

## **Independence Criteria for Outside Directors**

HENNGE K.K. (the “Company”) has established the following criteria for judging the independence of Outside Directors on the assumption that Outside Directors of the Company are outside directors as defined in Article 2, item (xv) of the Companies Act. The Company judges Outside Directors (including candidates for Outside Directors) to have sufficient independence from the Company if he or she does not fall under any of the following items.

Outside Directors endeavor to maintain their independence set forth in these criteria until their retirement, and immediately notify the Company if they no longer have the independence set forth in these criteria.

1. An executive<sup>\*1</sup> of the Company or a subsidiary of the Company (the “Group”) or a party who was an executive of the Group during the past 10 years
2. A major shareholder<sup>\*2</sup> of the Company or an executive thereof
3. An executive of a company of which the Group is a major shareholder
4. A party whose major client or supplier is the Group<sup>\*3</sup> or an executive thereof
5. A major client or supplier of the Group<sup>\*4</sup> or an executive thereof
6. A major lender of the Group<sup>\*5</sup> or an executive thereof
7. A party who receives investments exceeding a certain amount from the Group<sup>\*6</sup>
8. A party who receives donations exceeding a certain amount from the Group<sup>\*7</sup>
9. A party who belongs to an audit firm that is the Accounting Auditor of the Group
10. A consultant, accounting or legal professional, etc. who receives monetary consideration or other property exceeding a certain amount from the Group besides compensation as a director/audit & supervisory board member<sup>\*8</sup>
11. If an executive of the Group holds the position of outside officer at another company, an executive of the other company or its subsidiaries
12. A party who has fallen under any of Paragraphs 2 to 11 above during the past three years
13. A spouse or relative within two degrees of kinship of a party who falls under any of Paragraphs 1 to 12 above
14. Those who have served for more than 12 years as outside officers of the Company in total
15. In addition to the preceding paragraphs, a party who has special reasons for not being able to fulfill his/her duties as an independent Outside Director, such as potential conflicts of interest with the Company

\*1 An executive means a party who executes businesses of an executive director, corporate officer, executive officer or any other officer or employee holding a similar post of a legal entity, etc.

\*2 A major shareholder means a party who directly or indirectly holds voting rights representing 10% or more of the total voting rights.

\*3 A party whose major client or supplier is the Group means a party whose total amount of transactions with the Group during the most recent business year exceeds 2% of consolidated net sales of the client or supplier.

\*4 A major client or supplier of the Group means a client or supplier with whom the Group has made transactions of a total amount exceeding 2% of consolidated net sales of the Group during the most recent business year.

\*5 A major lender of the Group means a party from whom the Group made borrowings with the balance as of the end of the most recent business year exceeding 2% of consolidated total assets of the Group.

\*6 A party who receives investments exceeding a certain amount from the Group means a party (including a fund) or its executive in which the Group has made investments with the balance as of the end of the most recent business year exceeding 2% of consolidated total assets of the

Group.

- \*7 A party who receives donations exceeding a certain amount from the Group means a party who has received donations or grants exceeding 10 million yen per year on average during the past three business years; provided, however, that, if the party who has received the donations is an organization such as a legal entity or union, a party who receives donations exceeding a certain amount from the Group means a party belonging to an organization that has received donations or grants exceeding 30% of the total expenses of the organization.
- \*8 A consultant, accounting or legal professional, etc. who receives monetary consideration or other property exceeding a certain amount from the Group besides compensation as a director/audit & supervisory board member means a party who has received property exceeding 10 million yen, besides compensation as a director/audit & supervisory board member, during the most recent business year; provided, however, that, if the party who has received property is an organization such as a legal entity or union, a consultant, accounting or legal professional, etc. who receives monetary consideration or other property exceeding a certain amount from the Group besides compensation as a director/audit & supervisory board member means a party belonging to an organization that has received property exceeding 2% of consolidated net sales or total earnings of the organization.

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