

Corporate Governance Guidelines

Formulated November 9, 2015

INNOTECH CORPORATION

Index

Chapter 1 General Provisions

Chapter 2 Management Philosophy

Chapter 3 Organizations

Chapter 4 Establishing Shareholders Relations

Chapter 5 Establishing Stakeholders Relations

Chapter 6 Other

Chapter 1 General Provisions

(Purpose)

Article 1. INNOTECH Corporate Governance Guidelines are our principles of conduct which are set in order to enhance our corporate values as INNOTECH CORPORATION (hereinafter referred to as "INNOTECH") and our group companies (our consolidated subsidiaries and entities whose management rights are substantially held by INNOTECH) consider the benefits of our stakeholders (our shareholders, customers, communities, and employees) . Thus, we publish these guidelines for the purpose of fulfilling our accountability.

(Basic Views on Corporate Governance)

Article 2. Based on the recognition that corporate governance is indispensable for a company to effectively function, remain competitive, efficient and thus to maximize the return on investment for our shareholders, INNOTECH pursues fair and sound management in line with the global standards.

Chapter 2 Management Philosophy

(Management Philosophy)

Article 3. INNOTECH management philosophy is described as follows. Executive officers as well as employees of INNOTECH and its group companies shall share such philosophy as our principles of conduct and put them into practice:

<Our Vision>

Make our daily lives comfortable, convenient, and versatile and contribute to the future society by devoting ourselves to electronics business.

Leverage our creativity and contributing to technical development of the electronics industry and become one of the indispensable companies to the industry.

Realize that our business is to solve problems and dedicate ourselves to satisfy our customers.

Become a pioneer to keep up with the most challenging cutting-edge technology.

Become a company where every employee makes the most of his or her creativity and feel proud of themselves as well as their own organization.

<Our Action>

Work hard to become the "number one" and the "only one" in each business area,

Keep our passion and courage to face with major business challenges; maintain self-reforming power for continuous progress.

Help the company policy and spirit of progress penetrate the entire organization.

Respect individuality and incentives for growth of each employee and encourage them to conduct business with a good faith.

(Mid-range Management Plans)

Article 4.

1. INNOTECH sets and publishes our corporate and our group companies' mid-range management plans in order to realize our continuous growth.
2. INNOTECH and its group companies make their best efforts to achieve the goals which are set by the mid-range management plans. In case any goal was not achieved, the causes as well as the measures taken by INNOTECH and its group companies will be thoroughly reviewed and the results of such reviews will be reported to the shareholders; and the results of such reviews as well as lessons learned will be reflected to the content of our next mid-range management plans.

(Development of Human Resources and Diversity)

Article 5.

1. INNOTECH believes that enhancement of our core values and growth are achieved along with the growth of our employees. Thus, INNOTECH actively secures and trains human resources as our scale and scope of business expand, further upgrades our personnel management system, and develop organizations in which individual employees' various talents and skills are fully leveraged.
2. INNOTECH and its group companies fully respect each individual's talents and skills and regardless of his or her sex, nationality, and physical handicap, INNOTECH will continue to appreciate people with different values in hiring.

Chapter 3 Organizations

(Our Organizations)

Article 6. INNOTECH believes that our most ideal corporate governance scheme is for the Board of Directors to be the center of authority and accountability so that they make realistic and agile administrative decisions and execute them, while Audit & Supervisory Board Member and Audit & Supervisory Board are organizationally independent from administration and the Board of Directors for ideal check and balance functions; thus INNOTECH chooses to be the Company with Board of Auditors.

(Roles and Responsibilities of the Board of Directors)

Article 7.

1. The Board of Directors shall fairly and most appropriately execute the management decisions to put our management philosophy into practice as well as to supervise execution of duties by individual directors for good and effective corporate governance.
2. The Board of Directors recognize their fiduciary obligations to the shareholders and are responsible for enhancing the corporate values of INNOTECH and its group companies in the mid-term and long-term point of view and contributing to the continual development of the society.
3. The Board of Directors is a place to make reporting and/or resolutions on such matters as statutory required, important management strategies and management plans, matters which may have major impacts on decision-making related to management and investors' investments, and on administrative progress. Detailed and ad-hoc administrative matters, investment amount or matters which do not have major impacts on management shall be resolved and/or discussed at other meetings which are formed by the management team or management team and other appropriate members based on our internal Rules on Administrative Authorities so that matters to be deliberated at the Board of Directors shall be specific enough and business judgement will be agile.
4. In order for an active discussion at the Board of Directors, it is considered to be desirable that the number of directors which constitute the board shall be no more than 15 or so including the Audit & Supervisory Board Member s.
5. It is desirable that the Board of Directors, in addition to INNOTECH proper executive directors who are well-informed on our business as well as financial matters of INNOTECH and its group companies, consists of directors with diverse and well-balanced expertise and qualities as a whole and of Audit & Supervisory Board Member s who also have various expertise and business experience in corporate management such as from accounting, legal, and financial perspectives and in different industries.
6. The Board of Directors shall adopt the process where outside directors' views and opinions will be sufficiently reflected in electing the Board of Directors.
7. The Board of Directors shall periodically analyze and assess whether the board is effectively functioning or not and disclose the outline of such analysis and assessment results.

(Directors)

Article 8.

1. In order to enhance our corporate values, transparency of management and objectiveness of the administration, INNOTECH retains more than two the Independent Director.
2. The term of service for the Directors shall be one year in order to ensure agile management scheme which promptly responds to the changes of the corporate environment. Also, any additional

post held by such directors concurrently shall be disclosed in the notice of the general meeting of shareholders as well as in the Annual Securities Report.

3. The Directors shall have abundant business experiences and spirit of compliance with laws and regulations and shall be capable of making highly seasoned business judgements, solid execution, and be with excellent management skills.
4. The Independent Directors shall have strong sense of supervision, leverage their independence and make precise suggestions in order for appropriate decision making and management.
5. The Directors may not hold more than three listed companies' directors and/or Audit & Supervisory Board Member s' positions other than such positions of INNOTECH and its group companies.

(Audit & Supervisory Board Member s)

Article 9.

1. INNOTECH shall disclose any additional post held by Audit & Supervisory Board Member s concurrently in the notice of the general meeting of shareholders as well as in the Annual Securities Report.
2. Audit & Supervisory Board Member s shall have a spirit of compliance with laws and regulations and be abundant in business experience and knowledge on risk management and audits.
3. Outside Audit & Supervisory Board Member s shall leverage their independence and have qualities to make precise suggestions in order to ensure transparency as well as objectiveness of management.
4. Audit & Supervisory Board Member s may not hold more than three listed companies' directors and/or Audit & Supervisory Board Member s' positions other than such positions of INNOTECH and its group companies.

(Remuneration of Executive Officers)

Article 10.

1. Remuneration paid to executive directors consists of monthly compensation, performance-based compensation and compensation based on the shareholders long-term interests reflecting the share price (equity-related compensations) in order to provide such directors with incentives for the enhancement of corporate values of INNOTECH.
2. As for the performance-based compensation, it shall be conditioned that the profit goal was achieved and distribution of such compensation to each director shall be made in a fair manner, so that his or her contribution to the annual profit and long-term contribution to the company are fairly assessed and reflected.
3. Performance-based compensation as well as the equity-based compensation shall require the Board of Directors approvals and outside directors' views and opinions shall be thoroughly reflected in the decision making process at such meetings where the compensation matters are deliberated.

4. Compensation for other corporate officers than the Audit & Supervisory Board Members and executive directors including outside directors shall not be equity-based nor performance-based.

(Trainings for Directors and Audit & Supervisory Board Members)

Article 11. In order to have the Directors fulfill their missions and responsibilities as well as maintain and enhance their qualities, INNOTECH is committed to the following corporate scheme;

- ① Establish a supporting system for Independent Directors and Outside Audit & Supervisory Board Members such as the Secretariat of the Board, so that such Directors and Audit & Supervisory Board Member s may be individually briefed on the background, objectives, proposed agenda items and reporting matters of the Board of Directors by the secretariat;
- ② Invite external professionals to constantly make updated information available and to provide training to the Directors and the Audit & Supervisory Board Member s;
- ③ Pay necessary cost and expenses for any outside trainings and seminars as appropriate for the Directors and the Audit & Supervisory Board Member s.

(Transactions between Related Parties)

Article 12. Transactions involving Directors and Audit & Supervisory Board Member s of INNOTECH as well as its group companies should be verified on an annual basis and be supervised that there is no conflict of interest with the INNOTECH and its group companies with respect to such transactions. No transaction involving Directors and Audit & Supervisory Board Member s shall be made unless it has a necessary from the sales and business policy perspectives of INNOTECH and its group companies and without an approval by the Board of Directors.

(Independence Standards)

Article 13. INNOTECH determines that our outside Directors as well as outside Audit & Supervisory Board Member s are independent if such outside directors satisfy the requirements set forth in the Companies Act and if such Directors and outside Audit & Supervisory Board Member s satisfy the independence standards which are set forth by the Tokyo Stock Exchange, and in addition, if they do not fall under any of the following criteria which are set by INNOTECH;

- ① He or she is the shareholder with more than 10 % of voting rights of INNOTECH or its group companies, or has experience in working in such shareholders' organization;
- ② He or she has experience in working at major business counterparts, major lenders, or lead managing security companies of INNOTECH or its group companies in the past 5 business years ("A major business counterpart" shall mean a company whose transaction amount with INNOTECH or its group companies exceeds more than 2 % of the consolidated annual sales amount of INNOTECH, its group companies, or such company. A major lender shall mean a company whose loan amount to INNOTECH or its group companies is more than

- 2 % of the consolidated total assets of INNOTECH, its group companies, or such company).
- ③ He or she has received a large sum of legal counsel fee, auditing fee, consulting fee or alike from INNOTECH or its group companies in the past 5 years other than the executive officers' remuneration from INNOTECH or its group companies or has experience in working in such company which received such a large sum of fees (large sum means annual 50 million yen or more).
 - ④ He or she belongs to an entity which received more than a certain cumulative amount of financial contribution from INNOTECH or its group companies (a certain cumulative amount shall mean 20 million yen or more).
 - ⑤ He or she has the second degree familial relation or closer with those or is a relative who lives together with those defined in the items above from ① to ④ herein;
 - ⑥ He or she has served as a director or as a company auditor of INNOTECH for total of more than 10 years.

(Coordination with Accounting Auditors)

Article 14. In order for a fair and quality audit by Accounting Auditors, INNOTECH shall;

- ① provide enough time for audits;
- ② periodically conduct interviews with the representative director and officers who are in charge of control and management; and
- ④ Assure enough communication between Audit & Supervisory Board Members, INNOTECH Internal Audit Office and such Accounting Auditors.

Chapter 4 Establishing Shareholders Relations

(General meeting of shareholders)

Chapter 15. INNOTECH will take following measures so that every shareholder may exercise his or her voting rights appropriately based on the operational guidelines of the General Shareholders Assembly which are set by INNOTECH;

- ① Properly provide/publish information which contributes to appropriate execution of voting rights by the shareholders;
- ② Provide enough question and answer session at the General Shareholders Assembly so that we communicate with our shareholders sufficiently and have them fully understand mid-term and long-term efforts of INNOTECH and our group companies;
- ③ Provide earlier the notice of the general meeting of shareholders than legally required so that shareholders will have enough time to review the agenda items;
- ④ Any matter which may be announced prior to sending the notice shall be appropriately and promptly disclosed by the TDnet (Timely Disclosure Network operated by the Tokyo Stock Exchange) as well as on the INNOTECH website.

- ⑤ Hold ordinary general meeting of shareholders avoiding the dates when many other companies hold their general meeting of shareholders;
- ⑥ Lay the groundwork for the Internet voting system and its platform so that more shareholders may exercise their voting rights; and
- ⑦ As for resolution matters which were passed and adopted but also gathered substantial number of negative votes, INNOTECH will analyze such matters and discuss at the Board of Directors.

(Exercising Rights by Minority Shareholders)

Article 16. INNOTECH shall set forth the exercising methods of the rights of minority shareholders in its Share Handling Rules so that none of our shareholders shall be precluded from exercising his or her rights.

(Protection of Shareholders' Rights)

Article 17.

1. INNOTECH shall promptly and accurately disclose any information related to its capital policy which may affect the control of the company or dilution of shares with an appropriate procedure.
2. If INNOTECH securities are subject to tender offer, INNOTECH shall analyze if such tender offer will contribute to the shareholders' interests. The Directors will deliberate the offer and their resolution shall be clearly presented. Also, from the perspective to respect shareholders rights, INNOTECH will not take any measures to preclude any shareholders from selling off their securities in response to the tender offer.

(Basic Policies for Distribution of Interests)

Article 18.

1. INNOTECH considers that our most important management policy is to strengthen the company's financial state by increasing the internal reserve and to appropriately return to shareholders in line with its future business deployment plans.
2. Dividends shall be determined based on our overall consideration of our business factors such as trends of our financial results, the level of internal reserve which needs to be sufficiently achieved for our future business deployment, improvement plans of our business structure, company's financial state as of the accounting period, and business environmental changes; then the dividends shall be flexibly distributed in accordance with our profit level, with the target dividend payout ratio of 30% or higher (on a consolidated basis).
3. INNOTECH may purchase treasury stocks as necessary, considering the cash status and the stock price levels as a whole.

(Communication with Shareholders and Investors)

Article 19. INNOTECH sets out its IR Policy which outlines its communication policy with the shareholders and investors and publishes such Policy on its website.

Chapter 5 Establishing Stakeholders Relations

(Ethics and Code of Conduct)

Article 20. In order to maintain our reputation and trust from our stakeholders with our high ethical standards, INNOTECH sets up the “INNOTECH Group Internal Code of Conduct and Ethics” so that INNOTECH Group officers and employees will thoroughly comply with applicable laws and regulations and act sincerely.

(Corporate Social Responsibility: CSR)

Article 21. INNOTECH vigorously engages in the CSR activities and discloses the content on our website in order to achieve continuous growth.

(Strategic Holding of Other Companies' Shares)

<INNOTECH Policy on Strategic Holding of Other Companies' Shares>

Article 22.

1. Unless it is determined to be necessary for our partnership and/ or continuation of sound and stable business relationship with our business counterparts for our future, INNOTECH does not intend to hold other companies' shares in principle.
2. In the event of acquisition of any other company's shares, the purpose will be clarified and it will require the Board of Directors' approval in principle.
3. The holding status of other companies' shares shall be reported in terms of its purposes and our progress in achieving such purposes at the Board of Directors on an annual basis and future holding policies shall be discussed.
4. As a result of discussion stated in the previous paragraph, in the event of any decision to sell off the acquired shares, the details as well as progress shall be reported at the Board of Directors as appropriate until such sale is made and complete.

<Exercising Voting Rights>

Article 23

1. INNOTECH shall, in principle, make negative votes against resolution matters which may cause adverse effects on shareholders' interests of the issuing company based on INNOTECH judgement upon consideration of such resolution matters.
2. INNOTECH exercises its voting rights upon consideration of various factors, such as not only the interests of shareholders of the issuing company but also those of other stakeholders.

Chapter 6 Other

(Basic Policy on Internal Control)

Article 24

1. INNOTECH, in line with the Companies Act of Japan and the Ordinance for Enforcement of the Companies Act of Japan, establishes its “Internal Management and Control Policy” with a resolution of the Board of Directors. Also, INNOTECH organizes and operates its internal control system under the leadership of our Internal Management and Control Office which is established in the company.
2. INNOTECH publishes its Internal Management and Control Policy as well as its corporate governance report on its website.

(Internal Reporting)

Article 25. INNOTECH ensures that any dishonest and/or unfair practice taking place in the company shall be detected at early stage so that we will not betray the trust of our society. For that purpose, INNOTECH sets up an appropriate reporting and processing scheme related to organizational or individual illegal conducts which may take place at INNOTECH and its group companies. And to facilitate the scheme, INNOTECH sets forth the “INNOTECH group Internal Reporting Rules” and provide an appropriate internal point of contact as well as other external point of contact which is independent from the Board of directors and Audit & Supervisory Board Members for reporting.

(Revisions and Abolishment)

Article 26. Revisions and abolishment of these guidelines shall be made by the resolution of the Board of Directors.