3. Basic Strategy for Capital Policy

The Company’s basic policy is to pay dividends in consideration of the need to enhance the financial structure for future expansion of business domains and other matters, while maintaining distribution of profits to shareholders.

#### 4. Policy Shareholdings

The Company's principle policy is that its ownership of listed shares other than for pure investment purposes (so-called policy shareholdings) is limited to instances where the "maintenance and strengthening of business relationships" as a result of said ownership contributes to the Company's business. With regard to the main shares among the listed shares owned, Board of Directors regularly examines the aims and rationality of said ownership. With regard to the exercise of voting rights relating to policy shareholdings, the Company decides on the exercise of those voting rights from the perspective of the mutual sustained growth and mid- to long-term enhancement of the corporate values of the Company and its investee companies.

#### 5. Anti-Takeover Measures

The Company believes that it is of the utmost importance to enhance the corporate value through sustained growth, and does not plan on taking so-called anti-takeover measures such as issuing stock acquisition rights.

#### 6. Capital Policy that May Harm Shareholder Interests

In the event that the Company is to implement capital policies that have an impact on the interests of shareholders, the Board of Directors among others shall resolve such policies following sufficient deliberation, and the Company makes efforts to provide sufficient explanations to shareholders, including by disclosing information regarding the objectives of the policies in a timely manner and by providing explanations to the General Meeting of Shareholders and financial results presentations, as necessary. Additionally, the Audit and Supervisory Committee conducts audits to determine whether proper procedures are being undertaken with regard to such capital policies, including obtaining the opinions of independent third parties in accordance with the Tokyo Stock Exchange Listing Rules.

#### 7. Related Party Transactions

With regard to competition and conflict-of-interest transactions between the Company and Directors, the Company obtains the approval of the Board of Directors in accordance with the Rules of the Board of Directors. With regard to transactions with major shareholders, the Company undertakes careful investigation that such transactions do not constitute profit sharing and, in relation to matters of greater importance, obtains the approval of the Board of Directors. The Company makes efforts to ensure transparency and fairness in discussions by the Board of Directors, including by hearing the opinions of third parties such as legal experts, as necessary.

### Chapter 2 Appropriate Cooperation with Stakeholders Other than Shareholders

#### 1. Corporate Philosophy as the Foundation of Corporate Value Creation Over the Mid- to Long-Term

The Company's Corporate Philosophy is to "Enhance our business in aiming for harmony between energy and the environment and contribute to the sustainable development of a society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology." All employees engage in corporate activities with this Corporate Philosophy in mind as we strive for corporate management that earns the trust and

empathy of shareholders and all our stakeholders including customers, business partners, creditors, employees and local communities.

2. Code of Conduct

The Company enacted the Code of Conduct of the Chiyoda Group, which forms the principles for our business activities, and the Chiyoda Group Compliance Manual, which sets forth compliance requirements for our business conduct. These are distributed to all employees, including at domestic and overseas companies in the Chiyoda Group, in the form of a handbook, and are widely disseminated through our in-house Intranet and the Company's website.

3. Sustainability Issues, Including Social and Environmental Matters

In line with the Corporate Philosophy stated in Paragraph 1, the Company contributes to the sustainable development of society by conducting business activities in accordance with the Corporate SQE (Safety, Quality and Environment) Policy and the CSR Value, and by dealing with various issues relating to sustainability.

4. Ensuring Diversity, Including Active Participation of Women

The Company acts to ensure the diversity of human resources in the belief that diverse perspectives and values reflecting various experiences, skills and attributes are advantageous in ensuring the sustained growth of a company. With regard to the support and promotion of the active participation of women, the Company bases its hiring decisions on the same selection criteria for men and women at the time of recruitment. Additionally, we develop systems such as a childcare and nursing care support system, shorter working hours system for child-raising, an overtime exemption system and a nursing-care leave system as measures to enable employees to continue working. The Company also draws up action plans to promote active participation of women, and thoroughly informs these plans to all employees.

5. Whistleblowing

The Company created a whistleblowing system and consultation system for the Chiyoda Group in accordance with the Policy on the Development of the Internal Control System, and developed a framework for the appropriate treatment of illegal acts and unethical conduct by the organization or individuals, extending this also to domestic and overseas group companies. In addition, the Company establishes operational status of internal control, including activities related to compliance activities, as matters to be reported to the Board of Directors, and develops a framework that enables the confirmation of implementation status. With regard to the protection of whistleblowers or persons utilizing consultation systems, such whistleblowers or persons who utilize consultation systems will not be treated disadvantageously on the grounds of having made such reports or engaged in such consultations.

6. Fulfillment of function as the asset owner of corporate pension

The Company manages pension assets by establishing a tactical asset mix from a mid-and-long term vision to ensure continual payment of corporate defined-benefit pension. In order to manage pension asset, Company forms Pension Management Committee which is organized with CFO as the chairman and members of committee including general managers of Finance Department, Human Resources Department and chairman of the Union as the representative of beneficiaries.

## Chapter 3 Ensuring Appropriate Information Disclosure and Transparency

### 1. Enhancement of Information Disclosure

The Company discloses corporate information actively and fairly for the purpose of communication with stakeholders, including shareholders, and society at large, and discloses the following matters in order to ensure transparency and fairness of the Company's decision making and the realization of effective corporate governance.

- (i) The Company's Corporate Philosophy, Business Vision and Message from Management are posted on the Company's website. In addition, the Company's Medium-Term Management Plan is disclosed on TDnet (Timely Disclosure Network of Tokyo Stock Exchange) and also posted on the Company's website.
- (ii) The Chiyoda Corporation Corporate Governance Policy, which outlines the Company's basic views and basic guidelines on corporate governance, is posted on the Company's website.
- (iii) The Company's system of remuneration for Directors (excluding Audit and Supervisory Committee members) aims at strengthening the linkage with performance, sharing values with shareholders, and increasing motivation and morale toward improving business results. The system consists of base remuneration (corresponds to roles and responsibilities), performance-based remuneration (corresponds to the achievements for each term), and remuneration for purchase of treasury stock (linked to long-term improvement of corporate value). The total amounts of remuneration in each category are notified to shareholders. Remunerations for individual Directors are decided by the CEO based on internal remuneration criteria within the framework of total remuneration determined at the General Meeting of Shareholders and following discussion among Representative Directors in regard to management content and economic conditions as well as each individual's annual evaluation. To enhance objectivity and transparency and to ensure appropriate decision making processes, the Company obtains the opinions of Independent Directors and Full-time Audit and Supervisory Committee members who joins the discussion. Additionally, the design of the remuneration system is reviewed by the Board of Directors, as necessary.
- (iv) The Company's Directors and Executive Officers are people of excellent character and insight, who are able to fulfill their roles and responsibilities from a company-wide perspective and with a sense of social responsibility. Based upon the policies and standards formulated at the Board of Directors, Directors and Executive Officers are nominated by Representative Directors after their discussion and decided by the Board of Directors. To enhance objectivity and transparency and to ensure appropriate decision making processes, Company obtains the opinions for the selection process from Independent Directors and the Full-time Audit and Supervisory Committee Members in the discussion during the selection process. In the event of breach of laws and/or Articles of Incorporation or any other reasons for impracticability of the job execution of Board Member or Executive Officers, Board of Directors deliberates and decides dismissal, other penalization or make a motion of dismissal to Shareholders Meeting regarding him/her. The reason for the appointment of candidates for Directors is disclosed in the Notice of the General Meeting of Shareholders.

- (v) The reason for the appointment of candidates for Directors is disclosed in the Notice of the General Meeting of Shareholders.

## 2. External Accounting Auditor

The Company recognizes that the external accounting auditor owes responsibility to shareholders and investors, and takes necessary steps to ensure proper auditing. When determining the validity of audit methods used by the external accounting auditor and their audit results, the Audit and Supervisory Committee monitors and verifies whether necessary and sufficient materials are supplied in a timely and appropriate manner within the pre-agreed audit schedule in order to ensure independence and audit quality. Additionally, the Audit and Supervisory Committee formulates standards in order to appropriately select and evaluate the candidate for external accounting auditor.

## Chapter 4 Responsibilities of the Board of Directors

### 1. Roles and Responsibilities of the Board (1)

The Company's Board of Directors regards one of its main roles and responsibilities to be setting forth the major strategic direction of the Company. The Board undertakes constructive discussions through the free and vigorous exchange of opinions, including with Outside Directors, over matters such as company-wide management strategies and management plans. Board members receive reports on the execution status of management strategies and the progress of management plans, and consider the aforementioned strategic direction when making decisions on such significant business execution. To implement prompt decision making over the Company's business execution, the Company establishes the Executive Committee composed of Representative Directors as the decision-making body for matters relating to business execution, defining the scope of matters to be discussed under the Rules of the Board of Directors and the Rules of the Executive Committee to clarify the scope of delegation.

With regard to the succession plan of President & CEO or other management, Board of Directors engages in discussions to reflect variations of environments and situations surrounding the Company and progress of business plan and furthermore, proactively develops sophisticated, experienced and skilled resources throughout the management development program.

### 2. Roles and Responsibilities of the Board (2)

The Company's Board of Directors regards one of its main roles and responsibilities to be the development of an environment that supports appropriate risk-taking by senior management, and encourages management to put forward proposals that will contribute to active and sustained growth by adopting a creative and innovative approach to business execution. To ensure accountability as a company, the Board of Directors sufficiently considers proposals at Board meetings through the free and vigorous exchange of opinions, including with Outside Directors, and supports senior management in its role as the Board of Directors by enabling the prompt and decisive execution of proposals.

### 3. Roles and Responsibilities of the Board (3)

The Company's Board of Directors regards one of its main roles and responsibilities to be the implementation of an effective framework to oversee Directors, and, to this end, appoints Outside Directors with objective perspectives. In terms of performance evaluation, the Board

evaluates the performance and contribution by each main business sector and also makes efforts to reflect upon important personnel affairs including Board Members who are not Audit and Supervisory Committee Member. In addition, the Company's Board of Directors develops and oversees a framework for the timely and precise disclosure of information, and also creates a framework to enable regular reporting on the frameworks of internal controls and risk management to the Board of Directors.

4. Roles and Responsibilities of Audit and Supervisory Committee Members and the Audit and Supervisory Committee

The Company establishes the Audit and Supervisory Committee consisting of three or more Audit and Supervisory Committee members, the majority of whom are Outside Directors. The Audit and Supervisory Committee performs its duties from an independent and objective perspective, including audits and supervision of the execution of duties by Directors, in keeping with their fiduciary responsibility to shareholders. The Audit and Supervisory Committee shall appoint by resolution full-time Audit and Supervisory Committee members. In addition, each Audit and Supervisory Committee member exercises voting rights at meetings of the Board of Directors, utilizing their respective knowledge and experience.

5. Fiduciary Responsibilities of Directors

The Company recognizes that appropriate cooperation with various stakeholders is essential for the sustained growth of the Company and for the creation of a mid- to long-term corporate value. In order to achieve this, the Company's Directors and management act in keeping with their position and roles based on full awareness of their fiduciary responsibility to shareholders.

6. Business Execution and Oversight of the Management

To ensure the efficiency of independent and objective management oversight, the Company appoints multiple Outside Directors who keep a certain distance from business execution.

7. Roles and Responsibilities of Independent Directors

The Company's Board of Directors provides advice on the implementation of management policies and management plans to promote the sustained growth of the Company and enhance its mid- to long-term corporate value, and oversees matters such as business execution and conflicts of interest. Independent Directors fulfill the role of properly reflecting the opinions of stakeholders to the Board of Directors from an independent and objective perspective. The Company promotes the development of an environment that enables Independent Directors to satisfy such roles and responsibilities.

8. Effective Use of Independent Directors

The Company recognizes that Independent Directors make a contribution to the sustained growth and enhancement of the mid- to long-term corporate value of the Company, and therefore appoints multiple Independent Directors in principle. In addition, Outside Directors, including Independent Directors, make opportunities for regular meetings so as to exchange information and share awareness of issues from an objective perspective.

9. Independence Standards and Qualification of Independent Directors

The Company appoints Outside Directors from among persons who have a practical perspective as a corporate manager and persons who have an objective and professional

perspective based on strong insight into world affairs, social and economic trends, and the like. The standards for this independence are set forth in the Attachment and state that the Company's management does not exert any significant influence over said persons, and conversely that said persons do not exert any significant influence over the Company's management, and that no potential conflict of interest exists with general shareholders.

#### 10. Use of Optional Approach

The Company considers the discretionary use of committees as necessary when adopting the most appropriate structure for the characteristics of the Company from among the institutional designs set forth in the Companies Act.

#### 11. Preconditions for Effectiveness of the Board of Directors

The Company's Board of Directors ensures diversity through its composition by persons with varying backgrounds in expertise and experience, and considers improvements to the effectiveness of the Board as necessary by conducting regular self-evaluations, including with Outside Directors.

##### (i) Concept of the Diversity and Scale of the Board

In accordance with the Articles of Incorporation, the Company's Board of Directors is composed of a maximum of 12 Directors who are not Audit and Supervisory Committee members, and a maximum of five Directors, Audit and Supervisory Committee, and ensures a balance and diversity of knowledge, experience and ability as a Board of Directors overall by combining Outside Directors with experience and insight in their respective career backgrounds with Directors who possess professional competence and knowledge in areas of corporate planning, human resources and corporate affairs, finance & accounting, business development, technology & engineering, legal and project operations. With regard to Directors, Audit and Supervisory Committee, one or more are appointed who possess appropriate knowledge of finance and accounting.

##### (ii) Concurrent Posts Held by Directors

The Company shall make annual disclosures through the Notice of the General Meeting of Shareholders with regard to concurrent posts held by the Company's Directors as executives and employees of other listed companies.

##### (iii) Evaluation of the Effectiveness of the Board

The Company conducts evaluations of the effectiveness of the Board of Directors, considers improvements to the operation of the Board as necessary, and discloses a summary of the evaluation results in its Tokyo Stock Exchange "Corporate Governance Report."

#### 12. Active Board Deliberations

The Company makes efforts to develop a framework and environment to allow for free, vigorous and constructive discussion and exchange of opinions by the Board of Directors, including issues raised by Outside Directors, by reviewing agenda items for Board meetings as necessary and augmenting explanations of agenda items in advance.

#### 13. Information Gathering and Support Structure

The Company's Directors request relevant materials and information necessary for the execution of their duties from the appropriate sectors, while those sectors supply the

applicable materials and information in accordance with said requests. With regard to the Audit and Supervisory Committee, in order to enhance its audit and supervisory activities, dedicated staff are assigned to assist the execution of these duties.

#### 14. Training of Directors

When Directors are appointed, the Company provides opportunities for them to sufficiently understand their roles and responsibilities (including legal responsibilities). Following their appointment, the Company creates opportunities for trainings in which Directors are able to participate on an ongoing basis, such as internal seminars by visiting lecturers and trainings sponsored by external organizations covering matters such as corporate governance, crisis response, compliance and safety. When Outside Directors are appointed, the Company provides opportunities for them to acquire necessary knowledge of the Company's business. The Company supports the costs for such trainings for Directors, and confirms their status of implementation with the Audit and Supervisory Committee.

### Chapter 5 Dialog with Shareholders

#### 1. Policy for Constructive Dialog with Shareholders

- The Company's basic IR policy is to make efforts to provide accurate and prompt explanations of the Company's management status and operations policy by upholding two-way communication through dialog with shareholders and investors, and to work toward maximizing corporate value by reflecting the opinions and requests of shareholders and investors in its management.
- Each Director puts together frameworks that are organically linked through information sharing and the exchange and deliberation of opinions between the IR department and each department, and provides explanations on corporate management and business activities at the General Meeting of Shareholders and briefing sessions each quarter for analysts and institutional investors as an opportunity for communication with shareholders and investors. Additionally, Directors provide appropriate means for individual meetings for analysts and institutional investors.
- The Company also focuses on dialog with overseas shareholders and investors, taking into account its shareholder structure. The Company holds regular financial results presentations by the CFO and other officers in focus overseas regions to proactively respond to overseas requests for meetings.
- Opinions obtained through dialog with shareholders and investors are relayed to the Board members as necessary, and information is shared within the Company through meetings such as the liaison meeting for employees.
- Information stemming from this dialog is managed and handled in such a way that does not infringe on the regulations on insider transactions.

#### 2. Establishing and Disclosing Business Strategy and Business Plans

The Company formulates Medium-Term Management Plans and discloses targets for its profit plan, capital plan and other plans on TDnet as well as posting these targets on the Company's website. Progress toward these targets is reported at the General Meeting of Shareholders and financial results presentations. At these opportunities, the Company will be mindful of capital cost and makes efforts to provide clear explanations to shareholders using reader-friendly words and logic for their clear understanding on the Company's business policies.



## Supplementary Provisions

1. This policy is effective from October 23, 2015.
2. Any revision or abolition of these policies shall be decided by the Board of Directors. However, minor amendments, such as changes to wording, can be made with the approval of the Division Director of Corporate Management Division.

[Independence Standards]

To achieve appropriate decision making and management oversight by the Board of Directors from a variety of perspectives, the Company appoints Outside Directors from among highly insightful persons who possess an objective and professional perspective (persons who fulfill the requirements set forth in Article 2, Item 15 of the Companies Act). The Company bases the independence of Outside Directors on the factors determining independence set forth by Tokyo Stock Exchange, Inc. and deems an Outside Director to be independent if none of the following items are applicable.

1. Major Client or Supplier

- (1) A party for whom the Company is a major client or supplier <sup>(Note 1)</sup> or an executive thereof
- (2) A party that is the Company's major client or supplier <sup>(Note 2)</sup> or an executive thereof

2. Experts

Consultants, accountants, lawyers and persons affiliated with such organizations who receive annual compensation of 10 million yen or more in cash or other assets from the Company, other than remuneration for Directors

3. Major Shareholders

Major shareholders of the Company (a party holding 10% or more direct or indirect voting rights) or an executive thereof

4. Donation Recipients

Recipients to whom the Company donates in excess of an annual 10 million yen or an executive thereof

5. Historical Requirements

A party to whom any of 1. to 4. above applies in the past 10 years

6. Close Relatives

Spouse or relative within second degree of kinship of the following persons

- (1) A party to whom any of 1. to 5. above applies
- (2) A Director, Executive Officer or other core employee of the Company or its subsidiary <sup>(Note 3)</sup>

7. Any party other than the above in special circumstances that do not allow said party to fulfill duties as an independent Director, including the existence of conflict of interest with the Company

The Company's Board of Directors shall make efforts to nominate as candidates for the position of Independent Director persons who can be expected to contribute to frank, lively and constructive deliberations at the Board of Directors in accordance with these standards.

(Notes) 1. "A party for whom the Company is a major client or supplier" refers to a party who received payment equivalent to 2% of said party's annual consolidated net sales or payment of 100 million yen or more, whichever is the higher of the two, in the most recent fiscal year.

2. "A party that is the Company's major client or supplier" refers to a party whose transactions with the Company were equivalent to 2% or more of the Company's annual consolidated net sales in the most recent fiscal year, or a party who provided loans to the Company equivalent to 2% or more of the Company's consolidated total assets in the most recent fiscal year.
3. "Core employee" refers to Division Director or superior.