

## Strict Respect and Compliance with both the Letter and Spirit of the Law

We believe each individual employee must raise their awareness of compliance and the company must conduct sound corporate governance to provide our stakeholders with trust through the ongoing creation of corporate value.

### ◆ Compliance

#### Our Philosophy on Compliance

We recognize compliance as one of the most important concerns of management for fulfilling our social responsibility at the highest levels, and this includes ethical responsibility. Our action guidelines on compliance stipulate that we never become involved in illegal or unethical acts, and that we provide sufficient compliance training for all officers and employees. We have established an organizational structure for guaranteeing compliance and have been developing measures and systems to ensure effectiveness, and steadily promoting these measures based on an annual plan from a long-term perspective.

#### ▶ Compliance Training

For officers and other employees, regulatory and other related information are always available on the corporate intranet, and we regularly provide training material to encourage them to update and enhance their knowledge toward establishing full awareness of the role and importance of compliance and cultivating an ethical mindset.

We established the EIZO Group Principles of Conduct – The Seven Promises to clarify our corporate philosophy and action guidelines in concrete terms and to serve as a standard in decision-making, evaluation and in the actions undertaken through the course of our business activities. We also seek to instill a thorough awareness of compliance among all Group employees in Japan and overseas while further enhancing our compliance system based on the prior establishment of the Compliance Committee and by further strengthening our management structure.

#### ▶ Strengthening the Information Management System

We ensure proper handling of confidential information in accordance with our established guidelines. We have also appointed an information management representative with overall responsibility for establishing a company-wide information management system.

#### ▶ Internal Whistle-Blowing System

To further strengthen our compliance system, we set up a liaison point both inside and outside the company to provide answers to questions and advice on problems concerning legal issues or the content of the Principles of Conduct, which may arise in the course of our operations. In addition, we strive to ensure early detection of illegal activity and to prevent misconduct by operating a whistle-blowing system that requires officers and employees to report to the liaison point immediately upon learning of activities in violation of laws or ethics, regardless of their own involvement. We ensure that the privacy of the whistle blower is protected and that the individual will not be placed at any disadvantage for reporting the violation.

### ◆ Risk Management

We have established and operate a risk management system to integrate and centralize the management of risks that could affect our business activities. Risk management is supervised by the Management Conference and the Risk Management Committee, and risks identified by each department are examined by the committee. Any risk that could have a significant impact on our business is designated as a “material risk” by the Management Committee, comprising full-time directors and managing officers. Appropriate countermeasures are discussed and implemented.

As our business activities became even more global in nature, we expanded the scope of risk identification and evaluation to Group companies in and outside Japan.

#### ▶ Business Continuity Plan (BCP)

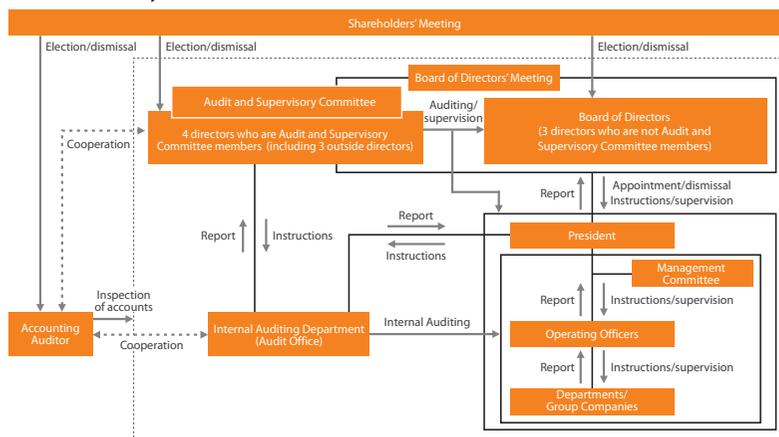
To be prepared in the event of a major disaster, EIZO formulated a BCP for responding to natural disasters and a BCP for handling the outbreak of the new influenza virus, and these plans have been disseminated throughout the company. Particularly with regard to our BCP for disaster response, we have established procedures for restoring critical operations and resuming the supply of our products within one month, in addition to confirming employee safety and facilitating necessary rescue operations in the immediate aftermath of a major disaster.

## ◆ Corporate Governance

We strive to be a company that consistently produces excellent results with the support of our stakeholders. To this end, we view the ongoing enhancement of corporate governance as a vital management concern.

EIZO was transformed from a Company with Board of Company Auditors to a new system as a Company with Audit and Supervisory Committee upon the approval of the 49th general shareholders' meeting on June 23, 2016.

### ■ Corporate Governance System



### ▶ Board of Directors

The Board of Directors, which is composed of three directors (who are not members of the Audit and Supervisory Committee) and four directors who are members of the Audit and Supervisory Committee, makes decisions through frank discussions while striving to strengthen their supervision of management. The board meets monthly and as required. All important matters related to its decisions are discussed, and progress reports on the execution of operations are presented on a regular basis. Three of the seven directors are outside directors (as of June 23, 2016) who maintain no special interests in the company and therefore act in a highly independent capacity. The outside directors participate in decision-making on important matters from an objective and impartial standpoint and supervise the execution of operations. We have designated all the outside directors mentioned above as independent directors as stipulated under Tokyo Stock Exchange regulations.

### ▶ Management Committee

The Management Committee is mainly composed of full-time directors and operating officers and is convened as required to accelerate strategic decision making, respond to important issues, and deliberate or report on the status of operations.

### ▶ Operating Officer System

We have introduced a operating officer system to separate the supervision of management and the execution of operations, while accelerating the pace of operational execution.

### ▶ Audit and Supervisory Committee

Our Audit and Supervisory Committee is composed of four members including three independent outside directors. They audit and supervise the execution of duties by directors in accordance with the audit policy, plans and other decisions of the committee. These audits and supervisory functions are conducted through the investigation of operations and assets by attending the Board of Directors and Management Committee meetings as well as other important meetings in cooperation with the Internal Auditing Department.

### ▶ Internal Auditing System

The Internal Auditing Department carries out internal audits in accordance with the Basic Annual Audit Plan based on the Basic Regulations on Internal Audits, which specifies audit policies. All findings of these internal audits are reported to the president. Internal Auditing Department is composed of two members. An auditor who has wide knowledge of the departments to be audited is separately appointed to carry out the audit.

### ▶ Compensation System

Compensation paid to directors (who are not members of the Audit and Supervisory Committee) consists of fixed and performance-based compensation, in an effort to further clarify directors' management responsibilities for corporate performance and ensure transparency of the calculation method. The total annual amount is limited to less than 350 million yen, excluding salary for employees, combining the fixed and performance-based compensation following a resolution at the 49th general shareholders' meeting on June 23, 2016. With respect to compensation for directors who are members of the Audit and Supervisory Committee, the same shareholders' meeting adopted a resolution to limit the annual amount to less than 50 million yen.

### ▶ Internal Control System

We established our basic policy underlying a system that ensures directors execute their tasks in compliance with the law and the articles of incorporation, along with a system for ensuring the appropriateness of other operations. Under this policy, we have proceeded to develop related systems and to complete the groundwork for establishing an internal control system. We have also established in an internal control system for financial transactions in accordance with the Financial Instruments and Exchange Act, and exercise thorough control over our financial operations.

Message from an Outside Director



Outside Director Masaaki Suzuki assumed the position of Chairman of the Audit and Supervisory Committee in June 2016. He provided this message:

► **Purpose and Goals of a Company**

What is the objective of a company? What is the meaning of its existence in society? As someone responsible for governance, I believe a company should pursue two essential goals. One is sound and sustainable growth and the other is fulfillment of the company's social responsibility.

A company exists not only for its shareholders but also for all other stakeholders, including customers, business partners, employees and local communities. While an enterprise needs to pursue higher sales, it is vitally important to raise profits in an appropriate way. In doing so, we can establish a sound management foundation and fulfill our social responsibilities by contributing to all

stakeholders through our business operations.

Toward achieving fair profits and sustainable growth, the company was able to expand its monitor business and lay the groundwork for becoming the overwhelmingly top player in particular markets by strengthening its global system during the period of the Fourth Mid-Term Business Plan (Fiscal 2012 to 2014.) Under the Fifth Mid-Term Business Plan, started in fiscal 2015, the company is steadily evolving from a monitor manufacturer into a "Visual Technology Company." Anyone reviewing the achievements of the Fourth Mid-Term Business Plan and goals of the Fifth Mid-Term Business Plan will recognize that corporate governance has become firmly rooted.

► **Background of Good Governance**

I view the three following points as excellent at EIZO.

The first point is that the pursuit of

growth and sustainability is backed by the broad perspective of top management. This is demonstrated by the development of an outstanding business model for specializing in visual display systems while deploying business across the globe. The second one is the high transparency for parties in and outside the company. The Board of Directors not only discusses important matters but also receives progress reports on the execution of operations. The compensation paid to the company's managing directors consists of fixed and performance-based portions to further clarify directors' management responsibilities for corporate performance and ensure transparency of the calculation method. In terms of transparency, I also value the informal meeting with shareholders held after the general shareholders meeting. Participating shareholders ask questions that the president himself answers in straightforward terms. This interaction makes us sense shareholders' attachment to the company and pride in being company shareholders.

The third point is the company's broadminded culture. It has established an informal and open culture where it is quite natural for the president and other directors to eat with employees in the company cafeteria. I think this broadminded atmosphere is a very important element for a company focused on creative development.

► **To Further Enhance Brand Value**

In addition to these three points, I expect the company to further strengthen the development of human resources in order to

carry out CSR activities. Further enhancing the characteristic features of the company will in turn boost its brand value. As a result, the company will achieve sound, sustainable growth and fulfill its corporate social responsibility at an even higher level.

The company was transformed from a Company with Board of Company Auditors to a new system as a Company with Audit and Supervisory Committee in June 2016. In my role as chair of the Audit and Supervisory Committee, I will work with the best of my ability to reinforce the supervisory function of the Board of Directors and management transparency toward further improving the corporate governance system and raising enterprise value.

**Masaaki Suzuki**

Outside Director and Chairman of the Audit and Supervisory Committee

**Profile**

- April 1971: Joined Nihon Kangyo Bank (the bank was reorganized into the Dai-Ichi Kangyo Bank Ltd. (current Mizuho Financial Group Inc.) in October 1971)
- June 1999: Director and General Manager of the Corporate Banking Division of the Dai-Ichi Kangyo Bank Ltd.
- May 2001: Managing Executive Officer of the Dai-Ichi Kangyo Bank
- April 2002: Managing Executive Officer of Mizuho Corporate Bank, Ltd.
- March 2003: Managing Executive Officer of Mizuho Bank, Ltd.
- November 2004: Executive Operating Officer of NIPPON TOCHI-TATEMONO Co., Ltd.
- June 2005: Executive Managing Director of Hokuetsu Paper Co., Ltd.
- June 2009: President and Representative Director of Hokuetsu Package Co. Ltd.
- June 2011: Advisor to NIPPON TOCHI-TATEMONO Co., Ltd.
- June 2012: Director of the company
- June 2016: Director and Chairman of the Audit and Supervisory Committee Member of the company (present post)