

## **Basic Policy on Corporate Governance**

Last revised: December 26, 2024

### **Article 1 General Principles**

The Company recognizes the development and promotion of a corporate governance system as one of the important management issues to realize sustainable growth of our group and enhance corporate value over the medium to long term, under our corporate mission of "To thoroughly pursue customer needs of our customers and deliver valuable real estate." Based on this recognition, we have formulated and disclosed the "Corporate Governance Basic Policy" (hereinafter referred to as "this Basic Policy") which outlines our basic approach and fundamental policies regarding corporate governance for the group.

We position this Basic Policy as the highest standard for corporate governance in our group. While fully considering the intent and background of the Corporate Governance Code, we will practice management based on this Basic Policy.

### **Article 2 Management Structure**

#### **1. Management Policy**

##### **(1) Business Policy**

##### **A. Corporate Philosophy & Basic Management Policy**

The Company discloses the Group's corporate philosophy, management strategy, and management plans on its website and in our consolidated financial highlights, etc. Through sharing the corporate philosophy and company charter, the Company communicates the direction the Group is aiming for with its shareholders and investors (hereinafter referred to as "shareholders, etc.").

In addition, the Board of Directors and management executives disclose their performance targets every quarter and commit to shareholders, etc., while striving to achieve those goals. If the actual performance is anticipated to significantly deviate from the target, we will conduct a thorough analysis, explain the situation to shareholders, etc., and incorporate it in the subsequent plans.

##### **B. Appropriate Risk-Taking**

The Company acknowledges that the management team can exercise extensive discretion within the scope of their respective areas of expertise, and creates an environment that enables the management executives to take appropriate risks.

The Board of Directors thoroughly and comprehensively reviews the validity of proposals made by the management team, considering market trends and specific profit plans, etc. Also, when

implementing proposals approved by the Board of Directors, the responsibilities of the management team related to the execution are clearly defined, and the swift and decisive decision-making of the management executives is supported.

#### C. Information Disclosure

The Company, in addition to making disclosures based on laws and regulations, actively seek to provide essential information to various stakeholders, including shareholders, etc. In doing so, we strive as much as possible to provide high-value information, not only about quantitative data but also non-financial information.

Furthermore, the Company provides translations of particularly important information in English among the disclosed documents.

#### D. Fiduciary Responsibility of Officers and Executives

The officers and management team fully acknowledge their fiduciary responsibilities to each shareholder, etc., and strive to perform their duties towards the realization of common interests of shareholders, etc., including the enhancement of medium to long-term corporate value, while ensuring appropriate collaboration with stakeholders, including shareholders etc.

#### E. Remuneration of the Management Executives and Board of Directors

The Board of Directors establishes and discloses policies and procedures regarding the determination of remuneration for management executives and directors. They strive to ensure objectivity and transparency in these remuneration determination procedures as much as possible.

Furthermore, the Company aims to incentivize diligence towards improving medium to long-term corporate value, such as by granting performance-linked remuneration and stock compensation to the management team under fair and appropriate conditions.

#### F. Succession Plan

The Board of Directors recognizes the plan to nurture the next generation of leaders who will take on management as an important management issue and actively addresses it. We strive to assign appropriate responsibilities to the candidates who will take on the management of the next generation and promote a cycle of management, with oversight carried out by the Board of Directors.

#### G. Non-association with Antisocial Forces

The Group does not maintain any relationships with organized crime groups, professional troublemakers, or other anti-social forces, and firmly rejects any unjust demands from such entities.

### **(2) Capital Policy**

The Company's basic policy for capital management is to continue making growth investments to improve the long-term corporate value while keeping an eye on the balance between the capital efficiency and financial soundness of the entire Group. Additionally, we recognize returning profits to shareholders etc. as a key management issue. As a fundamental policy of dividend distribution, we

aim to continually deliver stable dividends while considering future business expansion and strengthening our financial position.

For capital policies that may lead to changes in control rights or significant dilution, the Board of Directors will make decisions in accordance with the provisions of the Companies Act, Financial Instruments and Exchange Act, Securities Listing Regulations, etc., after sufficiently deliberating on the necessity and rationality of the use of funds. In addition to disclosing information on the Company's website, we will communicate with shareholders, etc. by utilizing financial results briefings and general meetings of shareholders.

The Company, upon precisely comprehending the capital cost, will disclose information about profitability and capital efficiency targets, as well as policies and conditions related to the business portfolio, through financial results briefings, etc. We will also disclose specific steps to achieve these objectives and provide explanations to shareholders, etc.

## **2. Organizational Structure to Ensure the Appropriateness of Corporate Management**

### **(1) Duties and Functions of the Board of Directors**

#### **A. Basic Duties**

The Board of Directors takes on the following responsibilities primarily for sustained growth and enhancement of corporate value in the medium to long terms. The Company, acknowledges that the medium-term management plan is a commitment to shareholders, etc., and is dedicated to its development.

1. Constructive discussions on corporate strategies, etc., and the establishment of their direction.
2. Supervision of management's execution of duties, evaluation of the company's performance, and reflection of these evaluations in executive personnel decisions.
3. Appropriate supervision of information disclosure, as well as supervision of the establishment and operation of internal control systems and company-wide risk management systems.
4. Appropriate management of conflict-of-interest transactions.

#### **B. Initiatives to Invigorate the Deliberations of the Board of Directors**

The Board of Directors, in an effort to invigorate the discussions, will implement the following initiatives. Additionally, will strive to foster an atmosphere that respects open, frank, and constructive discussions and exchanges of opinions.

1. Distribute Board of Directors' materials well in advance of the meeting date.
2. Provide directors with additional information other than 1. in an appropriate format as needed.
3. Determine the annual schedule and the broad outline of expected deliberation items in advance.
4. Control the number of items for deliberation to an appropriate amount, while also holding Board of Directors' meetings at least once a month.
5. Ensure sufficient deliberation time.

Moreover, the Board of Directors, in order to enable swift and accurate decision-making, will conduct an analysis and evaluation of the overall effectiveness of the Board, and disclose its summary.

#### C. Nomination of Officer Candidates and Appointment/Dismissal of Management Executives

1. The Board of Directors makes decisions on the nomination of officer candidates and the appointment or dismissal of management executives following thorough discussions and exchanges of opinions, and in accordance with internal regulations. Furthermore, the Nomination and Remuneration Committee, independent of the Board of Directors, deliberates on the suitability of the selections and presents the results to the Board.

Particularly for the appointment or dismissal of management executives, including the CEO, we ensure the objectivity, timeliness, and transparency of the process. In cases where dismissal is considered, we thoroughly evaluate the existence and degree of violations of laws and articles of incorporation, physical and mental impairment, significant incompetence in duties, and failures in management judgment, among others. Based on these considerations, we decide on a proposal for dismissal following deliberation at the Board of Directors.

2. In nominating executive candidates, we define critical knowledge, experience, and capabilities relevant to the management of the entire Group, and consider these in combination with character, background, and other factors. On the other hand, when appointing or dismissing management executives, we consider their performance and contributions within the Company, and deem it crucial that they possess sufficient capabilities and expertise in their respective fields. Moreover, we will disclose the reasons for each appointment, dismissal, or nomination.

3. To ensure that the Board of Directors can make swift decisions while adequately performing its managerial functions, the Company has adopted a policy of nominating a select few qualified individuals, limiting the number of directors to the minimum necessary for job execution as stipulated in the articles of incorporation, and achieving a balance between diversity and appropriate size. Furthermore, the Company will disclose a list detailing the combination of skills possessed by the appointed directors.

#### D. Governance Structure and Matters Delegated to the Board of Directors

The Company outlines matters to be resolved by the Board of Directors in the Board of Directors Regulations and makes decisions on statutory matters and other issues of equal importance based on the Companies Act through Board resolutions. Under the governance structure stipulated in this basic policy, the Board of Directors deliberates and decides on statutory matters, management-related issues, and other key matters (such as specific distributions of surplus dividends and officer remuneration) in accordance with the Board of Directors Regulations. Conversely, the management team carries out specific operations in their respective fields of responsibility in line with the basic policies and management plans determined by the Board of Directors.

## **(2) Control by the Audit & Supervisory Board Members and Outside Directors**

### **A. Audit & Supervisory Board and Audit & Supervisory Board Members**

The Audit & Supervisory Board and the Audit & Supervisory Board Members are fully aware of their fiduciary responsibilities to shareholders, etc., and fulfill their duties based on an objective position independent from the Company. Moreover, the Audit & Supervisory Board and Audit & Supervisory Board Members actively collect information in close collaboration with the internal audit department, provide necessary opinions to the Board of Directors and management, and actively and positively exercise the authority granted to the Audit & Supervisory Board and Audit & Supervisory Board Members.

Regarding the nomination of Audit & Supervisory Board Members, we adopt a policy of appointing at least one person who not only possesses appropriate experience and abilities, but also has sufficient knowledge in finance, accounting, and legal affairs.

### **B. Outside Directors**

The Company will ensure that independent outside directors constitute more than one-third of the Board of Directors to ensure the effectiveness of management supervision by the Board. The Board of Directors will select candidates who possess independence and are expected to make positive contributions to board deliberations, based on the "Criteria for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members" as specified in the attached document "Appendix".

Independent outside directors, recognizing that they are expected to express their own opinions independently from the management team, will supervise the execution of duties and conflict of interest transactions by the management and directors. They will also provide advice for the medium to long-term improvement of corporate value, taking into full consideration the opinions of stakeholders.

### **C. Nomination and Remuneration Committee**

The Company will establish a Nomination and Remuneration Committee, in which outside directors make up a majority, as a voluntary mechanism aimed at enhancing corporate governance throughout the Group. This Committee has the authority to deliberate on the nomination of important officers within the Group, determine the amount of individual remuneration for our directors, and others. From an objective standpoint that maintains a certain distance from the execution of the Company's operations, it complements the decision-making of the Board of Directors.

## **(3) Control by Employees etc.**

### **A. Internal Reporting System**

In addition to the internal reporting system, the Company have set up an external reporting channel, independent of the management team, to comprehensively safeguard the confidentiality of

those providing information and to prevent any adverse treatment towards them. The Board of Directors will regularly receive updates on the functioning of the internal reporting system and will oversee its management.

#### B. Internal Audit Department

The Company has established an Internal Audit Department to strengthen internal controls. The Internal Audit Department will discuss the operational status of internal audits, implementation policies, key issues, etc. with the directors, Audit & Supervisory Board Members, and relevant departments. It will also strive for thorough information exchange and clear communication, playing a pivotal role in the tripartite audit system.

### **(4) Control by Outside Accounting Auditors**

#### A. Measures to Ensure Proper Auditing

The Board of Directors and the Audit & Supervisory Board will implement the following measures to ensure proper auditing.

1. Actively share information and provide materials to outside accounting auditors.
2. Pre-consultation with outside accounting auditors and provision of audit time designated by outside accounting auditors.
3. Regular meetings with top management based on requests from outside accounting auditors.
4. Information sharing among outside accounting auditors, Audit & Supervisory Board Members, internal audit departments, and outside directors.
5. Establishing a system to deal with cases where outside accounting auditors discover misconduct and request action.

#### B. Securing Appropriate Outside Accounting Auditors

The Audit & Supervisory Board will establish criteria for the appropriate selection and evaluation of outside accounting auditors and will review their suitability based on these criteria. Additionally, the board will regularly verify the independence and expertise of the outside accounting auditors through their audit implementation status, audit reports, and other means.

### **(5) Discipline Regarding Officers**

#### A. System for Accessing Information

The Company strives to maintain and strengthen the following systems to enable officers to effectively fulfill their duties. Also, under this system, officers are expected to actively gather information.

1. A system for officers to get advice from outside experts such as lawyers, at the company's expense.
2. A system that allows officers, including outside directors, to timely and accurately obtain necessary information through mailing lists and internal intranets.

#### B. Disclosure of Concurrent Positions

If officers hold positions at other listed companies, they should do so only within a reasonable scope. In such cases, the concurrent situations will be disclosed annually.

#### C. Officer Training

The Company will consider the need for organizational efforts regarding officer training, considering its importance and necessity.

### **Article 3 Dialogue and Collaboration with Stakeholders**

#### **1. Shareholders etc.**

##### **(1) Basic Policy for Dialogue**

The Company positions the timely, appropriate, and fair provision of necessary information as a fundamental policy for IR (Investor Relations), and to promote constructive dialogue with shareholders, etc., we implement the following policies.

1. Establishment of an IR department and appointment of a director in charge of the department.

We have established a department (hereinafter referred to as the "IR department") to serve as a point of contact for actual dialogue (meetings) with shareholders, etc. The director in charge of IR or their appointee (hereinafter referred to as the "IR officer") will handle these interactions.

2. Organic collaboration with each department in the company through meetings, etc.

The IR officer shares information with each department in the company through meetings and other bodies, aiming for organic collaboration.

3. Active dissemination of information and implementation of dialogue with shareholders, both domestic and overseas.

We will hold financial results briefings every quarter for domestic shareholders, etc. Additionally, we will disseminate financial information and conduct visits to overseas investors by our directors.

4. Feedback of shareholder opinions to top management

The IR officer appropriately reports the opinions of shareholders, etc. they have gathered to the executive management team.

5. Operation of internal regulations, etc. to prevent the release of insider information.

The Company has established strict operation of regulations, guidelines, etc. regarding the management of information, including insider information. In this way, we take great care to ensure that insider information is not released during dialogues with shareholders, etc.

##### **(2) Securing Shareholder Rights**

The Company has implemented various measures, including the disclosure of information and the establishment of an appropriate environment, to substantively ensure the opportunities and fairness of exercising shareholder rights. We recognize that minority shareholder rights are a valuable control mechanism for the company, and we strictly refrain from taking measures that would hinder this. We will establish various procedures, including how to exercise minority shareholder rights, to ensure

opportunities for the exercise of these rights.

### **(3) Operation of the General Meeting of Shareholders.**

#### A. Basic Stance

The Company recognizes that the general meeting of shareholders is a forum for constructive dialogue with shareholders, and we will work to create an environment that facilitates the exercise of shareholder rights at the general meeting.

#### B. Analysis of Opposition Votes

If a significant number of opposition votes are cast against our proposed resolutions, we will analyze the cause, considering the nature of the resolution and the shareholder composition. In addition, we will consider disclosing the results and the status of reflecting them in business execution.

#### C. Notice of Convocation/Electronic Voting Platform

The Company strives to ensure adequate deliberation periods for shareholders by committing to the early dispatch of convocation notices. We are also working on creating an environment that allows shareholders to access convocation notices electronically. Particularly from the perspective of accommodating institutional and foreign investors' exercise of voting rights, we provide an electronic voting platform and implement the translation of convocation notices into English.

#### D. Appropriate Setting of Schedule and Location

In deciding the date and location of the General Meeting of Shareholders, the Company will avoid peak days and set an appropriate location considering factors such as cost of holding the meeting and the convenience for attending shareholders.

#### E. Understanding of Substantial Shareholders

The Company strives to understand its substantial shareholders, such as institutional investors, etc., who hold shares in the name of trust banks, etc. This is done by verifying the shareholder structure on the shareholder registry as of the end of March and September each year, and conducting investigations as necessary. In addition, the Company, after consultation with trust banks, only recognizes the exercise of rights by shareholders listed on the shareholder registry at the General Meeting of Shareholders.

### **(4) Information Disclosure**

#### A. Basic Stance

The Company is committed to proactive information disclosure to enable shareholders, etc. to make informed decisions regarding the exercise of their rights at the General Meeting of Shareholders.

#### B. Disclosure of Related Party Transactions

When the Company engages in transactions with related parties, we disclose such transactions in



the securities report based on the Companies Act, Financial Instruments and Exchange Act, accounting standards, and other relevant regulations.

## **(5) Share Acquisition and Shareholdings**

### **A. Strategic Shareholdings**

1. The Company, when considering strategic shareholdings, weighs the benefits gained from strengthening trading relationships against the investment amount and other factors. We thoroughly verify the mid-to-long term economic rationality and future prospects before deciding whether to hold these shares. When exercising voting rights related to strategic shareholdings, we consider the overall impact on the corporate value of both the Company and the investee firms. The approval or disapproval of each proposal is individually determined from the perspective of whether it contributes to the enhancement of the Company's corporate value.
2. The Company, when holding strategic shareholdings, will periodically verify the appropriateness of each strategic shareholding at the Board of Directors meeting and disclose the content of the verification as necessary.
3. The Company, when holding its own shares as strategic shareholdings, will not undertake any actions that directly or indirectly hinder the sale or similar actions of the company holding these strategic shareholdings (hereinafter referred to as the "strategic shareholder"). In addition, when dealing with strategic shareholders, the Company will give sufficient consideration to the benefits of the Company and its shareholders.

### **B. Takeover Defense Measures**

The Company shall not introduce takeover defense measures as a principle. In the event that the Company's shares are subject to a public tender offer, the Board of Directors will promptly disclose its views in order to prevent confusion in the stock market. Furthermore, the Company respects the rights of shareholders, etc., and will not hinder them from responding to a public tender offer.

## **2. Stakeholders other than Shareholders, etc.**

### **(1) Basic Stance**

The Company, under the basic concept that appropriate collaboration with various stakeholders is necessary for the sustainable growth and medium-to-long term improvement of corporate value of the Group, concretizes the guidelines for its practice in the corporate charter, and carries out management based on this. The Board of Directors and management team shall strive to foster a corporate culture and climate based on this philosophy.

### **(2) Customers**

The Company, with the awareness of the importance of actively incorporating customer feedback into our business operations, we have established quality management departments within each of

our group companies. We are committed to enhancing customer satisfaction, focusing on areas such as after-sales service.

**(3) Business Partners**

The Company, in order to prevent fraudulent and inappropriate transactions within the Group, opens internal reporting channels to business partners and ensures a system that allows business partners to report any fraudulent or inappropriate treatment they have received from the Company.

**(4) Employees**

The Company strives to disseminate the corporate charter and employee behavior standards, which serve as guidelines for employee behavior, and reviews them at the Board of Directors meetings. In addition, the Company positions diversity promotion as one of its important management strategies across the entire Group, and continuously work on human resources development and improving the internal environment to ensure diversity of personnel, including women and persons with disabilities.

**(5) Society and Environment**

The Company recognizes that addressing issues surrounding sustainability, including responses to climate change, is a critical management issue for the entire Group. In accordance with the Company's established "Environmental Policy" and "Human Rights Policy", we strive to address these issues as much as possible. Moreover, we will collect and analyze necessary information about the impacts of risks and profit opportunities related to climate change, and we will disclose such information.

**Article 4 Amendment and Abolition Procedures**

Amendments and abolitions of this basic policy shall be conducted by the Company's Board of Directors.

Appendix:

Criteria for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company has established the following criteria and policies regarding the independence of Outside Directors and Outside Audit & Supervisory Board Members. Please note that "the Group" refers to the collective term for the Company and its subsidiaries and affiliated companies.

- a. They are not currently an officer or employee of the Group (excluding Outside Directors and Outside Audit & Supervisory Board Members, the same applies hereafter). And has not been an officer or employee of the Group in the past.
- b. They do not fall under any of the following categories in the past five years.
  - i. Officer or employee of a supplier or vendor that provides products or services to the Group, and who has ongoing transactions amounting to more than 2% of their annual consolidated net sales.
  - ii. Officer or employee of a client of the Group, where there are transactions that continuously exceed 2% of the Group's annual consolidated net sales.
  - iii. Officer or employee of a major lender to the Group (referring to a lender related to an amount exceeding 2% of the Group's consolidated total assets)
  - iv. Shareholder who holds more than 10% of the total voting rights of the Company, or an officer or employee of such a shareholder.
  - v. Officer or employee of a company where the Group has voting rights, and the Group holds more than 10% of the total voting rights of the shareholders of that company.
  - vi. Consultants, accounting professionals, or legal professionals who receive significant financial or material benefits from the Group, excluding officer remuneration (including those who belong to such organizations, such as corporations or associations).
- c. They are not within the second degree of kinship with the following individuals.
  - i. Officer or key employee of the Group.
  - ii. Any individual that falls under any of the categories in section b.
- d. They should not be an officer or employee of a company that has reciprocal officer appointments with the Group.