

## **Corporate Governance Basic Policies**

### Article 1 General Provisions

#### 1. Basic Idea of Corporate Governance and Purpose of Formulating These Policies

Resonac (the "Company") believes in the importance of continuously enhancing its corporate governance in terms of supporting efforts to create the functions required of an advanced materials partner according to the times; contributing to the sustainable development of global society; and realizing the Group's Purpose of "Change society through the power of chemistry."

In order to continuously enhance our corporate value, the Company shall ensure soundness, effectiveness and transparency of management and swift decision-making. The Company shall also build a system that allows us to demonstrate our corporate value and fully take advantage of our resources, with a focus on objectives such as strengthening our management and technological foundations and improving the capabilities and motivation of our employees.

These Corporate Governance Basic Policies (these "Policies") represent our basic approach to achieving these objectives.

#### 2. Purpose & Values

##### Purpose:

##### **Change society through the power of chemistry**

Contribute to the sustainable development of global society by creating functions required of the times as an advanced material partner

##### Values:

##### **Passionate & Results-Driven**

By taking pride and passion to our work,  
By focusing our strengths and performance,  
We will become a globally recognized top player.

##### **Agile & Flexible**

By learning through trial-and-error,  
By thinking flexibly and acting swiftly,  
We will transform into a dynamic organization.

##### **Open Minds & Open Connections**

By showing mutual trust and respect,  
By collaborating openly beyond boundaries,

We will co-create new value with all stakeholders.

### **Solid Vision & Solid Integrity**

We truly recognize the power and potential of chemistry,

We prioritize sustainability for future generations,

We commit to upholding our values of integrity to all stakeholders and ethics in developing chemical technologies.

### 3. Code of Conduct

The Company formulated "Our Code of Conduct" as a form of corporate ethics to indicate how people working for the Resonac Group should conduct themselves in their daily work in order to achieve the Purpose. "Our Code of Conduct" defines our responsibilities as a company to our internal and external stakeholders, and aims to allow each one of us to take concrete actions while embodying the four values in our business activities. This code of conduct is intended to enable, in the course of complying with the code of conduct, each officer and employee to contribute toward forming a standard of conduct that prevails throughout the Company, thereby fostering an individuality and organizational culture that is uniquely Resonac.

### 4. Sustainability Vision

The Company places the concept of sustainability at the core of its management in order to "Change society through the power of chemistry" as stated in its Purpose. In line with such a concept, we established Sustainability Vision 2030, through which we are promoting activities to disseminate the concept of sustainability inside the Company.

#### Sustainability Vision 2030

##### **Achieve corporate growth through the resolution of social issues**

Develop into a company with like-minded partners across the world that realizes its own continuous growth and corporate value improvement, by solving social issues and offering value to society through its technologies and businesses

##### **A company with like-minded partners throughout the world**

Become a "Co-creative Chemical Company" that is the first choice of, and can choose, partners in creating a sustainable and better society, including future generations of customers, employees, investors, and stakeholders

#### Article 2 Securing the Rights and Equal Treatment of Shareholders

##### 1. Basic Policy

The Company shall strive to realize a sustainable increase in corporate value through

appropriate cooperation with shareholders and develop an environment in which shareholders can appropriately exercise their rights. We will also pay sufficient attention to the security of the equality of shareholders' right.

## 2. General Meeting of Shareholders

The Company recognizes a general meeting of shareholders as a place for constructive dialogue with shareholders and appropriately sets up schedules related to general meetings of shareholders. In order to ensure sufficient time to consider the agenda of general meetings of shareholders, the Company shall strive to mail convocation notices early and disclose the information on its website and other media before mailing. In addition, the Company shall develop an environment in which all shareholders including those who are unable to participate in general meetings of shareholders can appropriately exercise their voting rights such as by using an electronic voting rights exercise platform.

## 3. Capital Policy

The Company considers the payment of dividends as an important obligation to its shareholders. As such, the Company shall make it a basic policy to decide on dividends after consideration to the earnings situation for each fiscal year and internal reserves to prepare for future business developments. The Company shall appropriate its internal reserves preferably for capital investment, research and development, and improvement of its financial standing, all of which are expected to contribute to the sustainable expansion of profits, including measures to accelerate development of growth businesses.

## 4. Cross-Shareholding

### (1) Policy on Reduction of Cross-Shareholding

The Company shall, in principle, not allow cross-shareholding.

### (2) Review on the Appropriateness of Cross-Shareholding

Every year, the Board of Directors of the Company shall review each cross-shareholding through cost-benefit analysis of capital and other measures based on the results of the evaluation of profitability and feasibility.

### (3) Voting Right Exercise Standard

When the Company exercises its voting rights of cross-shareholdings, the company shall decide approval or disapproval of each item on the agenda by examining whether the item contributes to increasing corporate value from a medium-to-long-term viewpoint and maintaining/increasing shareholders' returns.

## 5. Related Party Transactions

The Company shall obtain approval from the Board of Directors in accordance with laws

and regulations as well as its Rules of Board of Directors' Meeting for competitive transactions and conflict of interest transactions between the Company and its Directors. In addition, the Company shall report the results of the said transactions to the Board of Directors.

#### 6. Anti-Takeover Measures

The Company will not introduce so-called anti-takeover measures (proactive anti-takeover measures).

In the event, however, that the shares of the Company are subject to a takeover bid, the Board of Directors shall request from the tender offeror or other relevant parties an explanation of the measures that they will take to enhance the Company's corporate value.

### Article 3 Appropriate Cooperation with Internal and External Stakeholders

#### 1. Basic Policy

The Company shall conduct business activities through appropriate cooperation with all stakeholders including shareholders in order to achieve sustainable corporate growth and create medium-to-long-term corporate value.

#### 2. Relationship with Local Communities

The Company is actively engaging in social contribution activities with the aim of contributing to the local communities where its offices are located and building good relationships with such communities. The Company organized a working group for social contribution activities under the Sustainability Promotion Council, which is under the ownership of the CEO (Chief Executive Officer), to promote company-wide activities to contribute to solving social issues recognized by the local communities where its offices are located.

#### 3. Relationship with Business Partners

The Company believes that building long-term relationships of trust with its suppliers is essential to achieving its Purpose.

Based on this belief, we formulated the Resonac Group Sustainable Procurement Guidelines, which we share with our suppliers. Through collaborative compliance, we aim to contribute to a sustainable society and enhance our mutual corporate value.

#### 4. Relationship with Customers

Our mission is to provide safe and reliable products and services to our customers throughout the entire product cycle, from development and design to market launch, manufacturing, sales, and post-marketing services.

## 5. Intellectual Property Strategy

Positioning intellectual property strategy as one of the most important management strategies, the Company shall promote an aggressive intellectual property strategy that is conducive to its business strategies and management strategies. We are also actively engaging in co-creation with external parties with the aim of fostering realization of the Purpose and Values.

In order to create superiority in our major businesses and in-house developed products through our intellectual property strategy, we are strengthening our intellectual property capabilities by building and expanding a highly globally influential intellectual property portfolio.

## 6. Human Resources Strategy

### (1) Basic policy

Toward solving social issues and enhancing our corporate value on the basis of the Purpose and Values, the Company positions at the core of its efforts the activities of "creating co-creative human resources" and "fostering a corporate culture," which are designed to connect us with various stakeholders and creatively solve problems through co-creation with them. On this foundation, the Company shall promote a human resources strategy that is linked to both the management strategy and business strategy.

### (2) Promotion structure

The management team led by the CEO shall take the initiative in promoting the strategies based on the objectives of "creating co-creative human resources" and "fostering a corporate culture" as described in the preceding section. In order to realize these objectives, it is important to unify all employees of the Company in the direction of a single objective. With this recognition, the Culture Cultivation Group will support the creation of a system to put the Purpose and Values into practice. Furthermore, the Diversity, Equity & Inclusion Group, which is responsible for ensuring diversity and creating collective knowledge, will also work together to support the fostering of the corporate culture.

We are strengthening the structure for enhancing the competitiveness of our human resources by implementing schemes such as visualization of next-generation leader candidates, strategic job rotation, and support for autonomous career development. We are also strengthening our HR business partner function, which supports human resources in each business when they take on growth challenges, from the aspects of people and organizations.

## 7. Safety and Compliance

"Safety first" and "thorough compliance" are the basis for realizing the Company's

Purpose. In addition to complying with the laws and social norms of each country and region, we are working to develop systems and activities to instill "high ethics," one of our four values, throughout the Group. We have also established the Global Compliance Standards (GCS) as a framework to be deployed throughout the Group to ensure thorough compliance.

#### 8. Whistleblowing System

The Company encourages its employees to report or 'blow the whistle' on any violation of laws and regulations or any misconduct-related concern they are aware of to the designated reporting or whistleblowing contact point. Such acts will help the Company detect, investigate, and correct any irregularities within the organization at an early stage, allowing its self-cleansing function to work properly. In order to ensure that this policy will work properly, the Company created an environment in which employees, etc. can more easily make whistleblowing reports by ensuring greater anonymity through providing a consultation contact point to seek advice from outside experts, in addition to the internal whistleblowing contact point. The Company clearly states that employees will not be subject to any disadvantageous treatment as a result of making a whistleblowing report. The Compliance Department at the head office regularly reports the operational status of the whistleblowing system to the Audit & Supervisory Board.

### Article 4 Corporate Governance Structure

#### 1. Design of Organizations

The Company opts to be a "Company with Audit & Supervisory Board." which consists of a board of directors and an audit & supervisory board. In order to strengthen the supervisory function of the Board of Directors, the Company established the Nomination Advisory Committee and the Remuneration Advisory Committee in pursuit of effective governance.

#### 2. Board of Directors and Directors

##### (1) Roles

Given its fiduciary responsibility and accountability to shareholders, the Board of Directors shall strive to achieve sustainable corporate growth and increase medium-to-long-term corporate value through the realization of efficient and effective corporate governance.

The Board of Directors shall decide the fundamental policies of the Company, make decisions on matters specified in the Companies Act and the Company's Articles of Incorporation as well as on other important issues pertaining to business execution, and will provide oversight on business execution. In addition, with a view toward increasing corporate value, the Board of Directors

shall determine the direction of mid- to long-term strategic issues, such as the following:

Sustainability strategy (including for climate change, biodiversity, and human rights initiatives), human resources strategy, key business strategy, portfolio strategy, technology strategy, intellectual property strategy, and risk management

(2) Composition

The Board of Directors shall separate the functions of supervision and execution, and a majority of its members shall consist of Directors who do not engage in business execution.

The Board of Directors shall have a personnel structure giving thoughtful attention to a good balance among specialties, experience, attributes, and other factors, regardless of gender, nationality or age, and the size of the Board of Directors shall be set so as to ensure prompt decision-making and appropriate oversight of business execution. In addition, one-third or more of the Board of Directors shall consist of Independent Outside Directors with extensive experience and broad insight in order to secure the appropriateness of business execution and to increase the effectiveness of oversight.

The Board of Directors shall identify the skills necessary to improve its effectiveness, and disclose the status of fulfillment of such skills.

In order to clarify the division of roles between management oversight and business execution functions, the Company adopted the Corporate Officer System and set rules for matters to be resolved at Board of Directors' meetings and matters to be reported to the Board of Directors in the Rules of Board of Directors' Meeting. The Company also clarified the job scope of Chief X Officers (CXOs) and chiefs of Business Units.

(3) Election

The Company establishes the following criteria for the selection of candidates for the Board of Directors, which will be determined by the Board following consideration by the Nomination Advisory Committee:

- Candidates must possess a high level of insight and discernment, a strong ethical standard, and the ability to make fair and impartial judgments and to execute decisions effectively, all of which are necessary to fulfill the responsibilities of directors in enhancing the company's value in the short, medium, and long term.

- Candidates must demonstrate strong character, a firm commitment to fulfilling the responsibilities of a director, and the ability to maintain sound mental and physical health.

- The appointment of the candidate must contribute to the diversity of expertise, experience, and attributes within the Board of Directors, thereby facilitating efficient and effective corporate governance.

Additionally, for outside directors, the following additional selection criteria are established:

- Candidates must be able to oversee the management of this company group and any potential conflicts of interest between the company and its management, while providing appropriate oversight and advice regarding business execution.
- Candidates must meet the independence criteria for outside directors as stipulated by the company.

(4) Dismissal

If there is a fact concerning a Director that may meet the Dismissal Standards given below, the Nomination Advisory Committee shall deliberate the applicability of the Dismissal Standards, and report the result of deliberation to the Board of Directors. Then the Board of Directors shall make a final decision on submission of a bill concerning dismissal of the relevant Director to a general meeting of shareholders.

(Dismissal Standards)

- a) If a Director greatly damages corporate value of the Company due to violation of the duty of care or the duty of loyalty.
- b) If a director engages in acts that violate laws, the articles of incorporation, or public order and morals due to malice or gross negligence.
- c) If it is revealed that a Director does not meet the criteria for nomination of candidates for Directors
- d) If a Director cannot continue to perform the Director's duties for reasons of health.

(5) Operation

In order to carry out constructive discussions and opinion exchanges, the Board of Directors shall determine the annual meeting schedule and main agenda regarding management strategies, internal controls, etc. by the end of the previous fiscal year. Materials for the agenda to be submitted to each Board of Directors' meeting, shall be distributed in advance. Sufficient time shall be secured for deliberation at the Board of Directors' meeting by ensuring an adequate understanding of the submitted agenda by each member. For this purpose, the proposing department shall provide a prior explanation to Outside Directors and Outside Members of the Audit & Supervisory Board on scheduled dates. In addition, in order to enable Directors to make appropriate management decisions, the results of analyses of assumed risks and examinations of alternative proposals shall be presented as necessary in the materials for vote-based resolutions.

(6) Evaluation

The Board of Directors shall, on an annual basis, analyze and evaluate the



effectiveness of the overall Board of Directors during the applicable fiscal year and disclose the outline of the results.

### 3. Audit & Supervisory Board, and its Members

#### (1) Roles

Audit & Supervisory Board Members shall attend the Board of Directors' meetings and other important internal meetings, offering opinions as necessary. They conduct audits on business execution through on-site investigations, interviews with responsible persons, inspection of important documents, and other appropriate measures, so as to provide suggestions, advice, and recommendations for securing soundness in management.

#### (2) Composition

The Audit & Supervisory Board shall have a personnel structure that includes Member(s) who has sufficient expertise in financing or accounting. In order to ensure a structure that will increase the effectiveness of audits through independence and advanced information gathering capabilities, Standing Statutory Members of Audit & Supervisory Board shall be appointed and a half or more of the Audit & Supervisory Board shall be Outside Members of Audit & Supervisory Board.

#### (3) Election

The Company set the criteria for nomination of candidates for Audit & Supervisory Board Members as in the following. The Board of Directors shall, with the consent of the Audit & Supervisory Board, determine candidates for Audit & Supervisory Board Members after the Nomination Advisory Committee deliberates on persons who meet the nomination criteria.

Candidates for Outside Members of Audit & Supervisory Board shall be persons who satisfy the independence standards for outside officers provided separately.

##### a) Inside Member of Audit & Supervisory Board

- A candidate must have knowledge and experience rich enough to appropriately and fairly audit the Company's Directors' performance of their duties.
- A candidate must have high principles, wide-ranging insight, strict ethical view, and fair judgement.

##### b) Outside Member of Audit & Supervisory Board

- A candidate must have knowledge and experience rich enough to fairly and objectively judge audit of the Company's Directors' performance of their duties.
- A candidate must be a talented one who satisfies the above-mentioned condition and has expertise in the field the candidate is engaged, such as a corporate executive, an expert on laws or accounting, and a person who once served at public agencies.

### 4. Outside accounting auditor

The Audit & Supervisory Board shall set "Standard for Election and Evaluation of

Accounting Auditor,” and accordingly determine accounting auditor in consideration of independence, eligibility, capability, audit implementation system, quality control system, appropriateness of audit fee, etc. Members of the Audit & Supervisory Board shall evaluate the accounting auditor in accordance with “Standard for Election and Re-election of Accounting Auditor” set by the Audit & Supervisory Board.

## 5. Nomination Advisory Committee

### (1) Roles

The Nomination Advisory Committee shall be established for the purpose of enhancing objectivity and transparency in the officer nomination process, including determination of candidates for the CEO and Directors, and maximizing our corporate value in the short-, medium-, and long-term. The primary roles of the Nomination Advisory Committee shall be evaluation of the CEO and deliberation on his/her appointment and dismissal based on relevant HR requirements, appointment and training of CEO candidates, and deliberation on the appointment and dismissal of Directors based on their roles and HR requirements. The Nomination Advisory Committee shall also be responsible for regularly receiving reports on the status of the appointment and training of Corporate Officers (other than the CEO) and BU Managers and their candidates, and for confirming the appropriateness of the process.

### (2) Composition

The Nomination Advisory Committee shall consist of three (3) or more members elected from among Directors, a majority of whom shall be Outside Directors who are independent officers.

The chairperson of the Committee shall be elected by the Board of Directors from among the Outside Directors.

## 6. Remuneration Advisory Committee

### (1) Roles

The Remuneration Advisory Committee shall deliberate and report to the Board of Directors on policies for determining officers' remuneration, etc., as well as on the establishment of important company rules, procedures, etc. pertaining to such remuneration.

The Remuneration Advisory Committee shall also be responsible for determining the amount of base remuneration for each individual Director and Corporate Officer, the target, evaluation, and payment amount for each individual related to short-term performance-linked remuneration (STI), the base number of shares and TSR (Total Shareholder Return) evaluation for each official position related to medium-to-long-term performance-linked remuneration (LTI), and the number of shares to be issued, etc. to each individual.

## (2) Composition

The Remuneration Advisory Committee shall consist of three (3) or more members elected from among Directors and Audit & Supervisory Board members, a majority of whom shall be Outside Directors who are independent officers.

The chairperson of the Committee shall be appointed by the Board of Directors

## 7. Remuneration System

### (1) Basic Policy

[Directors (excluding Outside Directors)]

- A remuneration scheme appropriate for recruiting and maintaining excellent human resources from inside and outside as the Company aims to become a global top-level functional chemical company
- A remuneration scheme that will help motivate efforts to achieve financial goals and increase medium-to-long-term corporate value, thereby contributing to sustainable growth of the Group
- A transparent, fair and rational process for deciding remuneration from the viewpoint of accountability to all stakeholders, including shareholders

[Outside Directors]

- A remuneration scheme appropriate for the role and responsibility for supervising the management of the Company from an independent and objective standpoint

### (2) Composition

[Directors (excluding Outside Directors)]

- Remuneration for Executive Directors (excluding Outside Directors) shall consist of a fixed remuneration (base salary) determined by their position, a short-term incentive compensation (STI) that varies based on annual performance, and a long-term incentive compensation (LTI) that fluctuates according to medium- to long-term performance and corporate value. The long-term incentive compensation (LTI) comprises "Performance Share Units (PSU)," which grant the company's common stock based on performance and stock price over a three-year period, and "Performance-based Restricted Stock (RS)," which grants restricted stock based on the sustainability evaluation for each period. • The compensation levels and the proportion of variable compensation (STI and LTI) relative to total compensation will be set at appropriate amounts and percentages, taking into account benchmarks from external specialist surveys comparing the Company to other major manufacturing companies with a focus on global operations. Considering the weight of responsibility regarding performance and stock price, the proportion of variable compensation will be set higher for higher-level positions. [Outside Directors]

- Remuneration for Outside Directors shall consist of a fixed remuneration (base salary) and restricted stock (RS). The transfer restrictions on the RS will be lifted upon

their resignation.

- For the members and Chairperson of the Remuneration Advisory Committee or the Nomination Advisory Committee, allowances shall be added according to their roles.
- The amount of restricted stock (RS) will be set at approximately 10% of the base salary (excluding committee and chairperson allowances).
- The compensation levels for outside directors will be set at appropriate amounts, taking into consideration the time and effort required to fulfill the expected roles and functions of each outside director, as well as benchmarks from external specialist surveys comparing our company to other major companies across various industries with a focus on global operations.

[Audit & Supervisory Board members]

- Remuneration for Audit & Supervisory Board members shall consist of the base remuneration (fixed remuneration) only.

### (3) Process

The remuneration for Directors and Corporate Officers shall be determined after deliberation at the Remuneration Advisory Committee, at the request of the Board of Directors, based on the basic policy and in consideration of the appropriateness of the ratio of performance-linked remuneration and the amount of individual remuneration. Remuneration for Audit & Supervisory Board Members shall be determined through discussion by Audit & Supervisory Board Members.

### 8. Assistance Structure for the Board of Directors and the Audit & Supervisory Board

A secretariat to the Board of Directors shall support Outside Directors to obtain sufficient information and facilitate cooperation with Audit & Supervisory Board Members, management, and other parties. In addition, Statutory Auditor's Office shall support the Audit & Supervisory Board and Audit & Supervisory Board Members in the appropriate performance of their duties.

### 9. Concurrent Duties of Directors and Audit & Supervisory Board Members

The Company shall annually disclose the status of concurrent duties of Directors and Audit & Supervisory Board Members at other listed companies.

### 10. Training for Directors and Audit & Supervisory Board Members

In addition to offering training to new Directors and Audit & Supervisory Board Members, the Company shall provide Directors and Audit & Supervisory Board Members with opportunities for internal and external training and bear the necessary expenses so that they may regularly update their knowledge about management strategies, revision of laws and regulations, corporate governance, and other matters.

### 11. Internal Controls and Risk Management

The Board of Directors shall establish the "Basic Policy for the Development of the Internal Control System" as a system to ensure the appropriateness of the Company's operations. In accordance with this Policy, the Board of Directors shall oversee the establishment and appropriate operation of the Company's systems for ensuring compliance, appropriate financial reporting, risk management, etc.

## Article 5 Information Disclosure and Dialogue

### 1. Information Disclosure

#### (1) Basic policy

In order to improve management transparency and promote understanding of our corporate management, corporate activities, and strategies, and to have our corporate value duly evaluated, the Company shall disclose financial information in a timely manner in accordance with laws and regulations and the Securities Listing Regulations stipulated by Tokyo Stock Exchange, Inc. The Company shall also provide non-financial information, such as information on management policies and plans, sustainability initiatives, investments in human capital and intellectual property, risks, and governance, in a fair, accurate, and easy-to-understand manner.

#### (2) Disclosure in English

The Company shall endeavor to disclose information in English to the extent reasonable, from the perspective of international information disclosure.

### 2. Constructive Dialogue with Shareholders and Investors

#### (1) Basic policy

We will engage in constructive dialogue with investors, including shareholders, and utilize the feedback obtained through such dialogue in the Company's management in order to achieve sustainable growth of the Company and to enhance its corporate value over the medium- to long-term.

In addition to business strategies and growth stories, we will exchange opinions and engage in dialogue with shareholders and investors to promote mutual understanding of our policies and initiatives regarding corporate governance and sustainability.

#### (2) Promotion structure

Dialogue with shareholders and investors shall be conducted by the CEO, CFO (Chief Financial Officer), other Directors or Corporate Officers, Outside Directors, and Outside Audit & Supervisory Board members to the extent reasonable, based on shareholders' and investors' requests and the main outstanding concerns. The investor relations department shall play a central role as the point of contact for handling such matters, and shall collaborate with the relevant

departments.

(3) Opportunities and means for dialogue

In addition to general shareholders' meetings and financial results briefings, we will provide opportunities for dialogue with domestic and foreign institutional investors, sustainability briefings, theme-specific workshops, responses to individual inquiries, plant tours, briefings for individual investors, etc., as appropriate.

(4) Feedback to Management and the Board of Directors

We will aggregate and analyze the opinions of shareholders and investors obtained through dialogue, as well as questionnaire results from participants in IR activities and various briefings, and provide feedback to the Board of Directors, management team and other relevant parties for effective use in management.

(5) Management of insider information regarding dialogue

In accordance with the "Rules on Insider Information Management and Prevention of Insider Trading," the Company shall ensure that undisclosed material facts will not be divulged in dialogue with shareholders and investors, and shall disclose information in a timely, appropriate, and fair manner in accordance with the Timely Disclosure Rules.

(6) Understanding of shareholder structure

We regularly survey the shareholding status to gain an understanding of our shareholder structure. The results of surveys are regularly reported to the management team and other relevant parties to facilitate constructive dialogue with investors.

(7) Formulation and publication of management strategies and plans

When formulating its management strategies and business plans, the Company shall aim to maximize its corporate value by continuously reviewing its business portfolio from the perspectives of strategic compatibility, financial indicators (including ROIC), and the best owner. At the time of disclosure, the Company shall make sure that it becomes easier to confirm prioritized allocation of management resources in accordance with portfolio attributes and the effect of the portfolio strategy.

[History]

Established December 25, 2015

Amended March 30, 2017

Amended December 26, 2018

Amended January 1, 2023

Amended March 1, 2024

Amended March 26, 2025



## Independence Standards for Outside Officers

The Company has established standards to judge the independence of its Outside Directors and Outside Members of Audit & Supervisory Board. Persons who fall under any of the items below shall be deemed not independent.

Candidates for the Company's Outside Directors and Outside Members of Audit & Supervisory Board shall be elected from those who do not fall under any of the items below; however, even if a person falls under items (2) through (11) below, such person may be elected as a candidate for Outside Officer if the Company decides that he or she is capable of fully fulfilling the roles and responsibilities of Outside Officer and there is no risk of conflict of interest with general shareholders.

- (1) A person who executes or executed business\*<sup>1</sup> at the Company and Group companies
- (2) A person who executes business in an entity holding 10% or more of the Company's shares
- (3) A person who executes business in an entity in which the Company holds 10% or more of the shares
- (4) A person who executes business in an entity which is a principal business counterparty\*<sup>2</sup> of the Company
- (5) A person who executes business in an entity which is a principal lender\*<sup>3</sup> to the Company
- (6) A certified public accountant who belongs to an audit firm that is the Company's accounting auditor
- (7) Other certified public accountant or a professional advisor such as an attorney who has received an annual payment of ¥10 million or more on average for the past three fiscal years from the Company in addition to officers' remuneration. If such advisor is an organization, a person who is in the organization which has received 2% or more of its total revenue from the Company
- (8) A person who is a director or who executes business in an organization which has received annual donations from the Company in excess of ¥10 million or 2% of the total revenue of the said organization, whichever is larger, on average for the past three fiscal years
- (9) A person who executes business in an entity which is receiving outside officers from the Company
- (10) A person whose spouse, relative within the second degree of kinship, or relative living together falls under (1) through (9) above
- (11) A person to whom any of (2) through (10) above applies within the last five years

\*1. A person who executes business:

Executive Directors, Executive Officers, Corporate Officers, or employees including



managers

\*2. An entity which is a principal business counterparty of the Company:

An entity which is a supplier or buyer of the Company's products, etc. where the transaction amount between the Company and the said entity comprises 2% or more of annual sales of the Company or the said entity in the most recent fiscal year

\*3. An entity which is a principal lender to the Company:

A financial institution where the Company's loan balance comprises 2% or more of the Company's total assets