



## MITSUI-SOKO HOLDINGS Corporate Governance Guidelines

Established:	April 1, 2015
Revised:	December 3, 2018
Revised:	November 22, 2021
Revised:	June 27, 2022
Revised:	July 15, 2022
Revised:	June 25, 2024

## Table of Contents

Chapter 1: General Provisions .....	3
(Purpose) .....	3
Chapter 2: Securing the Rights and Equal Treatment of Shareholders.....	3
(Securing the Rights of Shareholders) .....	3
(Exercise of Shareholder Rights at General Meeting of Shareholders).....	3
(Basic Capital Policy).....	4
(Policy on Cross-Shareholdings and Exercise of Voting Rights) .....	4
(Anti-Takeover Measures).....	4
(Prevention of Related Party Transactions against Shareholders' Interests) .....	4
Chapter 3: Appropriate Cooperation with Stakeholders Other Than Shareholders.....	5
(Business Principles as Foundation of Improvement of Corporate Value Over the Medium to Long Term) .....	5
(Establishment and Implementation of Corporate Code of Conduct) .....	5
(Response to Sustainability Issues) .....	5
(Ensuring Diversity, Including Active Participation of Women).....	6
(Whistleblowing).....	6
(Roles of Corporate Pension Funds as Asset Owners).....	6
Chapter 4: Ensuring Appropriate Information Disclosure and Transparency .....	7
(Disclosure Policy) .....	7
(Full Disclosure) .....	7
(External Accounting Auditors) .....	9
Chapter 5: Responsibilities of Board of Directors .....	10
(Roles and Responsibilities of Board of Directors (1)) .....	10
(Roles and Responsibilities of Board of Directors (2)) .....	10
(Roles and Responsibilities of Board of Directors (3)) .....	11
(Roles and Responsibilities of Audit and Supervisory Board Members and Audit and Supervisory Board) .....	12
(Fiduciary Responsibilities of Directors and Audit and Supervisory Board Members, etc.).....	12
(Roles and Responsibilities of Outside Directors).....	13
(Effective Use of Independent Outside Directors).....	13



---

(Independence Standards and Qualification for Outside Officers).....	13
(Use of Optional Approach) .....	13
(Preconditions for Ensuring Effectiveness of Board of Directors and Audit and Supervisory Board).....	14
(Active Board Deliberations) .....	14
(Information Gathering and Support Structure) .....	14
(Training for Directors and Audit and Supervisory Board Members) .....	15
Chapter 6: Dialogue with Shareholders .....	15
(Policy on System Development and Initiatives to Promote Constructive Dialogue with Shareholders)	15
(Establishing and Disclosing Management Strategies and Business Plans).....	15

- \* The numbers in [ ] of each provision of these Guidelines indicate the principles and supplementary principles of the Corporate Governance Code established by the Tokyo Stock Exchange to which such provision corresponds.
- \* These Guidelines are based on the Corporate Governance Code revised in June 2021.



## Chapter 1: General Provisions

### (Purpose)

These Guidelines set forth the framework, systems, and basic policies of action of officers and employees of MITSUI-SOKO HOLDINGS CO.,Ltd. (hereinafter referred to as the “Company”) and its operating companies and other subsidiaries whose major shareholder is the Company, to achieve sustainable growth and improve corporate value over the medium to long term.

- \* An “operating company” means a company that is responsible for decision-making on business management and income and expenditure in each business domain.
- \* “Other subsidiaries” means companies that provide, under the direction of the Company or operating companies, physical distribution services such as cargo handling, transportation, logistics services in specific regions, or other related operations, including overseas subsidiaries.
- \* The Company, its operating companies and other subsidiaries are hereinafter collectively referred to as the “Group”.

## Chapter 2: Securing the Rights and Equal Treatment of Shareholders

### (Securing the Rights of Shareholders)

1. The Company shall treat all shareholders equally in proportion to the shares they hold and develop an environment in which shareholders' rights, including voting rights at general meetings of shareholders, are substantially secured and such rights are appropriately exercised. [Principle 1-1]
2. If there is a proposal that was approved at a general meeting of shareholders but against which a considerable number of opposing votes have been cast, the Company shall analyze the reason behind the opposing votes and consider the need for dialogue with shareholders and other measures. [Supplementary Principle 1-1(1)]
3. When proposing to shareholders that certain powers of the general meeting of shareholders be delegated to the Board of Directors, the Company shall, before making the proposal, confirm that a system has been established to ensure that the Board of Directors fulfill its corporate governance roles and responsibilities, and shall judge that such delegation is desirable from the viewpoint of agile decision-making and expertise in business judgement. [Supplementary Principle 1-1(2)]
4. The Company shall, in accordance with laws and regulations, substantially ensure the rights and equality of all the shareholders, including so-called minority and foreign shareholders. [Supplementary Principle 1-1(3)]

### (Exercise of Shareholder Rights at General Meeting of Shareholders)

1. The Company shall recognize that a general meeting of shareholders is an occasion when shareholders can exercise their voting rights appropriately and that it is a place for dialogue with shareholders. To this end, the Company shall develop the following environment. [Principle 1-2]
2. The Company shall provide information that is deemed to contribute to the appropriate decision-making of shareholders not only through the notice of convocation but also through the Integrated Report (Value Report), the Sustainability Data Book, semi-annual business reports, TSE disclosures, and information disclosure on its website. [Supplementary Principle 1-2(1)]
3. The Company shall deliver the notice of convocation of a general meeting of shareholders at least three (3) weeks prior to the date thereof and post the relevant information on its website before mailing the notice of



convocation, in order to give shareholders sufficient time to consider the agenda. [Supplementary Principle 1-2(2)]

4. The Company shall determine the date of a general meeting of shareholders while preventing it from falling on the so-called intensive day. [Supplementary Principle 1-2(3)]
5. The Company shall make the Electronic Voting Platform available and provide an English translation of the notice of convocation of a general meeting of shareholders. [Supplementary Principle 1-2(4)]
6. When institutional investors, etc. holding shares in the name of a trust bank, etc. (so-called substantial shareholders) wish to attend a general meeting of shareholders or exercise their voting rights in advance, the Company shall properly respond in accordance with laws, regulations, government's guidelines, etc. [Supplementary Principle 1-2(5)]

#### (Basic Capital Policy)

The Company shall establish and disclose the Basic Capital Policy, taking into account that the capital policy may have a significant effect on the interests of shareholders. (Related Document: Basic Capital Policy) [Principle 1-3, Principle 1-6]

#### (Policy on Cross-Shareholdings and Exercise of Voting Rights)

1. When the Company intends to hold shares of other listed companies as cross-shareholdings, the Company shall establish and disclose the basic policy on cross-shareholdings. (Related Document: Policy on Cross-Shareholdings and Exercise of Voting Rights) [Principle 1-4]
2. The Company shall establish and disclose specific standards with respect to the voting right as to its cross-shareholdings to ensure that it is handled appropriately. (Related Document: Policy on Cross-Shareholdings and Exercise of Voting Rights) [Principle 1-4]

#### (Anti-Takeover Measures)

1. The Company shall not introduce any anti-takeover measures. [Principle 1-5]
2. In case of an acquisition that could harm the corporate value of the Company and the common interests of its shareholders, the Company shall set up the Corporate Value Improvement Committee which consists of independent outside directors to objectively evaluate the acquisition and make necessary recommendations to the Board of Directors as to what action should be taken. The Board of Directors shall make decisions with the utmost respect for the decisions of the Corporate Value Enhancement Committee. [Supplementary Principle 1-5(1)] [Supplementary Principle 1-5(1)]

#### (Prevention of Related Party Transactions against Shareholders' Interests)

1. Any director or executive officer of the Company must obtain an approval of the Board of Directors if he/she intends to engage in conflict-of-interest transactions or competitive transactions pursuant to the Companies Act and shall be prohibited from abusing his/her position to engage in transactions that are contrary to the interests of the Group and its shareholders. This shall be provided for in the internal regulations of each company of the Group. [Principle 1-7]
2. Any transaction involving the Company, any of its officers or employees shall be conducted in compliance with laws and regulations at all times and without prejudice to the common interests of the Company and its shareholders. [Principle 1-7]



3. In order to prevent so-called insider trading and appropriately manage the handling of undisclosed material information, the Company shall establish Mitsui-Soko Group Insider Trading Management Regulations and prevent its officers, employees, and those who are related to the Company from abusing their positions to engage in transactions that are contrary to the interests of the Company and its shareholders. [Principle 1-7]

### **Chapter 3: Appropriate Cooperation with Stakeholders Other Than Shareholders**

(Business Principles as Foundation of Improvement of Corporate Value Over the Medium to Long Term)

The Company defines the Purpose of "Empower society, encourage progress" as the embodiment of the values that the Group creates for society and the Vision of "The co-creative logistics solutions partner. For everyday, emergencies, and always will be" as what the Company wants to become in the medium to long term, and also establishes four Values of "PRIDE," "CHALLENGE," "GEMBA," and "RESPECT" as the corporate values and action guidelines that should be respected and followed by organizations and employees, and positions these matters as the top concepts of management as the Group Philosophy.

In order to realize the Vision, based on the recognition that it is our group's social responsibility to create new value as a corporate group that supports the important social infrastructure of logistics, the Company shall prioritize management issues comprehensively extracted from both risks and opportunities by taking into account the impact on various stakeholders through dialogue with internal and external stakeholders, identify the materiality (important issues) in business activities after sufficient discussion at the Board of Directors, and improve corporate value over the medium to long term. [Principle 2-1]

(Establishment and Implementation of Corporate Code of Conduct)

1. The Group's Corporate Ethics shall be established as the code of conduct for officers and employees of the Group. [Principle 2-2]
2. The Compliance Committee, consisting of the President & Group CEO, relevant officers and managers, Audit and Supervisory Board members, and compliance managers, etc. from operating companies, shall meet on a regular basis to deliberate on issues and incidents. The division in charge of compliance of the Company shall cooperate with operating companies in improving the Group's corporate culture and awareness of compliance. [Supplementary Principle 2-2(1)]
3. The division in charge of audits shall check whether or not a corporate culture that respects the purpose and spirit of the Code of Conduct, the Corporate Ethics, etc. has been established at each company through the Group-wide internal audit and shall provide necessary support for improvement. [Supplementary Principle 2-2(1)]

(Response to Sustainability Issues)

1. Based on the recognition that the Group is a corporate group that supports logistics, an indispensable form of social infrastructure, the Company shall establish and disclose a sustainability policy, "Our Approach to Sustainability," with the aim of realizing a sustainable society and improving corporate value by creating new value. (Related Document: Our Approach to Sustainability) [Principle 2-3]
2. The Sustainability Committee, consisting of the President & Group CEO, directors (excluding outside directors), managing executive officers and presidents of operating companies, etc. shall be held on a regular basis to improve the Group's corporate value through discussions on sustainability strategies and policies of the Group, and the implementation and management of initiatives to address the materiality



(important issues) identified through comprehensive analysis of both risks and opportunities. At the same time, the Board of Directors' opinions and advice shall be reflected in these initiatives through reporting to the Board of Directors. [Supplementary Principle 2-3(1)]

(Ensuring Diversity, Including Active Participation of Women)

1. The Group shall position its employees as one of its most important management resources, and by enhancing diversity within the Group, will strengthen its ability to respond to market changes. At the same time, the Company shall establish and disclose its basic policy regarding diversity with the aim of enhancing corporate value through the creation of a robust organization capable of generating new value. (Related Document: Mitsui-Soko Group Diversity & Inclusion Policy) [Principle 2-4]
2. In addition to creating an employment environment in which women can play an active role, the Company shall formulate an action plan so that women can have a sense of challenge, demonstrate their abilities in various fields, and develop their careers, and shall disclose the plan, related activities, quantitative results, and targets on the Company's website. [Supplementary Principle 2-4(1)]
3. The Company will set goals for the promotion and development of mid-career hires and foreign nationals as core human resources and will promote the formulation of human resource development plans to realize these goals. [Supplementary Principle 2-4(1)]

(Whistleblowing)

1. The Company shall establish a whistleblowing system as a means of self-reporting efforts to prevent fraud and misconduct within the Group beforehand and then, to prevent the spread of damage, shall determine the procedures for how to handle reporting after receiving it, including the protection of whistleblowers. [Principle 2-5]
2. In order to thoroughly protect whistleblowers, a whistleblower hotline independent of executive directors shall be established outside the Company. [Supplementary Principle 2-5(1)]

(Roles of Corporate Pension Funds as Asset Owners)

The Company has adopted a defined benefit corporate pension plan and establishes a basic policy for the management of the pension funds. Management of the pension funds is outsourced to multiple asset management companies. The Company has disclosed the above-mentioned "basic policy for management of pension funds" to them and required them to report quarterly asset management results, policies, and processes, etc., and monitors them. The division in charge shall endeavor to develop human resources through external training so that corporate pension funds can perform their role as asset owners. [Principle 2-6]



## **Chapter 4: Ensuring Appropriate Information Disclosure and Transparency**

(Disclosure Policy)

The Company shall establish and disclose the Disclosure Policy with the aim of maintaining and improving the trust of shareholders through appropriate and full disclosure. (Related Document: Disclosure Policy) [General Principle 3, Principle 3-1]

(Full Disclosure)

<Group Philosophy and Medium-term Management Plan>

The Group philosophy and medium-term management plan will be disclosed on the Company's website. [Principle 3-1(i)].

<Group's Basic Views and Policies on Corporate Governance>

The Group shall establish and disclose these guidelines in order to promote compliance management, realize fair and lawful business operations, and fulfill our corporate social responsibilities. [Principle 3-1(ii)]

<Policies and Procedures for Determining Remuneration for Directors and Audit and Supervisory Board Members>

1. A portion of remuneration for Directors is linked to the business performance of the Group, which is evaluated based on the Group's consolidated figures and obtained by quantifying year-on-year changes and the budget-achievement ratio in operating profit and pre-tax profit by a certain calculation formula. In addition, each director's performance in corporate management and business execution will be evaluated individually. Also, Directors will be granted restricted shares based on the Stock Compensation Plan. These matters will be determined by the Nomination and Remuneration Committee (which is composed of multiple outside directors, the President & Group CEO, and the Chairman of the Company, and chaired by an outside director) with the authority delegated by the Board of Directors. [Principle 3-1(iii), Supplementary Principle 4-10(1)]
  2. Outside directors are paid a fixed amount of remuneration without incorporating performance-linked elements in their remuneration owing to the nature of their duties. [Principle 3-1(iii)]
  3. Audit and Supervisory Board members are also paid a fixed amount of remuneration, and the remuneration of each Audit and Supervisory Board member is determined through consultation among the Audit and Supervisory Board members. [Principle 3-1(iii)]
  4. No retirement benefits are paid to directors and Audit and Supervisory Board members. [Principle 3-1(iii)]
- The Company has established the Remuneration Regulations for Officers with regard to the above requirements.



---

<Policies and Procedures for Determining Candidates for Directors and Audit and Supervisory Board Members>

1. The Company, which is a holding company, basically delegates the decision-making authority in business fields to each operating company, while the Company itself is responsible for basic management matters such as investment in logistics facilities, maintenance and management, finance and accounting, personnel policy, risk management, and internal auditing, etc. across the entire Group. For this, the Company shall elect directors and Audit and Supervisory Board members who have expertise, experience, and achievements in these matters and who are capable of discussing matters from a high vantage point. [Principle 3-1(iv), Supplementary Principle 4-10(1), Principle 4-11]
2. The Board of Directors shall be structured so that knowledge, experience, and abilities of the members are well balanced overall and that diversity and appropriate size are compatible in order to effectively fulfill its roles and responsibilities. [Principle 3-1(iv), Principle 4-11, Supplementary Principle 4-11(1)]
3. Candidates for the Board members shall be selected based on their knowledge, experience, performance, and management ability in duties as well as personality and insight, regardless of seniority or employment history. To this end, the Company shall seek qualified human resources both inside and outside the Company. In addition, ability to express opinions from expert knowledge, management experience, and other objective viewpoints are required for outside directors. [Principle 3-1(iv), Principle 4-11]
4. Audit and Supervisory Board members are required to have broad knowledge of the business situations of the Group as well as expertise and experience in legal, accounting, and other fields; provided, however, that one (1) or more members with appropriate knowledge of finance and accounting must be appointed. [Principle 3-1(iv), Principle 4-11]
5. At least one-third of the directors of the Company shall be outside directors, and at least half of the Audit and Supervisory Board members shall be outside members. [Principle 3-1(iv)]
6. The Nomination and Remuneration Committee prepares proposals for the appointment of a candidate for director and/or Audit and Supervisory Board member through deliberation on the appropriateness of such election. After that, a candidate will be determined as a candidate for director to be proposed to a general meeting of shareholders by resolution of the Board of Directors. Candidates for Audit and Supervisory Board member are subject to the consent of the Audit and Supervisory Board. [Principle 3-1(iv), Principle 4-11]
7. The same criteria in 2 and 3 above shall apply to directors of operating companies. The president of an operating company is required to have the ability to think about the entire Group as a Management Council member. [Principle 3-1(iv), Principle 4-11]  
\*"Management Council members" refers to members of the Management Council, which is a subordinate organ of the Board of Directors of the Company and deliberates and resolves major matters pertaining to the operation of the Group based on the authority delegated from the Board of Directors.
8. If the senior management, including the representative director, violates the provisions of the service discipline, such as by committing a serious violation of laws and regulations, or is significantly unable to achieve the expected results based on the reasons that he/she was nominated as director at the general meeting of shareholders, he/she shall be subject to deliberation regarding disciplinary action or appointment/dismissal. [Principle 3-1(iv), Supplementary Principle 4-3(3)]



---

<Explanation of individual nominations for election and dismissal of Candidates for Director or Audit and Supervisory Board Member>

Explanations regarding the appointment or dismissal of each director and the nomination of candidates for directors and Audit and Supervisory Board members shall be included in the notice of convocation of the ordinary general meeting of shareholders. [Principle 3-1(v)]

<Specific Information Disclosure>

The information to be disclosed should be described in a simple and concrete manner, with a high added value for users. [Supplementary Principle 3-1(1)]

<English Translation of Information>

Considering the ratio of overseas investors or shareholders, the Company will disclose and provide required information in English. [Supplementary Principle 3-1(2)]

<Disclosure of Information on Specific Initiatives>

The Company will promote the disclosure and provision of easy-to-understand and specific information on initiatives on sustainability and investments in human capital and intellectual properties, with a focus on consistency with the management strategies and the materiality. [Supplementary Principle 3-1(3)] Specific initiatives will be disclosed on the Company's website, in the Integrated Report (Value Report) and in the Sustainability Data Book.

<Disclosure of Information on Climate Change>

Regarding the impact of climate change risks and opportunities on business activities and earnings, the Company will enhance information disclosure in terms of both quality and quantity based on an internationally established disclosure framework. [Supplementary Principle 3-1(3)]

(External Accounting Auditors)

1. The Audit and Supervisory Board shall: (i) develop criteria for the evaluation and selection of candidates for external accounting auditors; and (ii) confirm the independence and expertise of external accounting auditors. In connection with this, it shall establish the criteria to evaluate accounting auditors. [Supplementary Principle 3-2(1)]
2. The Audit and Supervisory Board shall, after evaluating the audit quality, appropriateness of the amount of remuneration, independence, and expertise of accounting auditors, make a resolution to elect or dismiss the accounting auditors and not to reappoint them. [Supplementary Principle 3-2(1)]
3. The Company shall endeavor to set sufficient audit hours in consultation with external accounting auditors considering the actual audit practices in order to enable them to perform high-quality audits. [Supplementary Principle 3-2(2)]
4. The Company shall establish an opportunity for exchange of opinions between CEO, CFO, Audit & Supervisory Board members, the Internal Audit Division, etc. and the accounting auditors to ensure proper audits. [Supplementary Principle 3-2(2)]
5. When the accounting auditors point out any improprieties, deficiencies, problems, etc., the division in charge of accounting and related organizations shall cooperate with each other to promptly take corrective measures. [Supplementary Principle 3-2(2)]



## Chapter 5: Responsibilities of Board of Directors

### (Roles and Responsibilities of Board of Directors (1))

#### <Discussion>

Given its fiduciary duties and accountability to shareholders, the Board of Directors shall conduct constructive discussions on major directions of the Group, such as management strategies and business plans, with a view to achieving medium- to long-term growth of the Group and shall monitor the progress of the plans and supervise the business execution. [Principle 4-1]

#### <Matters to Resolve and Delegation to Management Council>

The Board of Directors shall discuss and resolve matters stipulated by laws and regulations and the Articles of Incorporation of the Company, investment and loan projects in excess of a certain amount, and other basic matters of the Group's business operations, and delegate other important matters to be resolved to the Management Council, which is a subordinate organization of the Board of Directors; provided, however, that it shall report the resolution on the important matters to the Board of Directors on a periodic basis. [Supplementary Principle 4-1(1)]

#### <Business Plan>

Based on the recognition that business plans, particularly numerical targets, are part of its commitment to shareholders, the Board of Directors of the Company and of each operating company shall make their best efforts to achieve these targets. If the targets are not achieved, the Board of Directors shall analyze the causes and actions taken by its own company and reflect the analytic findings in future plans. [Supplementary Principle 4-1(2)]

#### <Development of Successors>

The Company shall seek appropriate and qualified human resources for the President & Group CEO and other directors, both inside and outside the Company, based on the management vision and the business plan, etc., and The Nomination and Remuneration Committee shall discuss potential candidates.

In addition, with respect to candidates who are appointed from within the Company, the Company shall ensure that they have accumulated as much experience as possible by evaluating their abilities and performance as employees.

In addition, the Company shall assign relevant duties to them to gain experience in management by having them take charge of or be in charge of major operations related to the management of the Group as executive officers. Also, the Company holds an officer training program where officers learn and discuss case studies to improve their management ability. [Supplementary Principle 4-1(3)]

### (Roles and Responsibilities of Board of Directors (2))

#### <Environment To Support Risk-taking>

1. In order for the Group to achieve sustainable and medium- to long-term growth, it is necessary to make bold decisions based on an appropriate risk assessment. Therefore, a system within the Group shall be established so that the Board of Directors and the Management Council, which is a subordinate organization of the Board of Directors, can appropriately assess and evaluate risks. [Principle 4-2]
2. As a holding company, the Company will provide its operating companies with the support that they need from the perspective of optimizing the operation of the Group as a whole. With regard to large investment



projects and new business projects, etc., the Company shall discuss matters with the operating companies from the planning stage and evaluate risks by seeking the opinions of outside experts such as lawyers, so that the Board of Directors can make more appropriate decisions. [Principle 4-2]

3. Once a new investment business is put in place, the Company shall periodically evaluate the progress thereof, including profitability, and review the business policy, etc. as necessary. [Principle 4-2]
4. The Company's internal audits and audits by the Audit and Supervisory Board Members should be conducted more deeply by checking the progress of improvements, providing support and guidance rather than be limited to only pointing out irregularities and problems within the Company and the Group. [Principle 4-2]

#### <Performance Evaluation and Remuneration of Officers>

The remuneration of officers shall vary based on the financial performance-linked figures for each business year and the individual performance evaluation of each officer for his/her management and execution of business. Even in the same position, officers are given the incentive of a higher level of remuneration according to the increase in financial performance. [Supplementary Principle 4-2(1)]

#### <Basic Policy on Sustainability and Supervision>

1. With the aim of enhancing its corporate value, the Group will establish and disclose "Our Approach to Sustainability" and formulate and publicize specific policies on matters strongly related to the materiality (important issue) in its business activities. (Related Documents: Our Approach to Sustainability, Mitsui-Soko Group Environmental Policy, Mitsui-Soko Group Human Rights Policy, Mitsui-Soko Group Occupational Health and Safety Policy, Mitsui-Soko Group Diversity & Inclusion Policy, Mitsui-Soko Group Policy on Sustainable and Responsible Procurement, and Multi-Stakeholder Policy) [Supplementary Principle 4-2 (2)]
2. By receiving reports from the Sustainability Committee and executive directors, the Board of Directors shall monitor the status of initiatives for the materiality (important issue) and supervise the allocation of management resources that contribute to the sustainability initiatives and the implementation of strategies related to the business portfolio. [Supplementary Principle 4-2(2)]

#### <Remuneration based on Treasury Stock>

The Company introduces the stock compensation plan under which the company's own restricted shares are granted to directors and executive officers as part of their remuneration, with the aim of "giving incentives" and "fostering management awareness from the perspective of investors" etc. to officers towards strengthening corporate governance and growth of the Company over the medium to long term. [Supplementary Principle 4-2(1)]

#### (Roles and Responsibilities of Board of Directors (3))

1. Directors and Audit and Supervisory Board members shall attend the Board of Directors meetings and the quarterly-held Officer's Council meetings to receive reports from operating companies on their business plans, investment projects, business forecasts, responses to forecast discrepancies, etc. and to discuss these matters. Performance-linked evaluation of each director shall be deliberated at the Nomination and Remuneration Committee to maintain transparency. [Principle 4-3]



2. With regard to evaluation of directors and executive officers, The Nomination and Remuneration Committee deliberates from multiple perspectives, including strategy formation, performance improvement, and organizational management, and maintains transparency. [Supplementary Principle 4-3(1)]
3. The Board of Directors shall establish regulations and systems for information management, risk management, internal audit, internal control, prevention of conflict of interest, etc., including the Basic Policy on Internal Control and the Group Governance Policy, and shall supervise the operation of these rules and systems by making use of the Internal Audit Division. [Supplementary Principle 4-3(4)]

#### <Election of CEO>

When electing representative directors, including the CEO, the Board of Directors shall appoint a qualified person upon discussing whether the candidate has sufficient experience, deep insight, and advanced expertise that are appropriate for the position. [Supplementary Principle 4-3(2)]

#### <Dismissal of CEO>

If an officer, including the CEO, violates the provisions of the service discipline, such as by committing a serious violation of laws and regulations, or is found to be significantly lacking in suitability as an officer, dismissal of such officer shall be determined based on fair and transparent deliberation at the Board of Directors. [Supplementary Principle 4-3(3)]

#### (Roles and Responsibilities of Audit and Supervisory Board Members and Audit and Supervisory Board)

1. Audit and Supervisory Board members and the Audit and Supervisory Board shall audit directors, executive officers, divisions, etc., and express their opinions on the execution of their duties from an independent and objective standpoint, by exercising their authority functionally and actively based on their fiduciary responsibilities to shareholders. [Principle 4-4]
2. Audit and Supervisory Board members shall attend important internal meetings, including the Board of Directors meetings, express opinions, and audit the status of business operations and resolutions, as well as audit each operating company and other Group companies. [Principle 4-4]
3. Audit and Supervisory Board members shall audit the development and operation of the internal control system and shall endeavor to share information on audit results and improvement status, etc., and to conduct audits efficiently and effectively in cooperation with divisions in charge of internal audits and internal controls. [Supplementary Principle 4-4(1)]
4. Standing Audit and Supervisor Board members shall provide views based on information collected from within the Group, and outside Audit and Supervisor Board members shall provide views based on their expertise and independence, hold discussions, enhance the effectiveness of audits. And Audit and Supervisory Board members share these views and information with outside directors. [Supplementary Principle 4-4(1)]

#### (Fiduciary Responsibilities of Directors and Audit and Supervisory Board Members, etc.)

Directors and Audit and Supervisory Board members shall be aware of their fiduciary duties to shareholders, ensure appropriate cooperation with stakeholders, and perform their duties to enhance corporate value over the medium to long term. [Principle 4-5]



#### (Roles and Responsibilities of Outside Directors)

1. The Company shall have outside directors who do not execute business to ensure the effectiveness of the Board of Directors' objective supervision of management. [Principle 4-6]
2. Outside directors shall, based on their professional expertise and experience, provide advice on overall management, and supervise and check on executive directors. [Principle 4-6]
3. Outside directors shall provide advice on management policies and improvements from the perspective of promoting sustainable growth of the Company and improving corporate value over the medium to long term based on their own knowledge. [Principle 4-7]
4. Outside directors shall supervise the management through discussions and decision-making on important issues of the entire Group, the content and progress of business plans, remuneration for officers, appointment and dismissal of officers, etc. [Principle 4-7]
5. Outside directors shall oversee conflicts of interest and appropriately reflect stakeholder opinions on the Board of Directors from the position independent of executive directors and controlling shareholders. [Principle 4-7]

#### (Effective Use of Independent Outside Directors)

1. Independent outside directors shall provide opinions and advice that contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term. Also they shall actively participate in the procedures for the election of directors and the determination of their remuneration through the Nomination and Remuneration Committee. [Principle 4-8]
2. At least one-third of directors of the Company shall be outside directors to strengthen monitoring and supervisory functions. [Principle 4-8]
3. The Company shall provide opportunities for outside directors and outside Audit and Supervisory Board members to exchange information and share knowledge from an independent and objective standpoint. [Supplementary Principle 4-8(1)]
4. The Company shall provide opportunities for outside directors to exchange opinions with the President & Group CEO, representative directors, etc. [Supplementary Principle 4-8(2)]

#### (Independence Standards and Qualification for Outside Officers)

The independence of outside officers shall be subject to the requirements for outside directors and outside Audit and Supervisory Board members provided for in the Companies Act and the independence standards provided for by financial instruments exchanges, provided that there is no risk of conflict of interest with general shareholders. (Related Document: Independence Standards for Outside Officers) [Principle 4-9]

#### (Use of Optional Approach)

In order to supplement the functions of the Board of Directors, the Company shall have the Nomination and Remuneration Committee, the majority of whose members are outside directors, to ensure transparency in the appointing candidates for directors (including from the perspective of gender diversity and skills), revision/abolition of policies regarding decisions on the content of individual director remuneration, etc., deliberation and decision-making regarding the content of remuneration, etc. and shall obtain appropriate involvement of and advice from independent outside directors. [Principle 4-10, Supplementary Principle 4-10(1)]



(Preconditions for Ensuring Effectiveness of Board of Directors and Audit and Supervisory Board)

1. The Board of Directors and the Audit and Supervisory Board shall formulate and disclose a skills matrix that lists the knowledge, experience, abilities, etc. of each director and each Audit and Supervisory Board member. [Supplementary Principle 4-11(1)]
2. Independent outside directors shall include those who have management experience at other companies. [Supplementary Principle 4-11(1)]
3. The status of directors and Audit and Supervisory Board members concurrently serving as officers of other listed companies shall be disclosed in the notice of convocation of a general meeting of shareholders. [Supplementary Principle 4-11(2)]
4. When appointing candidates for outside directors and outside Audit and Supervisory Board members, the Company shall check their status of concurrent positions as officers of other listed companies and confirm that they have sufficient time to attend the Board of Directors meetings and to perform their duties at the Company. [Supplementary Principle 4-11(2)]
5. The Board of Directors shall evaluate and analyze its effectiveness as a whole and disclose a summary of the results, with the aim of enhancing the effectiveness of the Board of Directors and improving corporate value. [Supplementary Principle 4-11(3)]

(Active Board Deliberations)

The Company shall aim to stimulate discussion at the Board of Directors meetings through the following measures. [Supplementary Principle 4-12(1)]

1. The materials for the Board of Directors meetings shall be prepared so that the main points can be easily understood and shall be distributed to each attendee in advance. A relevant director, executive officer, or a person in charge of the division or the operating company which is in charge of the subject matter shall explain the content of the materials in advance. [Supplementary Principle 4-12(1)(i)(ii)]
2. The annual schedule of the Board of Directors meetings shall be set at least six (6) months to one (1) year in advance, and each director and Audit and Supervisory Board member shall be notified of it. The scheduled date and agenda of a Board meeting that are known in advance, including settlement of accounts or other important matters, shall be given to directors and Audit and Supervisory Board members beforehand. [Supplementary Principle 4-12(1)(iii)]
3. In principle, the Board of Directors shall meet sixteen (16) times per year, including a regular monthly meeting and a quarterly meeting for settlement of accounts and the agenda of the meetings shall be statutory matters and important matters of the management of the Company and the Group. Details of such meetings shall be stipulated in the Board of Directors Regulations. [Supplementary Principle 4-12(1)(iv)]
4. The time for deliberations at the Board of Directors meeting shall be sufficient and flexibly set as necessary without any particular limitation. [Supplementary Principle 4-12(1)(v)]

(Information Gathering and Support Structure)

The Company shall provide directors and Audit and Supervisory Board members with information appropriately as follows in order for them to fulfill their roles and responsibilities. [Principle 4-13]

1. In order to effectively discuss matters at the Board of Directors meetings, particularly important matters, directors and Audit and Supervisory Board members inside and outside the Company shall receive the explanation on the proposals in advance by a director in charge, executive officers, or responsible persons



of each division or operating company. Also the Board of Directors attendee may instruct them to submit additional materials, records, etc. as necessary. [Supplementary Principle 4-13(1)]

2. Directors and Audit and Supervisory Board members may seek the opinions of outside experts (accountants, lawyers, etc.) at the Company's expense, as necessary. [Supplementary Principle 4-13(2)]
3. The Internal Audit Division shall periodically report the results of internal audits and matters pointed out in internal audits to the Audit and Supervisory Board, the Board of Directors, and the officers in charge of the Internal Audit Division, and shall provide support for improvement of the matters pointed out and confirm the progress of improvement. The Internal Audit Division shall provide directors and Audit and Supervisory Board member with necessary information in an appropriate manner upon request. [Supplementary Principle 4-13(3)]

(Training for Directors and Audit and Supervisory Board Members)

The Company shall establish a system for directors, Audit and Supervisory Board members, and executive officers to learn and acquire knowledge and information they need in the course of performing their duties, and shall provide outside directors and outside Audit and Supervisory Board members with opportunities to visit the Group's business sites or to listen to executive officers in charge of each division or operating company about relevant operations in order to deepen their understanding of the Company's vision, corporate culture, management environment, etc. Directors, Audit and Supervisory Board members, executive officers, etc. of operating companies shall be covered by such system and given such opportunities, as needed. [Principle 4-14, Supplementary Principle 4-14(1), Supplementary Principle 4-14(2)]

## **Chapter 6: Dialogue with Shareholders**

(Policy on System Development and Initiatives to Promote Constructive Dialogue with Shareholders)

With the aim of achieving sustainable growth and improving corporate value over the medium to long term, the Company will engage in constructive dialogue with shareholders and establish the Basic Policy on Dialogue with Shareholders. (Related Document: Basic Policy on Dialogue with Shareholders) [Principle 5-1, Supplementary Principle 5-1(1), Supplementary Principle 5-1(2), Supplementary Principle 5-1(3)]

(Establishing and Disclosing Management Strategies and Business Plans)

When announcing management strategies, etc., the Company, after accurately identifying the Company's cost of capital, shall articulate its earnings plans and capital policies, basic policies on the business portfolio and numerical targets, and shall give a specific and clear explanation on the review of the business portfolio as well as the allocation of management resources, including capital investment, research and development investment, and investment in human capital, etc. [Principle 5-2, Supplementary Principle 5-2(1)]