

Note: This English document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.  
Tosei Corporation assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

## **Tosei Corporation Basic Policy on Corporate Governance**

### [Fundamental Approach toward Corporate Governance]

Our Group aspires to be a valuable contributor to all kinds of our stakeholders in the society, including the shareholders, the employees, the business partners and others, by promptly and appropriately responding to the changes in the business environment and continuing operational activities which enable the Group to achieve a sound growth. For this purpose, the Group has placed the greatest importance on enhancement of corporate governance, and in particular, “fully cultivating compliance mind,” “enhancing risk management” and “conducting timely disclosure” as three key initiatives. Furthermore, the Group is determined to make efforts in a unified manner, from the top management down to each employee of the Group companies, led by the Board of Directors, to develop an internal control system as required by the Companies Act and the Financial Instruments and Exchange Act, as well as to set up a system which is credible to investors, as a financial instruments business operator.

Based on the abovementioned fundamental approach, the Group formulates the following basic policy described below in response to each principle of the “Corporate Governance Code” (As amended) established by the Tokyo Stock Exchange as of June 2015.

### **General Principle 1. Securing the Rights and Equal Treatment of Shareholders**

#### Principle 1.1 Securing the Rights of Shareholders

- (1) The Company treats shareholders equally based on the class and number of shares they hold. Further, the Company takes necessary measures in addition to those set out in this basic policy so that shareholder rights are substantially secured.
- (2) The Board of Directors sincerely accepts the result of the exercise of voting rights at the General Meeting of Shareholders, and when the rate of dissenting exceeds 25%, it conducts an analysis of the cause, as well as considers whether it is necessary to have a dialog with shareholders or to take other measures, and makes disclosure as needed.
- (3) The Company establishes a system that enables the Board of Directors to adequately fulfill its corporate governance roles/responsibilities, as well as considers securing agile decision-making and expertise in business judgment by delegating to the Board of Directors certain matters to be resolved at the General Meeting of Shareholders.

#### Principle 1.2 Exercise of Shareholder Rights at the General Meeting of Shareholders

- (1) The Company discloses information in a timely and appropriate manner in order to ensure there is no disparity of information among shareholders. In addition, all convocation notices, annual securities reports, financial statements, timely disclosures, etc. are translated in English, and disclosed on the Company’s corporate website.
- (2) The Company will initiate to provide materials for the General Meeting of Shareholders in electronic format as stipulated by the Companies Act as early as possible prior to the due date designated by law to give shareholders sufficient time to consider the agendas of the General Meeting of Shareholders. In addition, if there are any amendments to the matters subject to electronic provision measures, the Company will immediately disclose such amendments on the Company’s corporate website (including websites other than the Company’s corporate website in case matters are provided in electronic format on such websites).
- (3) The Company ensures the convenience of the exercise of voting rights by shareholders through the introduction of electronic voting via the internet and the use of the platform for electronic exercise of voting rights.
- (4) If an institutional investor, etc. who holds shares in street name express an interest in advance of the General Meeting of Shareholders in attending the General Meeting of Shareholders and exercising voting rights, the Company discusses

with the trust bank, etc. and gives a possible response.

#### Principle 1.3 Basic Strategy for Capital Policy

- (1) The Company has a basic strategy to contribute to ensuring the Group's medium- to long-term corporate value and, in turn, the common interests of its shareholders when implementing its capital policy including capital increase, taking into account that capital policy may have a significant effect on shareholder returns.
- (2) In considering a capital policy including capital increase, the Company works out a capital policy assuming the shareholder return on equity (ROE) and payout ratio after capital increase, fully taking into consideration the impact on the common interests of its shareholders.

#### Principle 1.4 Cross-Shareholdings

- (1) The Company examines the medium- to long-term economic rationale of cross-shareholdings, taking into account both associated risks and returns, and if deemed useful for the business of the Group by the Board of Directors, the Company may hold shares of other listed companies (cross-shareholdings) for strategic reasons. If the Company has entered into cross-shareholdings, the Board of Directors conducts thorough investigations concretely on factors including whether there is an appropriate purpose for holding the cross-shareholdings and whether the benefits and risks that accompany the cross-shareholdings justify their capital costs, and examines whether the holding is suitable at the meeting of the Board of Directors every fiscal year and discloses the result thereof.
- (2) If the Company maintains cross-shareholdings, it exercises its voting rights by determining whether it votes for or against each proposal at the meeting of the Board of Directors based on a broad consideration from the perspective of whether the company issuing such shares has an appropriate governance system in place, and makes decisions that lead to enhancement of the medium- to long-term corporate value, and also taking into account the business usefulness for the Group.

#### Principle 1.5 Takeover Defense Measures

- (1) In the event that takeover defense measures are introduced or continued, the Board of Directors and Audit & Supervisory Board Members shall confirm that those measures are intended to ensure corporate value and by extension the shared interests of shareholders, and obtain approval for their introduction or continuation at the General Meeting of Shareholders.
- (2) In the case of a tender offer (*koukai kaitstuke*) for shares in the Company, the Company explains the position of the Board of Directors to such tender offer fully taking into account the impact on the corporate value of the Group/common interests of its shareholders. Nevertheless, the Company will not prevent shareholders from accepting the tender offer unreasonably.
- (3) Regarding tender offers to the Company whose purpose would apparently harm the corporate value of the Group or the common interests of shareholders (for example, management to realize a gain of the acquirer, etc. at the cost of the Group such as buying share certificates, etc., and subsequently demanding that the Group or people involved in the Group purchase such share certificates, etc. at a higher price, and acquiring the material assets, etc. of the Group at a low price by taking temporary control of the management of the Group), an Independent Committee comprised of the Company's Outside Directors, Outside Audit & Supervisory Board Members, external experts, etc. that is independent of the Company's management examines the purpose, etc. of such tender offer, and recommends to the Company's Board of Directors whether takeover defense measures should be triggered.
- (4) The Company's Board of Directors may trigger takeover defense measures by resolution of the Board of Directors with full respect for the recommendation of the Independent Committee.

#### Principle 1.6 Capital Policy that may harm Shareholder Interests

- (1) If the Company carries out capital increase, etc. that result in a change of control or in significant dilution, it carefully examines the necessity and rationale from the perspective of Directors' and Audit & Supervisory Board Members'

fiduciary responsibilities to shareholders, and ensures appropriate procedures. The Company also discloses in a legal and appropriate manner, and provides sufficient explanations to shareholders.

#### Principle 1.7 Related Party Transactions

- (1) If the Company enters into a transaction involving conflict of interest with a Director, it obtains the approval of the Board of Directors pursuant to the provisions of the Companies Act and the regulations of the Board of Directors. In addition, the Company, also in the case of entering into a transaction with a corporation substantially controlled by a Director and major shareholders, etc. (related parties), proposes such transaction to the Board of Directors in advance to obtain its approval so that such transaction does not harm the Group and the common interests of its shareholders, etc., except for the cases in which it is apparent the terms of transaction are similar to those of general transactions, and that the transaction amount is small which therefore has only a minor impact on the Group. Further, the Company confirms every fiscal year the existence of transactions with related parties, including the Company and officers of subsidiaries.

### **General Principle 2. Appropriate Cooperation with Stakeholders Other Than Shareholders**

#### Principle 2.1 Management Principles as the Foundation of Corporate Value Creation over the Medium- to long-Term

- (1) To maintain the confidence of all kinds of stakeholders and improve the corporate value over the medium- to long-term, the Company has established the following principles:

##### <<Mission>>

Create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals.

##### <<Management Principles>>

Continue developing seasoned, true professionals based on people-centered management.

Face risks with entrepreneurial drive and inspire continual innovation by breaking through the boundaries of convention.

Optimize investments through portfolio management that integrates real estate and finance.

Remain committed to quality, seek value globally and expand our network of cooperation.

Maintain fair business practices while pursuing world-class management quality.

##### <<Action Principles>>

Ceaselessly sharpen professional attitudes, knowledge and skills.

Think and collaborate to become a learning organization.

Stay true to our word, make clear decisions, and act speedily.

Create an enjoyable, positive corporate culture through mutual respect and teamwork.

#### Principle 2.2 Code of Conduct

- (1) The Company establishes, as the ethics code, matters to be complied with when employees, etc. carry out operational activities under the principles set forth in the preceding paragraph, and keeps them informed of and complied with the ethics code through training, etc. under the risk management and compliance program to be established every fiscal year.
- (2) The Company continues to enhance the awareness of all employees of the mission, management principles, action principles and ethics code, while periodically researching and confirming the degree of penetration thereof and providing a report at a meeting of the Board of Directors.

#### Principle 2.3 Sustainability Issues, including Social and Environmental Matters

- (1) With regard to social issues, environmental issue and other issues related to sustainability, after establishing the Tosei Group ESG Policy and the Tosei Group ESG Action Guidelines, the Company shall take appropriate actions across the Group while positioning the Sustainability Committee, a subordinate body to the Board of Directors, as the core organization. In particular, to advance initiatives aimed at reducing the impact on the global environment, established

the Tosei Group Environmental Policy and rolled out to business activities.

- (2) Sustainability-related issues include consideration of global environmental issues such as climate change, respect for human rights, consideration for the health and working environment of employees and their fair and appropriate treatment, fair and appropriate trade with suppliers, and crisis management to deal with natural disasters and other events. The Board of Directors views responses to these issues as important management issues that not only mitigate risks but lead to revenue opportunities, and will engage in in-depth consideration by establishing the “Tosei Group Human Rights Policy” and “Tosei Group Health & Productivity Management Policy” in order to tackle these issues in a proactive manner from the perspective of enhancing corporate value in the medium and long term.

#### Principle 2.4 Ensuring Diversity, including Active Participation of Women

- (1) The Company recognizes the importance of ensuring diversity inside the Company and eliminates the disparity of treatment based on gender or nationality of employees, etc., while striving for corporate sustainable growth by conducting business promotion based on “mutual respect and teamwork” importance as set out in the action principles.
- (2) In light of the importance of human resource strategies in enhancing corporate value in the medium-to-long-term, the Company will continue to engage in human resource development based on its basic policy on human resource development, while also revising various personnel systems to meet the requirements of the time and developing environments that enhance engagement of employees.

#### Principle 2.5 Whistle-blowing

- (1) The Company has established a whistle-blowing system providing three types of contact points, “Tosei Hot Line” to which any officer, employee, etc. can report when he/she detects any act that is or is likely to be in breach of laws and regulations, etc., and the Company continues to keep officers, employees, etc. educated and informed of the system:
  - (i) An internal contact point that leads to the chairperson of the Risk Management and Compliance Committee;
  - (ii) An internal contact point that leads to full-time Audit & Supervisory Board Members; and
  - (iii) An external contact point that leads to a dedicated external service provider (anonymity of the whistle-blower is protected).
- (2) If the Company has received a report through the whistle-blowing system, it conducts an investigation of the facts in a prompt and appropriate manner to take necessary measures, as well as reports the result thereof to the Board of Directors and the whistle-blower.
- (3) The Company thoroughly implements the information-management relating to whistle-blowing, as well as protects the whistle-blower so that he/she will not receive disadvantageous treatment by reason of the whistle-blowing pursuant to laws and regulations and internal rules.
- (4) The chairperson of the Risk Management and Compliance Committee periodically confirms the status of penetration and operation of the whistle-blowing system and reports to the Board of Directors.

### **General Principle 3. Ensuring Appropriate Information Disclosure and Transparency**

#### Principle 3.1 Disclosure Enhancement

- (1) The Company discloses the following information in a timely and appropriate manner in order to gain a sound recognition and understanding from all stakeholders including shareholders, investors, business partners, and the community:
  - (i) Information required to be disclosed as set out under various laws and regulations, etc. including the Companies Act and the Financial Instruments and Exchange Act, and rules and regulations, etc. of the Tokyo Stock Exchange and the Singapore Exchange, respectively (including supplementary materials for financial results) (to be disclosed by the prescribed method of disclosing and on the Company’s corporate website (Japanese/English));
  - (ii) The mission, management principles, action principles, summary of the long-term vision, summary of the

medium-term management plan, and summary of annual business plan of the Company (to be disclosed on the Company's corporate website); and

(iii) The Company's sustainability initiatives, risks related to climate change, and the impact that revenue opportunities have on the Tosei Group (disclosed on the Company website).

(iv) Fundamental approach and basic policy regarding corporate governance (to be disclosed in the "Corporate Governance Report" submitted to the Tokyo Stock Exchange and the Company's corporate website (Japanese/English)).

(v) The Board of Directors' policy and procedures in determining the remuneration for Directors;

The Company has a basic policy to properly combine and determine a fixed remuneration based on job responsibility, a performance-based bonus, stock options, the rights of which may be exercised after the lapse of a certain period, and the Company's share-based payment depending on the performance result of a certain period in order to realize the medium- to long-term growth of the Group. The Board of Directors determines the remuneration for Directors based on the result of discussion regarding adequacy of remuneration at the Nominating and Compensation Advisory Committee.

(vi) The Board of Directors' policy and procedures in nominating Director candidates/Audit & Supervisory Board Member candidates;

In order to respond promptly and appropriately to the changes in the business environment, and to achieve a sound growth of the Group, the Company has a basic policy to nominate persons having the requisite knowledge for a Director and being familiar with the details of the finance and business, etc. of the Group, as Executive Directors, and for directors other than Executive Directors (including Outside Directors, hereinafter referred to as "Non-Executive Directors"), appoints persons who can oversee the management from an independent and objective standpoint and be expected to provide constructive advice and recommendations to Executive Directors. The Board of Directors determines the candidates based on the result of discussion regarding appropriateness of nomination of candidates at the Nominating and Compensation Advisory Committee comprised of Outside Directors/Outside Audit & Supervisory Board Members. In addition, for Audit & Supervisory Board Members, the Company has a basic policy to nominate persons who can audit the operation of the Board of Directors, execute of duties of directors from an independent and objective standpoint, and provide constructive advice and recommendations for the increase of corporate value with their knowledge. The Board of Directors determines the candidates based on the result of discussion at the Nominating and Compensation Advisory Committee in the same manner as the case of Director candidates with the consent of the Audit & Supervisory Board.

(vii) Explanation with respect to the individual appointments and nominations when the Board of Directors nominates Director/Audit & Supervisory Board Member candidates (to be stated in the agenda of the General Meeting of Shareholders and disclosed on the Company's corporate website);

(viii) Policy and procedures in determining appointment / dismissal and remuneration for Executive Officers:

With regard to Executive Officers, a person who can execute the corporate business in good faith as an officer in charge of executing the business who participates in the company management and thereby can strive to develop the company's business is appointed at the meeting of the Board of Directors. If an Executive Officer in office is deemed to be ineligible to engage in company management by the Board of Directors, he or she shall be dismissed. Remuneration for Executive Officers is comprised of fixed remuneration based on job responsibility, a bonus based on the company's performance and the performance of business operations of each Executive Officer, and stock options, the rights of which may be exercised after the lapse of a certain period, which motivate Executive Officers to execute their duties, and are determined by the Board of Directors.

- (1) The Company and Accounting Auditor recognizes that Accounting Auditor bears responsibility for securing the confidence in financial reporting to shareholders and investors, and takes the appropriate measures in addition to those set forth in this basic policy for the purpose of securing a proper audit.
- (2) In evaluating and appointing Accounting Auditor candidates, the Audit & Supervisory Board establishes the “evaluation criteria for Accounting Auditor” and “selection criteria for Accounting Auditor,” and carries out evaluation and appointment of Accounting Auditor candidates.
- (3) Through meetings in which the audit corporation explains its audit results to the Directors and meetings in which Accounting Auditor reports to the Audit & Supervisory Board, held for every quarterly closing, and audit implementation status, etc., Directors, Audit & Supervisory Board Members, and the Internal Audit Department maintain close cooperation with the Accounting Auditor, and confirm whether or not the Accounting Auditor is maintaining its independence and expertise. Further, if requested by the Accounting Auditor, the Executive Directors set up a meeting time.
- (4) Directors and Audit & Supervisory Board draw up, upon prior discussion with Accounting Auditor, an account closing and audit schedule, and secure sufficient time for the audit.
- (5) If Accounting Auditor detects any misconduct and asks for a proper response or identifies inadequacies or concerns, the Executive Officer in charge or head of the division investigates and corrects such inadequacies or concerns on the instruction of the Representative Director or Other Executive Directors. In addition, the Audit & Supervisory Board, driven by full-time Audit & Supervisory Board Members, investigates and asks the Board of Directors for a report on the results of the investigation and the state of correction.

#### **General Principle 4. Responsibilities of the Board**

##### **Principle 4.1 Roles and Responsibilities of the Board of Directors (1)**

- (1) The Board of Directors, under the Company’s mission and management principles, resolves the matters set out in laws and regulations, the Articles of Incorporation and the regulations of Board of Directors, and discusses and resolves the important matters concerning business execution set out in the Company’s rules on delegation of operational authority.
- (2) The important matters set forth in the preceding paragraph mean the matters regarding formulation of a medium-term management plan, formulation of an annual business plan (including budget), establishment/revision and abolition of important rules, investment/borrowing funds above a certain amount, appointment/dismissal/delegation of Executive Officers, formulation/confirmation of operational status of risk management and compliance program, exercise of voting rights of consolidated subsidiaries on the matters to be resolved at the General Meeting of Shareholders, and establishment/operation of internal control systems relating to the entire Group.
- (3) The progress/achievement status and analytical result of a medium-term management plan and annual business plan are confirmed semi-annually at the meeting of the Board of Directors, and reflected in the planning for the next semi-annual period/next fiscal year onward, and the annual achievement status is reported in the business report, and is explained at the General Meeting of Shareholders.
- (4) With the recognition that adequate supervision by the Board of Directors and Outside Directors, and existence of leaders of each division such as Executive Directors including the President and CEO and Executive Officers are essential to corporate sustainable growth, and that fostering of the next generation of such leaders is the top priority, the Board of Directors provides candidates for the next generation with the opportunity for self-improvement, and appoints Executive Officers at the meeting of the Board of Directors after conducting appropriate personnel evaluations regarding business execution. In addition, the Board of Directors evaluates Executive Officers each fiscal year, and conducts appropriate supervision to ensure that sufficient time and resources are invested systematically to foster the next generation of leaders who will be successors of Executive Directors and Executive Officers.

#### Principle 4.2 Roles and Responsibilities of the Board of Directors (2)

- (1) The Board of Directors conducts multilateral review of various measures proposed by Executive Directors and their decision-making to secure the adequacy and appropriateness of the corporate decision-making, and supports the implementation of approved proposals by providing constructive recommendations and advice based on the Company's mission in order to enhance the sustainable growth and medium- to long-term corporate value.
- (2) Remuneration for Executive Directors is fixed remuneration based on their job responsibilities, a performance-based bonus, stock options, the rights of which may be exercised after the lapse of a certain period, and the Company's share-based payment depending on the performance result of a certain period. Remuneration for Executive Officers is fixed remuneration based on their job responsibilities, a performance-based bonus, and stock options, the rights of which may be exercised after the lapse of a certain period. Remuneration for Directors is determined by the Board of Directors with due respect for the details reported based on the result of discussions on the adequacy thereof at the Nominating and Compensation Advisory Committee. Rules on determining remuneration for Executive Officers and remuneration thereof are determined at the meeting of the Board of Directors.
- (3) From the perspective of enhancing corporate value in the medium-to-long-term, in accordance with the Tosei Group ESG Policy and the Tosei Group ESG Action Guidelines related to the Company's sustainability efforts, the Board of Directors reflects strategies on the appropriate allocation of management resources including human resources and business portfolio strategies in its Medium-term Management Plan and annual business plans, and effectively monitors their execution to ensure they contribute to the sustainable growth of the Tosei Group.

#### Principle 4.3 Roles and Responsibilities of the Board of Directors (3)

- (1) The Board of Directors conducts a performance evaluation of the Company in an appropriate manner and properly reflects such evaluation in the evaluation of business execution of and judgment of appointment and dismissal of Executive Directors, and Executive Officers. In doing so, the Board of Directors oversees matters so as not to get trapped into an excessive expansion of the corporate scale or not to place the business performance as the top priority as a result of being too conscious of improving corporate value and corporate growth.
- (2) In addition to the previous item, in the appointment of the President and CEO, the Board of Directors invests sufficient time and resources into appointing a CEO who is equipped with the necessary qualifications through objective, timely and transparent procedures. Furthermore, if a CEO in office is deemed to not be fully fulfilling his or her role, the Board of Directors shall establish a set of objective, timely and transparent procedures to dismiss the CEO.
- (3) The Board of Directors establishes organizations relating to the entire Group managing the development of systems such as building/operation of internal control systems, risk management, legal compliance, and timely disclosure (Corporate Governance Meetings, Risk Management and Compliance Committee, Information Disclosure Committee). and regularly receives reports from these organizations and shall also make effective use of the Internal Audit Department to supervise appropriately the operation of internal controls. In addition, the Board of Directors also conducts adequate supervision over the transactions involving conflict of interest between Directors and the Company.

#### Principle 4.4 Roles and Responsibilities of Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) Audit & Supervisory Board Members audit the operation of the Board of Directors and execution of duties of Directors from an independent and objective standpoint, and provide constructive advice and recommendations for the increase of corporate value with their knowledge. Meetings of the Audit & Supervisory Board are held on a monthly basis as a rule, where necessary matters are resolved and discussed. In addition, audit activities of full-time Audit & Supervisory Board Members are reported to part-time Audit & Supervisory Board Members at the meeting of the Audit & Supervisory Board in order to share information among all Audit & Supervisory Board Members.
- (2) When fulfilling their roles and responsibilities including exercising authority regarding the appointment, dismissal and auditing fees of Audit & Supervisory Board Members and accounting auditors (auditing firms), Audit & Supervisory

Board Members and the Audit & Supervisory Board shall make appropriate decisions from an independent and objective standpoint.

- (3) Audit & Supervisory Board Members attend the meeting of the Board of Directors, in addition to management meetings consisting of Executive Officers appointed by the President and CEO, and actively and proactively exercise their powers, conduct legal compliance and adequacy audits, and express their opinions at the meeting of the Board of Directors or to the management appropriately. In addition, Audit & Supervisory Board Members confirm and discuss corporate governance concerns for the purpose of increasing corporate value and matters regarding internal controls at Corporate Governance Meetings consisting of Executive Directors and full-time Audit & Supervisory Board Members held on a monthly basis.
- (4) Full-time Audit & Supervisory Board Members carry out periodic interviews mainly with the management including the President and CEO, important employees, and representative director of each of the Group companies pursuant to the Audit & Supervisory Board Members' audit plan, receive a report on each of the duties in charge, and exchange opinions.
- (5) The Audit & Supervisory Board strives to strengthen cooperation, collect information and develop the audit environment by regularly holding meetings to exchange opinions with Non-Executive Directors, meetings to exchange opinions with the Internal Audit Department, and interviews with Accounting Auditor.

#### Principle 4.5 Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members

- (1) Directors fully recognize their fiduciary responsibility and accountability to shareholders, and aim for corporate sustainable growth and further increase of corporate value.
- (2) Audit & Supervisory Board Members assume responsibilities to secure sound and sustainable corporate growth and establish a good quality corporate governance system that can respond to social confidence by auditing execution of the duties of Directors as independent organization mandated by shareholders.

#### Principle 4.6 Business Execution and Oversight of the Management

- (1) In order to ensure effectiveness of independent and objective oversight of management by the Board of Directors, the Company appoints at least one-third of the directors to be Independent Outside Director.

#### Principle 4.7 Roles and Responsibilities of Independent Outside Directors

- (1) Independent Outside Directors oversee other Directors, participate in resolution of material matters at the meeting of the Board of Directors, and provide constructive advice and recommendations on the reported matters regarding business execution, based on their independence and with their knowledge.
- (2) Independent Outside Directors (one person or more), as constituent members of the Nominating and Compensation Advisory Committee, propose their opinions as to validity of nomination of Director/Audit & Supervisory Board Member candidates, appropriateness of remuneration for Directors, and make efforts to ensure fairness of the appointment of Directors and determination of remuneration.
- (3) Independent Outside Directors (one person or more), as members of the Independent Committee providing advice on the trigger of takeover defense measures, make a decision as to whether or not the purpose of acquisition of the acquirer is contrary to the common interests of shareholders.

#### Principle 4.8 Effective Use of Independent Outside Directors

- (1) At least one-third of the directors shall be Independent Outside Director who contributes to corporate sustainable growth and increase of corporate value in the medium- to long-term.
- (2) Executive Directors make efforts to provide information and share awareness with Independent Outside Directors so that they can sufficiently fulfill their roles.
- (3) A meeting to exchange opinions with Independent Outside Directors and Audit & Supervisory Board Members is regularly held to verify the validity of business execution by the management.



#### Principle 4.9 Independence Standards and Qualification for Independent Outside Directors

- (1) Standards for independence provided by the Company are as follows:
  - (i) He/she has not been an officer/employee of the Group in the past 10 years;
  - (ii) He/she is not or was not an employee of any business partner whose value of transaction with the Group accounts for 2% or more of the Company's consolidated sales (except for a former employee with respect to whom one year or more have passed since he/she ceased to belong to such business partner);
  - (iii) He/she is not a major shareholder of the Company (holding 10% or more of the total voting rights) or a person who executes its business;
  - (iv) He/she is not a person with respect to whom the Group holds 10% or more of the total voting rights or a person who executes its business;
  - (v) He/she is not an attorney, accountant, etc. who receives remuneration of YEN 10 million or more per annum from the Group other than remuneration for officers; and
  - (vi) There are otherwise no circumstances with respect to him/her that may cause doubt as to the independence in executing duties as Independent Outside Director.
- (2) A person who has a wide range of experience and knowledge as Independent Outside Director, and can provide frank, lively, and constructive opinions, advice, and recommendations at meetings of the Board of Directors is nominated.
- (3) The standards in (1) above shall apply mutatis mutandis to the determination of the independence of outside Audit & Supervisory Board Members.

#### Principle 4.10 Use of Optional Approach

- (1) More than one full-time Audit & Supervisory Board Member is appointed in order to sufficiently exert the functions of Audit & Supervisory Board Members/Audit & Supervisory Board.
- (2) As an advisory body of the Board of Directors concerning remuneration for Directors and nomination of Director candidates (including succession plans), established the Nominating and Compensation Advisory Committee which more than half of the members comprised by Independent Outside Directors and Outside Audit & Supervisory Board Members and other members.
- (3) In relation to takeover defense measures, an Independent Committee is established in order to make a decision as to whether or not the purpose of acquisition of the acquirer is contrary to the corporate values of the Group or the common interests of its shareholders.

#### Principle 4.11 Preconditions to secure effectiveness of the Board of Directors and Audit & Supervisory Board

- (1) The Board of Directors places importance on diversity in terms of gender, internationality, work experience, age, etc. and is comprised of Directors who are familiar with the Group's philosophies, the details of finance and business, etc., Directors overseeing management from an objective standpoint, and Independent Outside Directors having a wide range of experience and knowledge, and being independent. In order to further enhance the effectiveness of the Board of Directors, the Company firmly maintain the number of Directors appropriate to the Company's business operations, and any decision-making in relation to business execution is delegated to the President and CEO excluding those with importance stipulated in the Companies Act and those involving a large amount of money.
- (2) Persons who have appropriate experiences and capabilities as well as knowledge regarding finance, accounting and legislation are appointed as Audit & Supervisory Board Members. In particular, at least one person who has sufficient knowledge regarding finance and accounting is appointed as an Audit & Supervisory Board Member.
- (3) When nominating candidates for director, the Board of Directors shall confer with the General Meeting of Shareholders on candidates for directors, taking into account the balance of knowledge, experience and abilities as for the Board of Directors as a whole as well as the Board's diversity and size, and combining the skills held by directors in an appropriate manner in light of the management environment, business characteristics and other factors.

- (4) If any Director or Audit & Supervisory Board Member serves concurrently as an officer of another listed company, the Company confirms the impact on the performance of his/her job responsibility as an officer of the Company in advance when appointing him/her, and discloses the status of additional post every year through a notice for convening the General Meeting of Shareholders after the appointment.
- (5) The Board of Directors analyzes/evaluates the effectiveness of the entire Board of Directors every year by reference to the self-assessment of each Director, and discloses the outline of the result thereof in the "Corporate Governance Report", and uses the analysis and evaluation result for the enhancement of the effectiveness of the Board of Directors for the next fiscal year onward.

Principle 4.12 Active Board of Directors Deliberations

- (1) The president-and-director presides over the meeting of the Board of Directors, and makes efforts so that frank, lively, and constructive discussions are conducted.
- (2) Agendas to be submitted to the meeting of the Board of Directors are discussed in advance at the meetings listed below held five days prior to the meeting of the Board of Directors as a general rule. Issues are summarized, points at issue are extracted, and additional materials are prepared for the deliberation of the Board of Directors:
  - (i) Pre-Board meeting discussion (agendas for arbitrary decision of the Board of Directors under laws and regulations, etc. and matters regarding exercise of voting rights on agendas of the General Meeting of Shareholders by each of the Group companies)  
(to be discussed by Executive Directors, full-time Audit & Supervisory Board Members, and Executive Officer in charge of the administrative department; Non-Executive Directors and part-time Audit & Supervisory Board Members as observers); and
  - (ii) Management meeting (of the matters regarding business execution of the Company, matters stipulated by the Company as matters to be resolved at the meeting of the Board of Directors)  
(to be discussed by Executive Officers appointed by the President and CEO; Non-Executive Directors and Audit & Supervisory Board Members as observers).
- (3) Executive Directors share the result of the preliminary discussion set forth in the preceding paragraph with Non-Executive Directors and part-time Audit & Supervisory Board Members who did not observe the respective meetings, prior to the meeting of the Board of Directors to reinforce the deliberation of agendas at the meeting of the Board of Directors.
- (4) The Board of Directors determines the schedules of the regular meetings of the Board of Directors held on a monthly basis and extraordinary meetings of the Board of Directors for account closing held on a quarterly basis at the beginning of each fiscal year, and notifies each of Directors/Audit & Supervisory Board Members of such schedules.

Principle 4.13 Information Gathering and Support Structure

- (1) Directors and Audit & Supervisory Board Members request information and materials regarding information necessary for the execution of their duties from the department in charge. The relevant department promptly provides such information upon the request.
- (2) The Board of Directors has Executive Officers in charge of the departments related to the agendas to be submitted or general managers of such departments, etc., attend the meetings of the Board of Directors, explain the agendas, and provide necessary information as needed for the purpose of reinforcing the deliberation at the meetings.
- (3) With regard to Non-Executive Directors, the General Affairs Department, which is the Board Meeting Office, supports provision of information and explanation, etc. necessary for execution of their duties. Furthermore, with regard to the Audit & Supervisory Board Members, by concurrently serving as assistant employees, the personnel of the Internal Audit Department support provision of information and explanation, etc. necessary for execution of their duties.
- (4) Audit & Supervisory Board Members cooperate with the Internal Audit Department to collect necessary information,

conduct regular interviews with Executive Directors, Executive Officers and important employees, and make efforts to ascertain the business execution status.

- (5) Directors and Audit & Supervisory Board Members exchange information with experts such as attorneys and accountants as necessary to receive advice. Any expenses arising in relation thereto are borne by the Company.
- (6) The Internal Audit Department regularly reports the result of internal audits to the Board of Directors and Audit & Supervisory Board. In addition, the periodic meetings at which Executive Directors and full-time Audit & Supervisory Board Members exchange opinions are held to enhance cooperation.

#### Principle 4.14 Training of Director and Audit & Supervisory Board Members

- (1) The Company provides guidance to new Directors and Audit & Supervisory Board Members on the roles and responsibilities of officers, the business content of the Group, management policy, management plans, corporate governance, risk management systems, and provides opportunities for external training as necessary.
- (2) Directors and Audit & Supervisory Board Members make efforts to improve themselves in order to fulfill their expected roles/responsibilities. The Company continues to provide opportunities for internal and external training so that they can acquire and update the requisite knowledge and improve themselves. Particularly with regard to Directors excluding Outside Directors, the Board of Directors shall endeavor to enhance experience levels in corporate management and develop management skills by having them assume concurrent positions in subsidiaries.

### **General Principle 5. Dialogue with Shareholders**

#### Principle 5.1 Policy for Constructive Dialogue with Shareholders

- (1) The Company actively engages in dialogue with shareholders with the aim of enhancing corporate growth and increasing corporate value.
- (2) The Company nominates President & CEO as well as Directors in charge as a contact person of dialogue with shareholders. The President & CEO and Directors in charge shall actively participate in dialogue with shareholders in cooperation with the Corporate Management Department, the first contact point in charge of dialogues, and the General Affairs Department, in charge of shareholder management. At the request of shareholders and in other situations, the Company shall make available opportunities to interview Non-Executive Directors and Audit & Supervisory Board Members. Directors in charge periodically reports the opinions, etc. of shareholders ascertained in the dialogue with them to the Board of Directors.
- (3) The main specific efforts are as follows:
  - (i) Business strategy presentation meeting for shareholders following the Ordinary General Meeting of Shareholders;
  - (ii) Results presentation meeting for institutional investors and analysts held twice a year (the presentation video is posted on the Company's corporate website);
  - (iii) Briefing session for individual investors (as needed); and
  - (iv) Individual meeting (as needed).
- (4) The Company shall endeavor to prevent insider trading by providing ongoing training to employees, etc. in order to practice the appropriate management of insider information, and when disclosing information, shall make every effort to make accurate and prompt disclosures while emphasizing the fairness and soundness of market transactions.

#### Principle 5.2 Establishing and Disclosing Business Strategy and Business Plan

- (1) The Company formulates a business plan each year after making an accurate assessment of its own capital cost, and discloses the target values for revenue, operating profit, profit for the year in the financial statements, as well as provides explanations about the specific business strategy, etc. to achieve the goals at the Business strategy presentation meeting and Results presentation meeting, etc.
- (2) When the Company has revised its business portfolio in the course of formulating management strategy, the Company

shall disclose its approach regarding the changes.

- (3) The business plans are reviewed depending on the performance condition, as appropriate. Any changes to the business plans are disclosed in a timely manner.

#### Miscellaneous

- (1) This basic policy come into effect as of May 25, 2016.
- (2) Revision or abolition of this basic policy is subject to a resolution of the Board of Directors.
- (3) After partially amendment, this basic policy will come into force as from August 1, 2024.