

Basic Policy of Corporate Governance

The Company determined the basic policy under the determination of the board of directors. It is for the Company to continuously grow and enhance the mid-term/long-term value under the philosophy and it enables shareholders to have our shares in the mid-term/long-term. It also aims for realizing the optimal corporate governance. The Company discloses the basic policy in a timely and appropriate manner when the Company revises it.

Chapter1 General rules

(Basic philosophy of corporate governance)

Article1 The Company consistently pursues optimal corporate governance and is committed to its continuous improvement

2 To achieve sustainable growth and enhance medium- to long-term corporate value, we believe that the essence of corporate governance lies in ensuring transparency and fairness in decision-making, effectively utilizing our management resources, and fostering dynamic management through prompt and decisive decision-making. In line with the following basic principles, we are dedicated to enhancing our corporate governance framework:

- (i) Respect shareholder rights and ensure equality.
- (ii) Consider the interests of all stakeholders, including shareholders, and collaborate with them appropriately.
- (iii) Disclose company information appropriately to maintain transparency.
- (iv) Establish mechanisms where independent outside directors play a crucial role (e.g., board composition, nomination, and compensation advisory committees) to strengthen the board's supervisory functions.
- (v) Engage in constructive dialogue with shareholders who have investment policies aligned with the medium-to long-term interests of shareholders.

Chapter2 Ensuring rights and equality of shareholders

(Shareholder meetings)

Article2 The Company makes efforts for early delivery of notices of convening annual shareholder meetings in order for shareholders to ensure sufficient time to consider the agenda of shareholder meetings and to exercise voting rights in an appropriate manner. The Company also discloses the notices on the website immediately after the delivery.

- 2 The Company makes efforts for all shareholders including whom do not attend to the meetings can exercise voting rights by utilizing the Electronic Voting Platform.

(Ensuring equality of shareholders)

Article3 The Company discloses its information in a timely and appropriate manner to treat shareholders equally in proportion to their share and not to generate information gap between shareholders.

(Basic policy regarding strategic holdings and exercising voting rights of them)

Article4 The Company can have shares of client companies which is listed to aim for enhancing the corporate value in mid-term/long-term by maintaining and enhancing the business relationships with clients.

- 2 About strategic holdings, the Company considers the following economic rationality and future insights of : ①risks of having strategic holdings including price decline, ② possible return with maintaining and enhancing the business relationship, ③ accordance with the basic philosophy of capital policy of the Company. In addition, the Company respect its intention when companies which have shares of the Company as strategic holdings (strategic shareholders) want to sell them.
- 3 The Company considers comprehensively whether basically it contributes to the sustainable development and the mid-term/long-term improvement of corporate values of both the Company and clients, whether the agenda suit with the basic policy of strategic holdings, whether it contributes to the efficient and healthy management of clients and whether it contributes to the improvement of corporate value.

Chapter 3 Considering the benefits of stakeholders

(Ethical standards and conflict of interest)

Article5 The Company determines ethical standards in the board of directors separately and disclose it in order to ensuring directors, executive officers and employees always ethically behave.

- 2 The Company has to explain the contents of deals and gets approval when it deals with its board members and major shareholders (related-party transactions) in order not to harm the interest of itself and shareholders common ones and when the deal applies to conflict of interest transaction which is stipulated by Companies Act. The Company regularly reports to board of directors about the situation of the deals after the approval.
- 3 The board members have to immediately report to board of directors and get approvals of it when problems regarding conflicts of interest(including potential ones) occurs of themselves.

(Relationships with stakeholders)

Article6 The board of directors considers the interests of various stakeholders including not only shareholders but also employees, customers, clients, creditors and local community in order for the enhancement of mid-term/long-term corporate value.

- 2 The Company clearly states the following in the employment regulations and other

related internal company regulations: Various stakeholders including employees can convey violation of laws or concerns about unethical practices to the board of directors (or board of auditors when appropriate). They aren't be treated unfavorably by these actions.

(Sustainability)

Article 7 The Company aims for sustainable society. It develops and promotes activities which solve matters of the society and meet the expectation of it through conversations and cooperation with various stakeholders

(Owners of asset)

Article 8 The Company develops appropriate human resource who manage corporate pensions appropriately in accordance with the scale of them under the fact that managing deposit of corporate pensions affects to stable asset building of employees and financial situation of the Company itself.

- 2 The Company makes efforts to appropriately manage conflicts of interest occurring between corporate pension and the Company by receiving regular reports about managing situation and stewardship activities by entrusted managing organizations.

Chapter 4 Appropriate information disclosure and ensuring transparency

(Appropriate information disclosure and ensuring transparency)

Article 9 The Company announces policies including management philosophy, management strategy and management plan, which aiming for ensuring transparency and equality of management and discloses financial information including management results and management indicators based on capital cost in a timely and appropriate manner.

- 2 The board of directors determines the policies about risk management of the Company and the corporate group including the Company, internal controls system and compliance with laws based on Companies Act and other applied laws and ordinances

Chapter 5 The role of the board of directors

Section 1 Responsibility of the board of directors as the supervisory authority

(The role of the board of directors)

Article 10 The board of directors realizes efficient and effective corporate governance for all shareholders who aim to enhance interests of themselves through the maximization of the mid-term/long-term corporate value under the entrustment of shareholders. It takes responsibility of the sustainable development and maximization of the mid-term/long-term corporate value through the realization of corporate governance.

- 2 The board of directors ensures the impartiality and transparency of management by exercising supervisory functions about general management and makes the best decisions for the Company through nominations/dismissals of CEO and other management members, assessment, deciding their reward, assessment and formulation of response measures for significant risks the Company faces and deciding management of important business in order to take the responsibility of the preceding paragraph.

(The role of independent outside directors)

Article11 One of the roles of independent outside directors in the Company is verifying and assessing the results of management and performance of management members at any time in light of management strategies and management plans board of directors determined, judging whether it is right to entrust current management members to manage the Company from the perspectives of common interests of all shareholders and stating opinions.

(The chairperson of the board of directors)

Article12 The chairperson of the board of directors makes efforts to enhance the quality of conversation of the board of directors and manage it effectively and efficiently. The chairperson of the board of directors has to be concerned about ensuring efficient time for all agenda (especially about strategic agenda) and each member of the board can take appropriate information in a timely manner in order to take the above responsibilities.

Section2 Effectiveness of the board of directors

(The Composition of the board of directors and board of auditors)

Article13 The number of the board of directors is within the number which is stipulated in the articles of incorporation. At least more than 2 members are independent outside directors.

- 2 The number of the board of auditors is within the number which is stipulated in the articles of incorporation. More than half of them are outside auditors.
- 3 The company installs the Nomination Advisory Committee and the Compensation Advisory Committee as advisory committees of the board of directors. Each advisory committee is composed of more than 3 directors and ensures equality and transparency.

(The qualification of the directors and procedure of the nomination)

Article14 The directors in the Company has to be the one who has superior character, views and capacity, vast experience and high ethical standards.

- 2 The Company has to be concerned about the gender, age, internationality, capacity and other composition of the board of directors and balance the board of directors with knowledge, capacity and specialty of various fields when it determines the candidates of directors in order to ensure the effectiveness of the board of directors.
- 3 Term of office of all directors in the Company is 1 year and reappointments are not precluded.
- 4 Candidates of newly appointed directors (including substitute ones are determined in the board of directors after the impartial, transparent and rigid examination and recommendation of the Nomination Advisory Committee in accordance with the article.

(The qualification of the auditors and procedure of the nomination)

Article15 Ones who have superior character, high ethical standards and knowledge of finance, account and judicial affairs required have to be appointed as the auditors of the

Company. Especially, at least 1 person who has sufficient knowledge of finance and account has to be appointed.

- 2 Auditors audit the execution of directors' duties for the purpose of contributing the healthy and impartial management of the Company and living up to social faith as the independent organization which is entrusted by shareholders.
- 3 Candidates of newly appointed auditors (including substitute ones are determined in the board of directors after the impartial, transparent and rigid examination and recommendation of the Nomination Advisory Committee in accordance and the agreement of the board of auditors with the article.

(The criteria of independence of outside directors and outside auditor/restriction of concurrent posts of directors)

Article16 The board of directors formulates the criteria of independence of the Company as attached document and discloses it based on requirements stipulated in the Companies Act and the criteria of independence stipulated by the Financial Instruments Exchange (FIEEX).

- 2 Outside directors and outside auditors are banned from holding more than 3 concurrent positions of directors or auditors of other listed companies other than the Company. The situation of holding concurrent positions is written in the Notice of General Meeting of Shareholders based on laws and ordinances.

(The Nomination Advisory Committee)

Article17 The Nomination Advisory Committee recommend the agenda of the nomination and dismissal of the directors and executive officers after the consideration before the settlement and asking the opinions of independent outside directors. The committee also recommends the contents of the criteria of independence to the board of directors.

(The Compensation Advisory Committee)

Article18 The Compensation Advisory Committee recommends to the board of directors after considering the policy about reward of the directors (including selecting the indicators of performance which is eligible for the performance-linked compensation and the criteria of granting stock-related compensation) and the contents of individual rewards and asking opinions of independent outside directors.

(The indicators of assessing performance)

Article19 The board of directors determines the management indicators and its target values at any time ,which should be used when the board of directors, the Nomination Advisory Committee or the Compensation Advisory Committee assesses the performance of each directors in the medium-term management plan, with the discussion of the Nomination Advisory Committee and the Compensation Advisory Committee if needed.

(The responsibility of the directors)

Article20 The board of directors determines execution of important business and supervise the execution of business of directors.

- 2 The company entrusts the decision about execution of business of the Company, excluding ones which are stipulated as the resolutions of the board of directors in the provision of the board of directors, laws and ordinances with the management

members including representative director.

- 3 The directors demonstrate abilities expected, collecting sufficient information for the execution of the business, aggressively stating opinions, discussing for the Company with sufficient time and performing duties as directors.
- 4 The directors of the Company have to understand related laws and ordinances, the incorporation of the company, rules of board of directors and other internal rules and their responsibility sufficiently when they take office.
- 5 Materials about the agenda and draft agenda of the board of directors of the Company have to be distributed well enough ahead of the day of holding the meeting to each director including outside directors. (Especially high confidential matters can be excluded from this rule.)

(Diligent studies and induction courses of directors and auditors)

Article21 The Company provides the opportunity of gaining knowledge of the business, finance and organization of the Company depends on the needs of each directors when they take business in order for them to appropriately execute their roles and responsibilities requested after taking office.

- 2 The directors and auditors of the Company always have to aggressively collecting information and accumulating training in order to perform their roles.

(Access to the internal information by independent outside directors and auditors)

Article22 The independent outside directors and auditors can request explanations or reports to in-house director, executive officers and employees or can request the submission of the internal materials at any time when it is needed or they think appropriate.

- 2 The company installs the Secretariat of the Board of Auditors which has appropriate human resource and budget when needed in order for the board of auditors and each auditor to perform their duties appropriately.

(Exchanging and sharing information of independent outside directors and outside auditors)

Article23 The independent outside directors and outside auditors freely discuss about the business and corporate governance of the Company through the appropriate means including meetings and exchange and sharing information.

- 2 The independent outside directors and outside auditors select the head within them. The head of them takes the initiatives of the meetings. The head of them can discuss items raised in the meetings with management members, the board of auditors, accounting auditor and the internal audit department when needed.
- 3 The independent outside directors and outside auditors can utilize advisers of judicial affairs, account, finance and others independent from the management members and the advisers of the Company at the expense of the Company.

(Self assessment)

Article24 The Company analyzes, assesses and discloses the effectiveness of the whole of the board of directors based on the self-assessment of each director about items considered to be important in order for the board of directors to effectively perform its roles and responsibilities including the scale, composition, way of operating and situation of

investigation.

Section3 Compensation system

(The compensation of directors)

Article25 The compensation of the managing directors has to link to the mid-term/long-term interests of shareholders. It also has to be appropriate, impartial and balanced which can enhance managing directors' appetite for maximizing the corporate value of the Company

- 2 The Company discloses the policy about compensation of directors (including the policy about setting the proportion of performance-linked compensation including stock-related compensation) in a timely and appropriate manner which the board of directors determined based on the recommendation of the Compensation Advisory Committee.
- 3 The compensation of the independent outside directors has to reflect the time and responsibilities each independent outside directors relate to the business of the Company. It must not include the performance-linked element including stock-related compensation.
- 4 About the compensation of the directors, the board of directors determines the contents of draft agenda submitting to the shareholder's meetings and the amount of individual compensation based on the impartial considerations and recommendations of the Compensation Advisory Committee.
- 5 The Compensation Advisory Committee considers the type of industry, refers amounts of compensation of other companies which are appropriate to compare and judges the appropriateness of the amount of compensation when it recommends the amount of compensation of individual directors. In this case, the Compensation Advisory Committee also considers the amount of compensation of other officers and employees in the Company and in other companies in the same corporate group.

Chapter6 Dialogues with shareholders

(Dialogues with shareholders)

Article26 The company makes efforts to establish a system and initiatives in line with the following basic policy in order to promote constructive dialogues with shareholders.

- (i) The Company assumes the director who supervises the whole activities for dialogues with shareholders and the specialized department (the IR department) for implementation.
- (ii) The Company builds a mechanism which the IR department collaborates with other departments in company-wide in order for promoting dialogues with shareholders including briefings for investors and provides accurate information to shareholders.
- (iii) The company makes efforts to realize close communication with shareholders through financial briefings, IR events, seminars and observation tours of showrooms and facilities in the Company based on the situation of share holdings and opinions of shareholders.
- (iv) In the Company, the IR department organizes and analyzes opinions and concerns

- through dialogues with shareholders and reports them to the board of directors depends on importance and characteristic.
- (v) The Company pays sufficient attention not to generate a substantial information gap between shareholders. The Company discloses important information in a timely and appropriate manner and makes efforts to manage information thoroughly not to disclose information to parts of shareholders.

Chapter 7 Revising authority

(Revising authority)

Article27 The board of directors determines the revising of the Basic Policy. However, the director who in charge of the corporate planning department can make minor corrections

Enacted on December 8, 2015

Revised on June 29, 2017

Revised on December 7, 2018

Revised on June 27, 2019