

## **Basic Policy on Corporate Governance**

We believe that our priorities for business are facilitating prompt and effective decision making, enhancing the supervision of business execution, ensuring compliance and increasing management transparency to achieve sustainable growth, and improving corporate value over the medium to long term. For these tasks, we are guided by a basic management policy of continuing to develop together with society by promoting corporate activities in consideration of our social mission while pursuing the development of technologies that meet customers' requirements as we help to protect the global environment. Based on this policy, we will enhance corporate governance.

### **1. Ensuring Shareholder Rights and Equality**

- (1) We take appropriate action to ensure that shareholder rights are substantively secured, and maintain an environment in which shareholders can properly exercise their rights.
- (2) We give due consideration to the substantive protection of the rights of minority shareholders, etc., as well as to securing an environment for their exercise of rights and their substantive equality.
- (3) Recognizing that shareholder rights, including voting rights at general meetings of shareholders, are of great importance, we maintain an appropriate environment that can secure such rights.
- (4) With regard to the distribution of profits, we position the return of profits to shareholders as one of our major management issues. We seek to realize, as our basic policy, sustained and stable dividends, based on a comprehensive assessment of performance and other factors. In addition, we allocate internal reserves to investments intended to improve profitability and strengthen our management base to maximize corporate value.
- (5) For the primary purpose of maintaining stable business relationships, we may hold the shares of our business partners as cross-shareholdings based on an examination of the need, rationality, and other factors for retaining such shareholdings after considering their stability as investment targets. Furthermore, we appropriately deal with the exercise of voting rights associated with cross-shareholdings as part of our fiduciary duties to our own shareholders, taking into account the purpose of retaining each shareholding.
- (6) For significant transactions with related parties, we deliberate, at meetings of our Board of Directors, on the reasonableness of the transaction terms and conditions and decision-making methods before actually choosing or rejecting such transactions. If a transaction involves our Directors, the transaction is considered in advance by the Board of Directors before a decision is made. To advance deliberations, we establish a framework that requires such transactions to be reported to the Board of Directors, which will then assess whether the transaction has taken place in line with the specifics of its advance deliberations, thereby ensuring the soundness and appropriateness of the transaction.

### **2. Appropriate Collaboration with Stakeholders Other than Shareholders**

- (1) Fully recognizing that any company's sustainable growth and the enhancement of its medium- to long-term corporate value are attributable to the provision of resources and contributions by various stakeholders, we strive to collaborate effectively with our stakeholders.

- (2) The Board of Directors, Directors, and Executive Officers (“Management Team” hereinafter) strive to foster a corporate culture and climate that respects the rights and positions of various stakeholders and sound ethics in business activities.
- (3) We take appropriate action to address social, environmental, and other sustainability-related issues.
- (4) Recognizing that diverse perspectives and values reflecting a wide range of experiences, skills, and attributes are essential for sustainable growth, we are committed to ensuring the diversity of human resources within our company. We avoid all discrimination in employment based on gender, age, nationality, or other such characteristics. In particular, we actively promote the recruitment and participation of women.
- (5) To strengthen compliance management, we will establish an internal reporting system that allows anonymous reporting. We will put into writing that employees and other persons submitting such reports will not be subject to disadvantageous treatment.

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

- (1) In due accordance with applicable laws and regulations, we take steps to ensure the appropriate disclosure of financial information—for example, our financial conditions and business performance—as well as non-financial information—for example, our management policies and issues, business plans, and information on risks and governance. Additionally, we take proactive measures to provide information beyond statutory disclosure requirements.
- (2) The Board of Directors strives to ensure that the information we disclose and provide is clear, accurate, and useful.
- (3) To ensure the effectiveness of accounting audits, the Audit & Supervisory Committee takes the following items into consideration when selecting and evaluating an Accounting Auditor:
  - the necessary and sufficient knowledge, capabilities, and personnel to conduct an audit of our company, a major publicly traded company
  - global capabilities in light of the fact that we have overseas affiliated companies
  - independence and expertise as an Accounting Auditor and being able to secure impartiality with there being no circumstances that would impair such independence or expertise
  - history of audit work to high ethical standards and in full compliance with applicable laws, regulations, and other rules
- (4) The Board of Directors and the Audit & Supervisory Committee strive to implement the following efforts to ensure appropriate audits:
  - efforts to secure, through consultation with the Accounting Auditor, sufficient time for audits to facilitate high-quality audits
  - efforts to ensure that regular meetings are held to enable the timely and effective exchange of information between the Accounting Auditor and the Representative Director, and that the responsible Director, etc. consult with the Accounting Auditor as necessary to deepen their mutual cooperation

- efforts to deepen mutual cooperation among the Accounting Auditor, the Audit & Supervisory Committee, and the Internal Audit Department by arranging opportunities to exchange opinions and facilitate the sharing of information and issues
- in the event that the Accounting Auditor requests appropriate action upon discovering any fraud or identifies any flaw or problem, the Legal Department, the Accounting Department, the Corporate Planning Department, and other internal control departments implement timely, effective, and mutually coordinated response.

#### **4. Responsibilities of the Board of Directors, etc.**

- (1) The Board of Directors appropriately fulfills the following roles and responsibilities to promote our company's sustainable growth and the enhancement of its medium- to long-term corporate value, as well as to improve its profitability, capital efficiency, etc.:
  - Discuss management strategies, business plans, etc. and make decisions regarding the execution of important business matters in line with their respective strategic directions.
  - Maintain an environment that supports the Management Team in taking appropriate risks.
  - Conduct effective supervision of the Management Team from an independent and objective perspective.
- (2) Remuneration for the Management Team is structured to incorporate both cash compensation and stock-based compensation to reflect not just contributions to annual performance, but incentives to achieve improvements in medium- to long-term performance. Officer remuneration is set within the limits of the total amount resolved at general meetings of shareholders, after deliberation by the Nomination and Compensation Advisory Committee, which shall consist of a majority of Outside Directors, and is then referred to the Board of Directors for careful deliberation.
- (3) The Board of Directors appropriately evaluates business performance and other parameters and duly reflects the results of such evaluation in the Management Team's personnel affairs. Furthermore, the Board of Directors oversees timely and accurate information disclosure and maintains and strengthens internal controls and risk management systems by setting up and supervising various internal committees.
- (4) Audit & Supervisory Committee exercise appropriate judgment from an independent and objective perspective in fulfilling their roles and responsibilities with regards to the audits of the execution of duties by Directors.
- (5) The Management Team acts for the mutual benefit of our company and shareholders while ensuring appropriate joint efforts with various stakeholders.
- (6) We strive to make effective use of Outside Directors, who are independent officers, to ensure the independent and objective supervision of business management by the Board of Directors.
- (7) We nominate, as officer candidates, those individuals deemed to be of high character, ability and insight, who meet high ethical standards, and who are judged to be capable of improving the corporate value of our Group and earning the trust of stakeholders.

- (8) The appointment of Directors is determined at general meetings of shareholders based on the approval of the Board of Directors for candidates nominated from among those individuals who, regardless of gender, age, nationality, or other personal factors, can contribute to our company's sustainable growth and to the enhancement of its corporate value. This process seeks to ensure an optimal balance of knowledge, experience, and ability for the Board of Directors as a whole. In the appointment of Audit & Supervisory Committee Members, we seek to include individuals with appropriate expertise in finance and accounting. Based on the consent of the Audit & Supervisory Committee, followed by the approval of the Board of Directors, final appointment decisions are made at general meetings of shareholders. Furthermore, in the nomination of candidates for both Directors and Audit & Supervisory Committee Members, proposals are referred to the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee, which consists of a majority of Outside Directors.
- (9) To ensure that the officers of our company can exert the time and effort required to effectively fulfill their roles and responsibilities, the concurrent appointment of other listed companies' officers as our officers is limited to a reasonable extent. The status of concurrent appointments is disclosed annually.
- (10) With respect to their appointment, outside officers are expected to provide managerial advice and supervisory functions to Directors from an objective and expert perspective, and to act on the basic principle of ensuring that there will be no conflicts of interest with general shareholders. Outside officers are considered independent if they or their relatives (within the second degree of kinship) have not fallen under any of the following items currently or during the last ten years:
- executives at our company, affiliated companies, major shareholders, or major business partners, or at companies for which our company is a major business partner
  - non-executive directors or accounting advisors of our company's affiliated companies
  - consultants, accounting professionals, or legal professionals receiving monetary compensation or financial assets from our company apart from officer remuneration
  - directors or executives of organizations who receive a certain level of donations or subsidies from our company or affiliated companies
- (11) To promote active deliberation at meetings of the Board of Directors, we strive to implement efficient and effective meeting management—for example, by providing officers the information necessary to consider proposals with sufficient time for appropriate deliberation.
- (12) The officers of our company are obligated to seek out information in a due and timely manner and to request additional information from the company when they deem it necessary. Furthermore, they are permitted, at our own expense, to request the advice of external experts. To support outside officers, we maintain a support structure in which the Internal Audit Department, the Secretary Department, the Legal Department, and relevant department staff are designated as departments and personnel in charge of assisting Directors (Board of Directors) and Audit & Supervisory Committee in fulfilling their duties.
- (13) We provide officers with training opportunities, such as introducing them to seminars aimed at enabling them to acquire the necessary knowledge about our company's business, finance, organizations, etc. and to gain a full understanding of the roles and responsibilities that officers are required to fulfill. We also provide them with financial assistance in relation to such training. Furthermore, upon assuming office, newly appointed officers are provided with business materials, etc. and also opportunities to receive briefings, etc. regarding our Group's businesses.

## **5. Dialogue with Shareholders**

- (1) We engage in constructive dialogue with shareholders to contribute to our company's sustainable growth and its medium- to long-term corporate value.
- (2) The Corporate Planning Department plays central roles in handling the general aspects of dialogue with shareholders, which coordinates with relevant departments as necessary, works with the Representative Director, responsible Directors, etc. on considering how to interact with shareholders, and takes appropriate responses.
- (3) For shareholders, we organize various activities to help deepen their understanding of our management strategies and business environment, including financial results briefings and information disclosure via our corporate website.
- (4) Opinions, concerns, etc. raised by shareholders are reported to the Representative Director and, as necessary, reported to and deliberated by the Board of Directors. We strive to respond appropriately to such opinions, concerns, etc. in coordination with relevant departments.
- (5) We strive to ensure that important business management information, whether it is financial or non-financial, is disclosed in a due and timely manner, and that the content of such information is easy for shareholders to understand.
- (6) For management of material facts in dialogue with shareholders, we strive to prevent the leakage of insider information by ensuring thorough dissemination and enforcement of internal regulations within our company, such as the Insider Trading Prevention Regulations, and also by setting a quiet period before the announcement of financial results to limit interactions with investors.
- (7) Where necessary, we implement shareholder identification surveys to achieve an understanding of our shareholder structure.

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