

## **Cash & Asset Management Policy for Kagome (Subsidiaries)**

### 1. Overview

Our objective is to establish sound and robust finance base by investing in growth areas for continuous growing over the long term and enhancement of corporate value.

To archive the objective, we establish a financial structure which may contribute to increase capital efficiency and profitability and can make strategic investment, reducing the overdue balance of Account receivable, overstock of which net realizable value may be less than the book value, fixed assets/ Investments in affiliated companies that do not generate enough cash over the acquisition cost.

These assets shall be properly evaluated at the end of quarter period.

### 2. Financing

Raising funds for growth investment is limited to the cash generated from positive operating cash flow in business and the liquidity on hand in principle.

Financing from financial/capital market and group financing may be one of the options when the level of investment is higher than usual. In case of such ways of financing may be necessary, it shall be reported to and be approved by Board of Directors of each company after discussing an investment plan for the fiscal year with relevant department and implemented considering the balance of ratios in terms of debt vs equity and long-term vs short-term liabilities.

### 3. Fund Management

No surplus funds shall be kept in principle.

Under managing fund, all assets shall be safe assets in principle and these may only be limited to short term deposits and securities which are high liquidity in the market and can be converted into cash at any time.

### 4. Accounts at financial organizations

Any accounts at financial organization shall be limited for the purpose of conducting a minimum level of financial transactions for business operations in principle. The process of open and close the accounts shall be proceeded through the proper approval process

### 5. Investment securities

No investment securities shall be held in principle.

However, if required for any business reasons, such securities may be held subject to reporting to and obtaining the approval from the Board of Directors of each company.

6. Asset management

To ensure the safety, improve the efficiency of fund managing and financial position, corporate assets shall always be preserved in a good condition taking economic efficiency into consideration and be managed properly.

Acquisition, maintenance, preservation, utilization, and disposal of assets shall be made properly controlled with reasonable evaluation and plan in compliant with the fixed asset management guidelines.

7. Cash flows

To generate cash, we strive to increase operating income, improve profit margin and reduce working capital.

In particular, by controlling the volume of inventory properly and implementing proper inventory control shall reduce the balance of inventories and the number of days of holding working capital on hand.

8. Dividends

With respect to the redistribution of profits, the company strives to secure stable management foundation over the long term and improvement of the return on equity considering the business condition and future investment plan.

For joint venture businesses, in particular, such redistribution shall be carried out taking the dividend policy and tax systems in respective countries into consideration.

9. Market risk management

To prevent uncertainties, such as an occurrence of losses caused by market risk under corporate activities, we shall reduce the uncertainties by understanding and controlling the relevant risks.

Derivative transactions, which may be applied only for such a purpose, shall not be undertaken in principle. Derivative transactions that may be applied exceptionally, shall be limited to forward contract, swap, and option transactions that hedge exchange rate/interest rate risks in confirmed transactions or highly prospective expected transactions, and such transactions shall be approved in terms of the certainty that they will not be considered speculative at the Board of Directors meeting of each company. In addition, approved details shall be reported to the Finance & Accounting Department

of the Headquarters and to the Finance & Accounting Service Department of Kagome Axis.

10. Credit risk management

To manage properly the following items to minimize losses such as bad debt to appropriately understand and control the risks for transactions with business partners.

(1) Credit investigation

To review the documents for credit situation of customer (e.g., report of credit research institution, financial statements of the customer) to conduct credit investigation for each customer at least annually or if necessary.

(2) Credit line management

To set credit line based on the scale or transaction volume of the customer. If necessary, to use credit insurance, take collateral, and so on.

(3) Accounts receivable management

To keep in mind always the collectability of accounts receivable, manage the accounts receivable based on aging report, and ensure the payment are completed without delay.

(4) Stop shipment

To be confirmed the situation promptly with customer if payment is not made by the due date.

In addition, shipping should be suspended until the payment is confirmed, if the payment schedule cannot be confirmed within one week.

However, appropriate period can be set with approval of general manager of jurisdiction department and CFO of headquarter, if it is determined that a period of more than one week is appropriate according to the business customs of each country.