

## Basic concept of corporate governance

Based on our corporate policy of always making proposals from the client's standpoint with a fair and neutral attitude, AZN firmly believes it is essential to establish corporate governance to ensure compliance-oriented management and to practice this policy. The Company's Board of Directors and Audit & Supervisory Board acknowledge that the corporate governance framework should primarily perform the following functions.

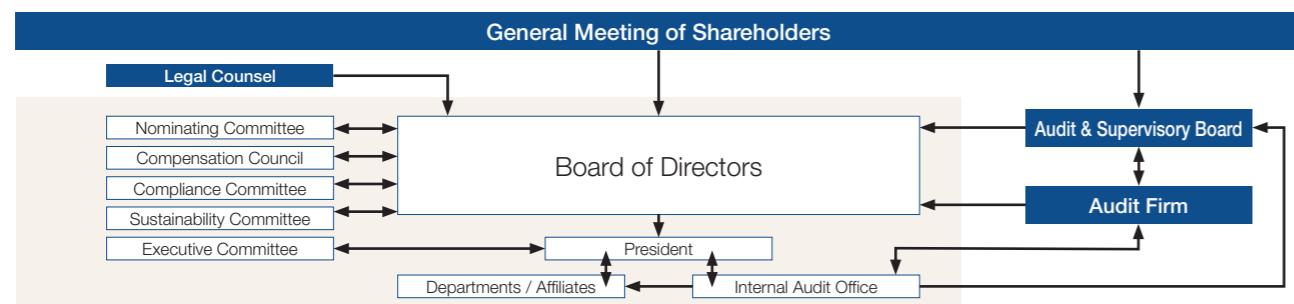
- To protect and encourage the exercise of shareholders' rights.
- To ensure equal treatment of all shareholders.
- To make timely and accurate disclosure regarding all the important matters related to the company, including its financial conditions, operating results, shareholder composition, and governance.
- To ensure the strategic orientation of the company, effective supervision of management executives, and clear accountability

## Corporate Governance System

The Company ensures the effectiveness of audits of Directors' performance of their duties by maintaining the independence of its Auditors and Audit & Supervisory Board Members from the Board of Directors, and by collaborating with auditing firms and its in-house auditing

department. Moreover, to strengthen the supervisory function of the Board of Directors, the Company has established the Compensation Council and the Nominating Committee, at least two of whose members must be Outside Directors.

<b>(1) Board of Directors</b>	The Board of Directors deliberates and makes decisions on important matters concerning the Company's management, and oversees the Company's business and general management. Each of the two Outside Auditors has an advanced level of expertise, and they provide reliable management oversight from their professional perspectives.
<b>(2) Executive Officers</b>	In light of the segregation of management and implementation, AZN has instituted an Executive Officer system. Executive Officers execute the operations of the divisions or departments under their control, in accordance with organizational regulations and rules on the segregation of duties set forth by the Board of Directors.
<b>(3) Executive Committee</b>	The Executive Committee, consisting of the President, full-time Directors, and Executive Officers, meets on a weekly basis to verify management policies and discuss management strategies and business execution for the purpose of sharing problem awareness and having smooth communication among all members.
<b>(4) Compensation Council</b>	Remuneration for directors, within the total scope of remuneration approved by the General Meeting of Shareholders, is determined by the Compensation Council, which is composed of Directors selected by resolution of the Board of Directors. The Compensation Council is composed of three or more Directors, at least two of whom must be outside Directors as a rule for the purpose of raising the transparency and objectivity of the review process.
<b>(5) Nominating Committee</b>	The Nominating Committee, a voluntary advisory body to the Board of Directors, deliberates on the selection and dismissal of senior management and Directors and recommends candidates to the Board of Directors, which are decided by the Board of Directors. Also, the Nominating Committee is composed of three or more Directors, at least two of whom must be outside Directors as a rule for the purpose of raising the transparency and objectivity of the review process.
<b>(6) Compliance Committee</b>	The Compliance Committee, consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and external legal counsels (attorneys), has been established in conjunction with the Board of Directors as a forum for deliberation on risk management and legal compliance by the Company.
<b>(7) Sustainability Committee</b>	The Sustainability Committee, consisting of the President and full-time Directors, was established to build a foundation for sustainable growth, to oversee and monitor sustainability policies, strategies, and measures, and to manage and evaluate the progress of objectives resolved by the Board of Directors.



## Compensation for officers

AZN's Board of Directors has adopted a policy for determining the details of compensation for individual Directors.

Compensation for individual Directors for the fiscal year in question is determined by the Compensation Council, which is composed of 3 or more Directors (at least 2 of

whom must be Outside Directors) selected by the resolution of the Board of Directors to increase the transparency and objectivity of the review process. Its methods of determining the details of compensation and the compensation so determined shall be consistent with the decision-making policy resolved by the Board of Directors.

## • Compensation for officers

Category of officer	Total amount of compensation (thousand yen)	Total amount per type of compensation (thousand yen)					Number of eligible officers (persons)
		Basic compensation	Performance-linked		Other	Of the following, non-monetary compensation, etc.	
			Bonus	Restricted stock compensation			
Director (except outside Director)	210	96	78	24	11	36	7
Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members)	5	4	0	—	—	—	1
Outside Officer	43	37	6	—	—	—	5

## Evaluation of the effectiveness of Board of Directors

AZN strives constantly to improve the effectiveness of its Board of Directors. AZN undertakes an annual questionnaire survey of all Directors and Audit & Supervisory Board Members regarding the effectiveness of the Board of Directors, using the evaluation points listed at right. The results are then discussed and reported to the Board of Directors. See right for a summary of last fiscal year's survey results.

Questionnaire evaluation items	Summary of questionnaire results
<ul style="list-style-type: none"> <li>• Composition of the Board of Directors and Executive Officers</li> <li>• Operation of the Board of Directors</li> <li>• Agendas of meetings of the Board of Directors</li> <li>• Supervisory framework by the Board of Directors</li> <li>• Supervisory framework by shareholder</li> </ul>	About the Board of Directors of the Company, there were no important matters raised in each evaluation item, whereas some findings about the Board of Directors operations were noted. We intend to make some improvements, aiming to realize a more effective Board of Directors.



## Risk management

Based on its Crisis Management Regulations, AZN defines external crises, internal crises, disasters, and other crises as described at the right, and defines how to respond to crises when they occur. In the event of a crisis that seriously threatens corporate operations, a task force is immediately formed and company-wide action is taken to resolve the problem.

<b>1 External risks</b>	<ul style="list-style-type: none"> <li>1 Information leak</li> <li>2 Problems involved in business operations (including customer consulting services)</li> <li>3 Civil violent incidents, contact/problems with anti-social forces</li> <li>4 Criminal acts by employees (fraud etc.)</li> <li>5 Other risks/incidents associated with AZN's credit</li> </ul>
<b>2 Internal risks</b>	<ul style="list-style-type: none"> <li>1 Traffic accidents by employees (property/personal damage)</li> <li>2 Internal troubles (sexual harassment etc.)</li> <li>3 Mishaps of employees and their families, other work accidents</li> <li>4 Other cases constituting a crime by employees</li> </ul>
<b>3 Disasters etc.</b>	<ul style="list-style-type: none"> <li>1 Extraordinary disasters including natural disasters</li> </ul>

## Information security management

For the purpose of continually maintaining and strengthening our information security management structure including personal information management, we have obtained the International Organization for Standardization (ISO) 27001 international accreditation

and information security management system certification. We have developed and maintain systems based on this standard, and continue to further strengthen our systems for managing confidential information.

## Compliance initiatives

For the purpose of practicing fair and bona fide management in compliance with laws, a Compliance Committee consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and outside legal counsels (attorneys) has been established. The Compliance Committee performs the following operations:

- 1 To recognize potential risk of losing trust from the securities market and clients in business operations, and prepare countermeasures (draft)
- 2 To review if there is any compliance issue with specified joint real estate venture operations, and give approval of their execution
- 3 To review and report preventive measures against serious compliance violations
- 4 To examine/check suspicious compliance activities (potential compliance violations)