

Corporate Governance

Corporate Governance Basic Policy

The Company's basic policy for corporate governance is to increase management efficiency and transparency, thus raising shareholder value.

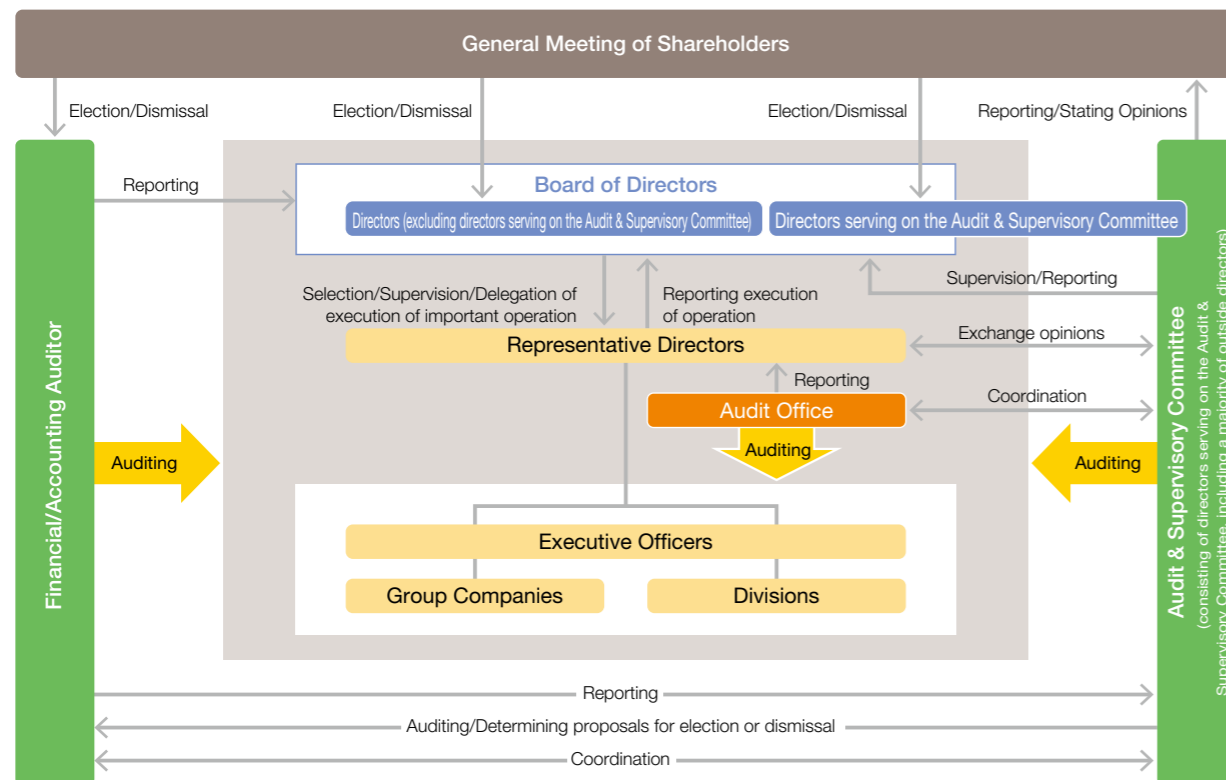
With the aim of further strengthening our governance structure, the Company has put in place an Audit & Supervisory Committee. The Company's Audit & Supervisory Committee consists of one full-time director serving on the Audit & Supervisory Committee and three outside directors, and a majority of its members are outside directors. The oversight function of the Audit & Supervisory Committee is further enhanced by having voting rights at Board of Directors' meetings and the right to state opinions on matters such as the nomination and remuneration of directors at General Meetings of Shareholders.

In addition, we have adopted the executive officer system in an effort to separate decision-making and supervisory functions from the execution of operations of the corporation. By delegating some of the decisions on important business execution to directors, the Company can enrich discussions on matters of special importance at the Board of Directors' meetings, while further expediting business judgments on other matters by management under the Representative Director (the management team).

• Summary of Corporate Governance Structure

Form of organization	Company with Audit & Supervisory Committee
Number of directors	9
Directors serving on the Audit & Supervisory Committee	4
Outside directors	4
Independent directors	2
Adoption of executive officer system	Yes
Financial/accounting auditor	Ernst & Young ShinNihon LLC

Chart of Corporate Governance Structure



Board of Directors

The Board of Directors consists of up to 10 directors (the number specified in the Articles of Incorporation, excluding directors serving as Audit & Supervisory Committee members) and up to 7 directors serving as Audit & Supervisory Committee members. The composition reflects an appropriate balance of deep knowledge concerning the business of our Company's Group, along with diverse knowledge and expertise of company management, financial strategy, risk management, legal compliance, and other matters. In addition, in light of the importance of the functions of outside directors in corporate governance, several independent outside directors (based on the Company's standards for independence) are appointed among the directors.

In order to determine candidates for director, the internal directors of the Company judge candidates' future potential and degree of contribution in accordance with the Company's evaluation system. In the nomination of outside directors, the Company nominates persons who are judged to be uniquely capable in increasing the corporate value of the Company.

• Reasons for appointment of outside directors

Name	Reason for appointment	Audit & Supervisory Committee members	Independent Director
Hiroshi Yoshioka	Appointed to leverage his extensive management experience and knowledge, cultivated through experience as a Coca-Cola bottler outside director and experience in Sony Corporation		○
Zenji Miura	Appointed to leverage his extensive management experience and knowledge as Chief Executive Officer and President of Ricoh Company Ltd.	○	○
Irial Finan	Appointed for his extensive management experience and knowledge as a corporate manager, with many years of involvement in the management of the Coca-Cola Company and in the Coca-Cola business as the representative of the Bottling Investments Group supervising Coca-Cola bottlers worldwide, and to provide decision-making on key management judgments and counsel on all matters, including the handling of assumed risks	○	
John Murphy	Appointed for his extensive management experience and knowledge as a corporate manager, with many years of involvement in the management of the Coca-Cola Company in Japan and globally, and to provide decision-making on key management judgments and counsel on all matters, including the handling of assumed risks	○	

Executive Compensation

Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined by the Representative Directors who have authorized and empowered by the Board of Directors in accordance with criteria stipulated by the Board of Directors. This compensation is composed of fixed and variable remuneration that changes according to factors such as corporate performance to reflect the responsibility and contribution to corporate performance of each Director. The compensation for Directors who are Audit & Supervisory Committee Members is determined by deliberation with the Directors who are Audit & Supervisory Committee Member.

We implemented a performance-based stock compensation program after the approval of the proposal at the General Meeting of Shareholders in March 2018. This program shares the risks and stock price fluctuations faced by shareholders with executive directors for the purpose of improving medium- to long-term corporate value as well as further enhance motivation to contribute to an increased stock price. This stock compensation program awards compensation in the form of money and common shares of the company's stock in-line with the achievement of targets for the consolidated ROE and consolidated compound revenue growth rate for three consecutive business years.

• Director Compensation (2017 results)

Category	Number paid	Total compensation	Basic compensation	Bonus
Directors (Outside directors)	12 (2)	¥476 million (¥11 million)	¥362 million (¥11 million)	¥114 million (-)
Directors (Audit & Supervisory Committee members) (Outside directors)	8 (6)	¥81 million (¥42 million)	¥81 million (¥42 million)	- (-)
Total (Outside directors)	19 (7)	¥557 million (¥54 million)	¥443 million (¥54 million)	¥114 million (-)