

## Basic Policy on Corporate Governance

Sapporo Holdings Limited

### I. General Provisions

#### 1. Basic Thinking on Corporate Governance

Sapporo Holdings Limited (“the Company”) has set forth as follows a “management philosophy”, “basic management policy”, and “basic operational principles” for Sapporo Group, and in order to realize the foregoing and to move forward aiming for sustained enhancement of the Group’s overall corporate value, it has identified the strengthening and enhancement of the Group’s corporate governance as a priority managerial goal, will clearly specify supervisory, executive and audit functions within the Group under a holding company structure, and will endeavor to strengthen managerial oversight directed towards greater transparency in management and attainment of the Group’s business targets.

##### (1) Management Philosophy

As an intrinsic part of people’s lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles. (2-1, 3-1)

##### (2) Fundamental Management Policy

The Sapporo Group strives to maintain integrity in corporate conduct that reinforces stakeholders and aims to achieve continuous growth in corporate value. (3-1)

##### (3) Basic Operational Principles

Under a pure holding company structure, with basic operational principles for the Sapporo Group as follows, the Sapporo Group, allowing the business divisions within the Sapporo Group to maintain their autonomy, will pursue optimization and the creation of synergy for the Sapporo Group overall, and will aim to maximize corporate value. (3-1)

##### ① Principles for the Group’s Overall Optimization

With the maximization of Sapporo Group’s value and the Group’s overall optimization being understood as the goals, the Group’s companies will focus on their respective business activities and in turn contribute to improving the Group’s consolidated performance results.

② Principle of Sovereign Independence

The Sapporo Group's companies will work to enhance their management foundations and aim to be independent, in order to achieve the purposes for which they were established and their missions under Sapporo's management policy.

The Company will delegate to Group company presidents the executive authority they require to manage their businesses, and the Group company presidents will be responsible for such management. Likewise, The Company will provide any support and advice necessary for the growth and development of the Group's companies.

③ Principle of Mutual Cooperation

The Company and the Group's companies, taking economic rationality into consideration, will mutually cooperate in the procurement of materials, products, and services etc. as well as in other areas of business promotion, and will endeavor to achieve synergistic effects for the Group.

(4) Enactment/Revision Etc. of the Basic Policy on Corporate Governance

The enactment, revision or abolishment of the Basic Policy on Corporate Governance shall require a resolution of the Board of Directors to be passed.

## II. Ensuring Shareholders' Rights and Equality (Basic Principle 1)

### 2. Ensuring Shareholders' Rights and Equality

The Company will endeavor to ensure the rights and equal treatment of its shareholders, including its minority and foreign shareholders, and will disclose information in a timely and appropriate manner so as to prevent any information gaps from arising among shareholders. (1-1, 1-1-③, 1-2-①)

### 3. General Shareholders' Meetings

(1) The Company will send out a convocation notice for the general shareholders' meeting no later than three (3) weeks prior to the meeting date to give its shareholders sufficient time to consider any bills to be discussed at the general shareholders' meeting and allow them to appropriately exercise their voting rights. (1-2, 1-2-①, ②)

(2) The Company will prepare a suitable environment for the exercise of rights at the general shareholders' meetings, by, for example enabling voting members to exercise their voting rights electronically, issuing convocation notices via electronic announcement, providing (abridged) English translations of such notices, appropriately setting agendas for the meetings, and using Electronic Voting Platform. (1-2-②, ③, ④)

(3) To address cases where any institutional investors etc. who own shares under the name of a trust bank etc. wish to exercise their voting rights at a general shareholders' meeting in place of the trust bank etc., the Company will discuss with trust banks etc. and review. (1-2-⑤)

(4) With regard to any Company-proposed bills which receive a significant number of negative votes at a general shareholders' meeting, the Board of Directors will analyze the underlying cause behind the opposition and consider what measures to take, as necessary. (1-1-①)

(5) If the Company proposes at a general shareholders' meeting that a portion of the matters to be resolved at the meeting be delegated to the Board of Directors, the Board of Directors will give full consideration to the state of the Company's corporate governance system. (1-1-②)

#### 4. Basic Capital Policy

(1) In light of the fact that developments in capital policy can significantly affect shareholder interests, and with the goals of sustained growth and enhancement of corporate value over the medium-to-long term, the Company has as its basic policy financing focused on capital efficiency, growth-oriented investments, and shareholder returns. To enhance the effectiveness of this policy, in its medium-term management plan etc., the Company will formulate and publicly announce its target values as important managerial indicators and will endeavor to achieve an optimal capital structure. (1-3)

(2) When the Company is to enact a capital policy involving change of control or large-scale dilution, the Board of Directors will fully discuss the necessity and reasonableness of the policy and come to a resolution, and will promptly disclose information concerning their review process and the purpose of implementation etc., and offer an explanation to investors and shareholders. (1-6)

#### 5. Basic Policy on Strategic Holding of Shares and on the Exercise of Voting Rights Pertaining to Strategically-Held Shares

##### (1) Policy on Strategic Holding of Shares

The Company operates such businesses as alcoholic and non-alcoholic beverages, food and real estate, which are closely connected with its customers' lifestyles, and believes it to be necessary—in terms of business strategy—to have cooperative relationships with many different companies along its supply chain, ranging from development to procurement, manufacturing, logistics and sales. Based on this viewpoint, the Company may in some cases own strategically-held shares if, after comprehensively considering the state of such cooperative relationships, the Company finds that doing so would help raise corporate value over the medium-to-long term. The Board of Directors will regularly verify every year whether the Company's strategically-held shares are appropriately owned and managed in accordance with its strategic holding policy. As a result of the above-mentioned verification, the Company's strategically-held shares that are not deemed to meet its strategic holding

policy will be reduced.

(2) Exercise of Voting Rights Pertaining to Strategically-Held Shares

In the exercise of voting rights pertaining to strategically-held shares, the Company will comprehensively weigh the pros and cons from a medium- and long-term perspective, taking into consideration the Company's holding policy and the common interests of the shareholders in the investments. Regarding the contents of agenda and other issues pertaining thereto, the Company will, whenever necessary, have dialogues with the invested companies.

(1-4, 1-4-①, ②)

6. Policy Toward Large-Scale Purchases of Share Certificates, etc. of the Company (Anti-Takeover Policy)

(1) The Company will adopt a "Policy Toward Large-Scale Purchases of Share Certificates, etc. of the Company" with a view to protecting the common interests of its shareholders.

(2) This Policy shall be established to allow shareholders to appropriately assess the circumstances, by requesting a large-scale purchaser of share certificates, etc. of the Company to provide sufficient information regarding the purpose and nature of its purchase and to ensure that an appropriate assessment period will be provided.

(3) In light of the importance of this Policy, it will be brought up for discussion at the general shareholders' meetings in order to confirm the intentions of the shareholders, and if the motion is approved with a majority of the voting rights of the attending shareholders, the policy may be continued or modified. Further, even during its effective period, this Policy may be discontinued by means of a resolution of a general shareholders' meeting or the Board of Directors, and in such a case the Board of Directors shall promptly give notice to that effect.

(1-5, 1-5-①)

7. Transactions Between Related Parties

Pursuant to the Board of Directors Rules, if it is necessary to conduct, with a Director, a competition with a competitor, a transaction directly with the Director, or a conflict-of-interest transaction with a Director, the Company must first obtain approval from the Board of Directors.

For transactions with major shareholders etc., internal rules will be provided and all officers and employees will be thoroughly notified of such rules. (1-7, 4-3)

**III. Appropriate Collaborations with Stakeholders (Basic Principle 2)**

8. Code of Corporate Conduct

(1) The Company will enact a "Sapporo Group Code of Corporate Conduct" as its basic policy for

ensuring that all officers and employees employed by the Company and the Company Group practice the management philosophy of Sapporo Group in their daily activities. Any revision of this Code shall require a resolution of the Board of Directors or a decision by Directors who have been delegated by a resolution of the Board of Directors. This Code will be disclosed on the Company's website. (2-2)

(2) The Company will periodically confirm the status of compliance with the "Sapporo Group Code of Corporate Conduct" and report to the Board of Directors. (2-2-①)

## 9. Relationships with Stakeholders

(1) For the purpose of enhancing its corporate value over the medium-to-long term, the Company shall respect the interests of and collaborate, as appropriate, with its various stakeholders, including the Company's shareholders and investors, clients, local communities, NPOs and NGOs, governments, business partners and affiliates, and employees and their families. (2-2)

(2) In light of the importance of the challenges concerning sustainability, the Company will formulate a "Sapporo Group Sustainability Policy" and, as a corporate group address global environmental and social issues in order to make people happy. In addition, the Company will strive to collaborate and mutually prosper with our stakeholders, and furthermore, the Company will value our founding philosophy and devote its thoughts to creating sustainable value, and will bring smiles to people's faces. (2-3, 2-3-①, 3-1-③)

(3) In order to attain the Group's management philosophy, the Company will show respect for all manners of diversity (including with regard to sexual orientation, age, disability, nationality, educational and professional background, form of employment, and values), acknowledge and cultivate a workforce with a diverse set of ideas and views, and further foster an environment where individuals can fully demonstrate their talents. (2-4, 2-4-①)

## 10. Whistleblowing System

In order to swiftly and appropriately address any illegal conduct or wrongdoing etc. that has occurred internally, the Company will establish a "Sapporo Group Whistle-Blower's Hotline and Helpline". With regard to the "Sapporo Group Whistle-Blower's Hotline and Helpline", the Company will establish both an internal Company liaison and a point of contact independent from the management so as to increase the Company's trustworthiness from the viewpoint of whistleblowers, thereby ensuring the appropriate operation of the whistleblowing system. Any details that have been reported will be kept strictly confidential in accordance with laws and regulations as well as internal Company rules, and no whistleblower shall be treated unfavorably. Further, the operational status of the whistleblowing system will be reported periodically to the Board of Directors, and such operational status will be monitored. (2-5, 2-5-①)

## 11. Management of Corporate Pension Fund

The Company established Sapporo Breweries Corporate Pension Fund (the “Fund”) and has entrusted management and operation of the corporate pension plan assets to the Fund. Fully considering the fact that the management of the corporate pension fund affects employees’ asset building and the financial status of the Company, the Company appropriately assigns persons who possess requisite experience and relevant knowledge and expertise regarding fund management to be in charge of the management of the Fund, and, endeavor to train and develop such personnel.

The Fund shall manage its plan assets in the following manner:

(1) For the management of the reserves in the fund, the Fund establishes a basic policy for such management, and formulate strategic asset composition ratio from medium-to-long term perspectives in order to achieve the amount of investment income that is required to maintain sound management of the pension plan in the future.

(2) The Fund appropriately assigns and selects any institutional management trustees and investment funds and adequately conducts monitoring of the financial results and evaluation of the reports submitted by the institutional management trustees.

(3) The Fund ensures no conflict of interests arises between the beneficiaries of the pension and the Company by entrusting the management of the reserves to more than one institutional management trustee, whereby i) the selection of investment destinations and ii) the exercise of voting rights are entrusted on a discretionary basis to such individual institutional management trustees.

(2-6)

## **IV. Ensuring Appropriate Disclosures of Information and Transparency (Basic Principle 3)**

### 12. Information Disclosure Policy

(1) Pursuant to the Companies Act and other relevant laws and regulations, the Company will decide on a policy with regard to the Company and the Company Group’s risk management, internal control system, and legal compliance etc., and shall disclose such policy in a timely and appropriate manner.

(2) The Company will observe the Companies Act, the Financial Instruments and Exchange Act and other relevant laws and regulations along with any and all applicable financial instruments exchange regulations, and it will separately establish an independent disclosure policy, under which it will continuously disclose fair and reliable information at any time.

(3) The Company will proactively disclose not only its financial information but also non-financial information including its management philosophy, management strategy, and medium-term management plan. In formulating and publicly announcing its management strategy and medium-term

management plan, the Company will accurately assess capital cost and indicate its basic earnings plan and capital policy, and will disclose its specific management targets, the plan for achieving those targets, its basic approach to the business portfolio and the status of the review of such portfolio.

(4) When disclosing information, the Company shall make disclosures in English within reasonable limits.

(3-1-①, ②, ③, 5-2, 5-2-①)

## **V. Duties of the Board of Directors etc. (Basic Principle 4)**

### 13. Directors and the Board of Directors

#### (1) Roles and Duties of Directors

① Directors shall be aware of their fiduciary responsibilities to shareholders, ensure appropriate collaborations with stakeholders, and execute their duties so as to sustainably raise corporate value and serve the common interests of the shareholders.

② Directors shall, as necessary, actively gather information sufficient for the execution of their duties, including by requesting that the Company provide additional information, and shall assertively share their opinions and exhaustively engage in constructive discussions at Board of Directors.

③ Directors shall demonstrate the abilities that are expected of them and devote their time to benefitting the Company in the performance of their duties.

④ When assuming office, Directors shall have an understanding of relevant laws and regulations, the Company's Articles of Incorporation, the Director Rules, and any other internal rules of the Company, and shall fully understand their responsibilities.

(4-5, 4-13, 4-13-①)

#### (2) Roles and Duties of Independent Outside Directors

① With a goal of sustained enhancement of corporate value, Independent Outside Directors shall, as necessary, actively gather information sufficient for the execution of their duties, including by requesting that the Company provide additional information, and shall offer appropriate advice on the basis of their own knowledge.

② Independent Outside Directors shall conduct managerial supervision, including monitoring for any conflicts of interest, through the important decision-making activities of the Board of Directors.

③ Independent Outside Directors, being independent from the management, shall verify and assess the management results of the Company and the management's performance results in light of the management strategy and medium-term management plan decided by the Board of Directors, and shall appropriately reflect the views of minority shareholders and other stakeholders at Board of Directors meetings.

(4-7, 4-13, 4-13-①)

### (3) Roles and Duties of the Board of Directors

In light of its fiduciary responsibilities and accountability to shareholders, the Board of Directors shall aim to achieve sustained growth for the companies and to raise corporate value over the medium-to-long term, and shall play the following roles in order to improve profitability and capital investment efficiency etc. Further, Directors shall endeavor to promote a social climate wherein the Board of Directors serves as a venue for constructive discussion and exchange of views in a free and open atmosphere. (4-12)

① The Board of Directors shall specify the matters to be determined and decided at its meetings in the Board of Directors Rules. (4-1-①)

② In formulating medium-to-long-term management concepts or medium-term management plans, the Board of Directors shall scrutinize the details and engage in constructive discussion from a strategic perspective, pursuant to the management philosophy. Further, in implementing medium-term management plans, it shall thoroughly manage the progress of such plans, and if any discrepancies arise between the targets and actual performance results, it shall analyze the underlying cause and reflect the results of such analysis in the plan for the following term. (4-1, 4-1-②)

③ In the interest of enhancing corporate value over the medium-to-long term, the Board of Directors shall encourage the Company's management and the managements of the Sapporo Group companies to demonstrate a healthy spirit of entrepreneurship. When deliberating over any proposals brought up for discussion at a Board of Directors, the Board of Directors shall take an independent, objective position in scrutinizing the details from a multilateral viewpoint, assessing the material risks faced by the Company and deciding on a response policy, deciding how to conduct the Company's material affairs, and maintaining an environment supportive of appropriate risk-taking. (4-2)

④ From an independent and objective position, and through highly effective supervision of the Company's Directors and management as well as the management of the Sapporo Group companies, the Board of Directors shall appropriately assess the companies' performance results, and shall reflect their findings fairly and appropriately in personnel, assessment and compensation-related decisions involving the Company's executives. Further, the Board of Directors shall conduct supervision so that information disclosures are made in a timely and appropriate manner, shall properly maintain internal control and risk management systems, and shall confirm, using periodic reports on the implementation and operation status of those systems, that the Company's management systems are being operated appropriately. (4-3, 4-3-①, ④)

⑤ From the perspective of enhancing corporate value over the medium-to-long-term, the Board of Directors shall deepen its deliberations on the Company's sustainability initiatives and formulate the Company's basic policy. Further, in order to contribute to the sustainable growth of the Company, the



Bord of Directors shall effectively supervise the allocation of management resources, such as investments in human resources and brands, and the implementation of business portfolio strategies. (2-3-①, 4-2-②)

⑥ The Board of Directors shall establish a response system for when the Audit & Supervisory Committee or an external accounting auditor discovers any wrongful conduct and requests that appropriate measures be taken or when such person points out any deficiencies or problems. (3-2-②)

#### (4) Structure of the Board of Directors

① The Board of Directors shall consist of up to twelve (12) persons as specified in the Articles of Incorporation, of whom five (5) or more persons shall be Independent Outside Directors.

② A compensation committee, nominations committee, and Independent Outside Directors committee shall be established under the Board of Directors as the Board's advisory bodies.

③ If any Directors serve concurrently as officers of another publicly-traded company, their concurrent employment is to be limited to within a reasonable scope, and the status of such concurrent employment is to be disclosed on an annual basis.

(4-6, 4-8, 4-10, 4-10-①, 4-11-②)

#### (5) Advisory Bodies of the Board of Directors

##### ① Nominations Committee

(i) The purpose of this committee shall be to deliberate, recommend, make proposals for, or provide other suggestions on, the following matters:

- Recommendation of candidates for Director and Substitute Director positions to the Board of Directors
- Confirmation of, and exchange of views concerning, the progress of formulating a succession plan of the President and the status of implementation
- Deliberation, and making proposals to the Board of Directors, regarding the appointment of persons who previously served as president in certain positions, such as Advisors
- Deliberation, and making a proposal to the Board of Directors, regarding the dismissal of any of the Company's executives (Directors including the President)

(ii) This committee shall consist of all Independent Outside Directors (excluding Directors who are Audit & Supervisory Committee Members), all Directors who are Audit & Supervisory Committee Members, and the President. If the President is absent or unable to attend, the committee shall include other Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the order determined in advance by a resolution of the Board of Directors.

(iii) The chairperson of this committee shall be appointed from among the Independent Outside

Directors (excluding Directors who are Audit & Supervisory Committee Members).

(iv) This committee shall recommend talented persons who have highly specialized knowledge of internal company matters and are highly capable of performing their duties as candidates for internal Director positions, so as to enable the Board of Directors to conduct their decision-making in an accurate, swift, and fair manner.

(v) This committee shall require that any Independent Outside Director candidates be persons who fulfill the “Standards for Independence of Outside Directors” (Appendix 1) stipulated by the Company, and shall recommend talented persons who have an abundance of experience, achievements and knowledge of corporate management and specific specialized areas and who can provide accurate suggestions and advice concerning the Company’s business challenges.

(vi) When considering Director candidates, this committee shall take into account the necessary balance of knowledge, experience and ability as well as diversity, including gender and internationality, work experience and age, for the Board of Directors as a whole.

(vii) This committee shall require that any candidate for Independent Outside Director who is an Audit & Supervisory Committee Member be a person who satisfies the “Standards for Independence of Outside Directors” (Appendix 1) specified by the Company. It shall endeavor to ensure that the overall Audit & Supervisory Committee comprises one (1) or more persons having, in particular, an abundant knowledge of finances and accounting, while appointing persons who have adequate experience, capability and necessary financial, accounting, and legal knowledge.

(viii) This committee shall, in order to systematically provide training to, and make an appointment of, a successor of the President, confirm and discuss the progress of a succession plan being formulated and the implementation status.

(ix) This committee shall deliberate the dismissal of any of the executives of the Company and make a proposal to that effect to the Board of Directors if it is detected that any of the executives of the Company is in breach of the laws and regulations or any provision of the Articles of Incorporation of the Company that caused a material damage to the Company or posed a substantial obstacle in performing one’s duties.

(3-1, 4-1-③, 4-3-②, ③, 4-9, 4-10-①, 4-11, 4-11-①)

## ② Compensation Committee

(i) The purpose of this committee shall be to formulate compensation system and bonus system in respect of Directors (excluding Directors who are Audit & Supervisory Committee Members) and to decide the individual compensation amounts for each Director (excluding Directors who are Audit & Supervisory Committee Members) and individual compensation amounts payable to any person who previously served as a president and is appointed to a certain position, such as the position of Advisor, pursuant to a resolution of

the Board of Directors.

- (ii) This committee shall consist of all Independent Outside Directors (excluding Directors who are Audit & Supervisory Committee Members), all Directors who are Audit & Supervisory Committee Members, and the President; provided that, if the President is absent or unable to attend, the committee shall include other Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the order determined in advance by a resolution of the Board of Directors.
- (iii) The chairperson of this committee shall be appointed from among the Independent Outside Directors (excluding Directors who are Audit & Supervisory Committee Members).
- (iv) For the purpose of contributing to the sustained growth of the Company, this committee shall formulate a compensation system and bonus system linked to performance results over the medium-to-long term, combining cash-based compensation and Company shares etc.

(3-1, 4-2-①, 4-10-①)

### ③ Independent Outside Directors Committee

(i) The purpose of this committee shall be to have Independent Outside Directors exchange information and share their recognition with regard to the Company and the Company Group's management strategy and matters relating to corporate governance.

(ii) This committee shall consist of all Independent Outside Directors, in principle. At the request of the committee chairperson, this committee may have any executives of the Company or any Group companies below the President or the president and Group Operating Officer, and any external accounting auditors etc. attend meetings.

(iii) The chairperson of this committee shall be appointed from among the Independent Outside Directors (excluding Directors who are Audit & Supervisory Committee Members). The chairperson shall facilitate communication and coordination between the Independent Outside Directors and the management as well as cooperation with the Audit & Supervisory Committee.

(3-2-②, 4-8-①, ②, 4-10-①)

### (6) Assessment of the Board of Directors

Each year, the Board of Directors shall analyze and assess its own effectiveness on the basis of the self-evaluations of each Director, and shall disclose a summary of the results. (4-11-③)

### (7) Support Structure for the Board of Directors

① The Board of Directors shall establish a Board of Directors Office for the purpose of smoothly directing the operations of the Board of Directors.

② In order to encourage vigorous discussions, the Board of Directors Office shall provide sufficient information on the matters for deliberation to every Director, and shall properly ensure a period for prior review, e.g. by distributing materials for the Board of Directors well in advance of the meeting date. Further, the Board of Directors Office shall comply with any requests from Directors for information to be provided.

③ The Board of Directors Office shall, by the end of the fiscal year, coordinate and decide on the Board of Directors schedule and principal matters for deliberation for the following fiscal year, and shall appropriately determine the number of discussion items and ensure discussion time for each Board of Directors meeting.

④ Directors may, as necessary, receive advice from outside experts concerning company expenses.  
(4-12-①, 4-13, 4-13-②, ③)

#### (8) Training Policy for Directors

The Company shall implement the following training to enable Directors to acquire a deeper understanding of their roles and duties and fully discharge their responsibilities.

① Persons newly appointed as Directors shall undergo training with regard to the necessary laws and regulations, including the Companies Act, as well as regarding corporate governance.

② After the appointment of any Directors, the Company will continue to provide a diverse program of training activities, to be conducted internally and externally, relating to legal amendments and business challenges etc.

③ Persons newly appointed as Independent Outside Directors shall receive the necessary explanations concerning an overview of the Sapporo Group, the Group's management strategies and financial conditions, and any other important matters, and shall also be provided with opportunities to observe Group company factories and research sites etc. for the purpose of acquiring a deeper understanding of the Sapporo Group.

(4-14, 4-14-①, ②)

#### 14. Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory Committee

##### (1) Roles and Duties of Directors who are Audit & Supervisory Committee Members

① Directors who are Audit & Supervisory Committee Members shall be aware of their fiduciary responsibilities to shareholders, ensure appropriate collaborations with stakeholders, constitute the Audit & Supervisory Committee and execute their duties so as to raise corporate value over the medium-to-long term and contribute to the common interests of the shareholders.

② For the purpose of executing their duties, Directors who are Audit & Supervisory Committee Members shall gather sufficient information, as necessary, including by requesting additional

information to be provided by the relevant company and by exercising their authority to conduct investigations under laws and regulations.

(4-5, 4-13, 4-13-①)

## (2) Roles and Duties of Independent Outside Directors who are Audit & Supervisory Committee Members

① In order to contribute to improving the soundness and transparency of management, Independent Outside Directors who are Audit & Supervisory Committee Members shall execute their duties from a neutral and objective position on the basis of their own knowledge.

② For the purpose of executing their duties, Independent Outside Directors who are Audit & Supervisory Committee Members shall appropriately gather information, as necessary, including by requesting additional information to be provided by the relevant company and by exercising their authority to conduct investigations under laws and regulations.

(4-13, 4-13-①)

## (3) Roles and Duties of the Audit & Supervisory Committee

Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory Committee shall fulfill the following roles and duties, taking into consideration their fiduciary responsibilities to the shareholders, when exercising their authority pertaining to auditing the execution of duties by Directors, appointing or dismissing external accounting auditors, auditing fees and decisions or statements of opinion on the appointment or dismissal, or remuneration, etc. of Directors.

① Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory Committee shall leverage the independence and expertise of Independent Outside Directors who are Audit & Supervisory Committee Members and the information-gathering abilities of internal Directors who are Audit & Supervisory Committee Members to make appropriate determinations from an independent, objective position

② Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory Committee shall actively and assertively exercise their authority, and shall convey appropriate opinions at Board of Directors meetings or to the management.

③ Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory Committee shall ensure cooperation with Independent Outside Directors so that the latter may work to enhance their information-gathering abilities without sacrificing any of their independence.

④ The Audit & Supervisory Committee shall formulate criteria for assessing and appointing accounting auditors, and shall confirm the independence and expertise of such persons.

⑤ Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory

Committee shall ensure cooperation with the Internal Auditing Department, and shall provide information to and otherwise cooperate with Independent Outside Directors, as necessary. Employees of the Internal Auditing Department shall exclusively follow the instructions and orders of the Audit & Supervisory Committee when assisting the Audit & Supervisory Committee with its duties under the direction thereof.

⑥ The Audit & Supervisory Committee may decide its opinions regarding the appointment, dismissal and resignation and remuneration etc. of Directors (excluding Directors who are Audit & Supervisory Committee Members) and an Audit & Supervisory Committee Member appointed by the Audit & Supervisory Committee may state such opinions at general shareholders' meetings.

(1-6, 3-2-①, 4-4, 4-4-①, 4-13-③)

#### (4) Structure of the Audit & Supervisory Committee

① The Audit & Supervisory Committee shall consist of Directors who are Audit & Supervisory Committee Members up to four (4) persons as specified in the Articles of Incorporation.

② If any Directors who are Audit & Supervisory Committee Members serve concurrently as officers of another publicly-traded company, their concurrent employment is to be limited so as to be within a reasonable scope, and the status of such concurrent employment is to be disclosed on an annual basis.

(4-11-②)

#### (5) Training Policy for Directors who are Audit & Supervisory Committee Members

The Company shall implement necessary training for its Directors who are Audit & Supervisory Committee Members as well as training similar to that for Directors which is specified in Article 13, Paragraph (8), so that such Directors may acquire a deeper understanding of their roles and duties and fully discharge their responsibilities.

(4-14, 4-14-①, ②)

### 15. External Accounting Auditors

The Company shall take the following measures, as appropriate, to ensure that its external accounting auditors acknowledge their duties to shareholders and investors and conduct fair audits.

(1) Ensure sufficient auditing time for external accounting auditors to carry out high-quality audits.

(2) Ensure opportunities for interviews, if any external accounting auditors desire an interview with any executives of the Company.

(3) Ensure that external accounting auditors cooperate with Directors who are Audit & Supervisory Committee Members, the Internal Auditing Department, and Independent Outside Directors.

(4) Establish a Company response system for when an external accounting auditor discovers any

wrongful conduct and requests that appropriate measures be taken or when such person points out any deficiencies or problems.

(3-2, 3-2-②)

## **VI. Dialogue with Shareholders (Basic Principle 5)**

### 16. Dialogue with Shareholders

The Company shall establish the following system in order to promote constructive dialogue with shareholders so as to contribute to sustained growth and the improvement of corporate value over the medium-to-long term.

(1) Appoint a Director in charge of investor relations (IR) and shareholder relations (SR) as the general manager for dialogues with shareholders.

(2) If the general manager receives from a shareholder a request for an individual dialogue, he or she shall conduct an interview within a reasonable scope after having verified the shareholder's principal concerns. However, in some cases, a Director (including Outside Directors and Directors who are Audit & Supervisory Committee Members) or a person responsible for IR or SR may attend the interview in place of the general manager if necessary.

(3) To assist dialogues with shareholders, the General Administration Department, Finance Department, and Corporate Communication Department will periodically hold meetings and actively cooperate with each other.

(4) In addition to individual interviews, as other means for dialogue the Company shall periodically conduct financial settlement briefings for analysts and hold information sessions on management strategies, as appropriate. Further, information shall be disclosed on the Company website in a timely and appropriate manner.

(5) The Company shall periodically assess the makeup of its shareholders, and endeavor to promote dialogue with them. Any shareholder opinions or concerns ascertained through such dialogue shall be reported to the management by the general manager.

(6) To prevent financial settlement information from being leaked and to ensure fairness, the Company shall establish a silent period of a certain duration, lasting from the day following the settlement date until the day that financial results are announced each quarter. During this period, in principle, the Company will refrain from answering or commenting on any questions relating to the financial settlement. Further, each year the Company shall periodically conduct thorough internal training on insider information in an effort to prevent insider information from being leaked.

(5-1, 5-1-①, ②, ③)

End of document

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Revised on March 30, 2021  
Revised on December 22, 2021

The numbers in parentheses in the various clauses of this Basic Policy correspond to principles in the Corporate Governance Code set forth in the Listing Rules of the Tokyo Stock Exchange.



## Appendix 1

### Standards for Independence of Outside Directors

1. In order for the Outside Directors of the Company to be Outside Directors who are independent (“Independent Officers”), any such Outside Directors shall satisfy the applicable standards of independence specified by the financial instruments exchanges, and no such Outside Directors may fall under any of the following Items (1) through (3).

(1) A person who currently is or during the past ten years was an executive officer (*gyomu shikkou sha*) of the Company or its consolidated subsidiaries (collectively, “Group”) (\*1).

(2) A person who currently falls under or during the past three years has fallen under any of the following sub-items (i) through (viii).

(i) A person having the Group as a major business partner, or its executive officer (*gyomu shikkou sha*) (\*2);

(ii) A major business partner of the Group or its executive officer (*gyomu shikkou sha*) (\*3);

(iii) A consultant, accounting professional, or legal professional who has obtained from the Group large sums of money or other property other than officer remuneration etc. (if a person who has obtained such properties is a corporation, association, or other group, this means a person who belongs to such group) (\*4);

(iv) A major shareholder of the Group (if such major shareholder is a corporation, an executive officer (*gyomu shikkou sha*) of such corporation) (\*5);

(v) In the case where the executive officer (*gyomu shikkou sha*) of the Company holds the office of Outside Directors or Outside Audit & Supervisory Board Members of another company, an executive officer (*gyomu shikkou sha*) of such other company;

(vi) A person who has received large donations from the Group or a Director or other executive officer (*gyomu shikkou sha*) of a group that received such donations (\*6);

(vii) A member, partner, or employee of the audit corporation that is the accounting auditor for the Group; and

(viii) A major lender of the Group or its executive officer (*gyomu shikkou sha*) (\*7)

(3) A spouse or a relative in the second degree or closer of any person listed in Item (1) or Item (2) above (excluding any unimportant person).

2. An Independent Officer of the Company must be an Outside Director with respect to whom there is no likelihood of a constant and substantial conflict of interests arising with the entire general shareholders of the Company for any reason other than the reasons considered in Items (1) through (3) of Paragraph 1 above.

3. An Outside Director who falls under any of Items (1) through (3) of Paragraph 1 above may nonetheless be appointed as an Independent Officer of the Company, if the Company considers such Outside Director to be appropriate as an Independent Officer in light of such Outside Director's personality and insight etc., on the condition that such Outside Director satisfy the applicable standards of independence specified by the financial instruments exchanges and that a public explanation be given of the reasons why we consider such Outside Director to be appropriate as an Independent Officer of the Company.

(Notes)

- \*1. For any person who was a non-executive Director, an Accounting Advisor (if the Accounting Advisor is a juridical person; a member who is to execute its duties) or an Audit & Supervisory Board Member of the Group at any time over the last ten years, the ten-year period prior to assumption of such office. "Executive officer (*gyomu shikkou sha*)" means a person stipulated in Article 2, Paragraph 3, Item (6) of the enforcement regulations of the Companies Act.
- \*2. "Person having the Group as a major business partner" means a person who has received from the Group payment of an amount not less than 2% of its annual consolidated sales (annual consolidated revenue) in the most recent fiscal year.
- \*3. "Major business partner of the Group" means a person who in the most recent fiscal year made payment to the Group payment of an amount equivalent to 2% or more of the Company's annual consolidated revenue.
- \*4. "Consultant, accounting professional, or legal professional who has obtained from the Group large sums of money or other property other than officer remuneration etc." means a person who in the most recent fiscal year obtained, other than officers remuneration etc., money or property in an amount or value equivalent to 2% of annual consolidated sales (annual consolidated revenue) or ten million yen, whichever is higher, or a member, partner, or employee of any law firm, auditing corporation, tax accountant corporation, consulting firm, or other professional advisory firm that received from the Group payment of an amount equivalent to 2% or more of that firm's annual total sales in the most recent fiscal year.
- \*5. "Major shareholder of the Group" means a person or a corporation who directly or indirectly holds 10% or more of the total voting rights of a company within the Group.
- \*6. "Large donation" means a donation that is made in the most recent fiscal year, the amount of which

is not less than the higher of (i) ten million yen or (ii) 30% of the average annual expenses for the relevant group.

\*7. “Major lender of the Group” means any financial institution or other major creditor that is essential for the Company’s fund-raising, upon which the Company relies to such extent that such lender is not replaceable.

Enacted on December 15, 2017

Revised on March 28, 2019

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