

# Basic Corporate Governance Policy



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\*The applicable corporate governance code(s) are shown inside the brackets: [ ]

## 1. General Provisions

### (1) Basic Approach to Governance and Purpose of this Policy [2.1, 2.2, 2.2.1, 3.1(i)(ii), 4.1]

- To achieve our mission of "create value in a global marketplace where anyone can buy & sell," Mercari (the "Company") and Mercari Group (the "Group") aim to contribute to society by creating a circular economy based on our values of Go Bold, All for One, and Be a Pro. We believe that in order to acquire the trust of stakeholders and sustainably enhance our corporate value, it is essential to improve the fairness and transparency of management and promote sound risk-taking by continuously enhancing our corporate governance structure.

We have established a basic corporate governance policy with the goals of comprehensively stipulating corporate governance measures, continuously discussing and improving them, and enhancing their effectiveness.

## 2. Ensuring Shareholder Rights and Fairness

### (1) Ensuring Shareholder Rights [1, 1.1, 1.1.3]

- The Group strives to ensure fair treatment for all shareholders (including minority shareholders and foreign shareholders) as appropriate to the holdings of each shareholder, as well as ensure shareholders' rights, including their right to vote at the Shareholder Meeting.

### (2) Dialogue with Shareholders [1.2.1, 3, 3.1.1, 5, 5.1, 5.1.1, 5.1.2, 5.1.3]

- The Group conducts timely and fair information disclosure, and by having constructive dialogue with shareholders, also strives to improve corporate value over the mid- to long-term.
- In holding dialogues with shareholders, the Group's basic policy is to uphold all laws and related regulations and avoid sharing insider information. Information to be shared at dialogues is cleared with our own legal department as well as external experts as necessary.
- IR shall be the point of contact for shareholders. IR will field inquiries from shareholders within reason and with consideration to requests from shareholders and the objective of the inquiry. Furthermore, in promoting constructive dialogue with shareholders, IR and other related departments/teams work closely together, including periodically holding opinion and information sharing sessions.
- As part of the shareholder dialogue initiative, IR strives for improvement through consideration of the shareholder opinions and concerns revealed during the dialogues, as well as providing related feedback to directors and vice presidents.
- The Group operates within the IT industry, a business area characterized by rapid changes in technology and environment. As such, we believe that setting specific and concrete mid- to long-term strategies is not best practice for our company. Instead, through IR activities, we explain our mid- to long-term business strategy to shareholders and investors, and earn their understanding in that way.

### (3) Shareholder Meeting [1.1.1, 1.1.3, 1.2, 1.2.2, 1.2.3, 1.2.4, 1.2.5, 3.1.2]

- The Shareholder Meeting is the Company's highest decision-making body, and we strive to ensure that business decisions made at the event reflect shareholders' wishes to the greatest extent possible.
- We make sure that the schedule for the Shareholder Meeting and related events allows shareholders to properly exercise their voting rights. In order for shareholders to have sufficient time to consider agenda items, we send out a Notification of Shareholder Meeting as soon as possible upon ensuring the appropriateness of the information to be sent. We also release this information publicly before sending out the Notification.
- In order to ensure that all shareholders can properly exercise their voting rights, we strive to improve convenience for shareholders through such measures as translating the Notification of Shareholder Meeting into English, and enabling voting to be done electronically.
- In cases where institutional investors hold shares in the name of a trust bank or other institution and wish to exercise their right to vote or other shareholder rights at the Shareholder Meeting, we will coordinate with the trust bank or other institution in advance.
- With regard to voting rights at the Shareholder Meeting, if an item is met with overwhelming votes against, we will analyze the reason and consider whether a response is necessary at the next Board of Directors meeting.

(4) Capital Structure [1.3, 1.6, 5.2]

- As the Group is currently still growing, we prioritize capital investments in our mid- to long-term growth. On the other hand, we are also striving to realize both returns for our shareholders and ample retained earnings in the long term. Additionally, in cases where the implementation of a capital policy will shift control or greatly dilute shares, the necessity and rationality of the policy will be discussed in depth by the Board of Directors, after which we will follow the Companies Act, the Financial Instrument and Exchange Act, and Tokyo Stock Exchange regulations, and upon thorough explanation to shareholders, we will proceed in a legal and fair manner.

(5) Dividend Policy [1.3]

- The Group considers the simultaneous pursuit of shareholder returns, the strengthening of our financial structure, and the securing of our competitiveness to be key management issues. At present, the Group is still growing. As such, we seek to accumulate substantial retained earnings that can be channeled into investment, thereby expanding and further optimizing our business. In the future, we will consider how we can return this profit to investors while giving due consideration to the fiscal year results of each business.

(6) Cross-Shareholdings [1.4]

- As a general rule, the Group does not retain cross-shareholdings.
- If we do retain another listed company's shares, we will hold the minimum amount necessary; in addition to forging synergies between their company and ours, we will carefully consider our reason for retaining those shares, including the company's growth potential, associated risks, and returns such

as dividends. The Board of Directors will make a decision on whether to retain the shares based on these factors.

- Periodically, the Board of Directors will re-examine the rationality of retaining cross-shareholdings. If there are shares that no longer make sense for us to hold, we will make the decision to divest with due consideration for the given company's situation.
- When exercising our voting rights at a company in which we retain shares, we will cast our vote, for or against, based on whether or not each item satisfies our position as a shareholder; we will not cast our vote based on our business relationship with the company.

(7) Related Party Transactions [1.7, 4.3]

- Transactions that pose a conflict of interest between directors/the Company and transactions by directors in competition with the Company require resolution by the Board of Directors. Directors who have a vested interest in that resolution are prohibited from participating in the resolution process.
- In addition, the Company confirms the necessity of any transaction by related parties beforehand, as well as the conditions and the propriety of the method for deciding to conduct such transaction. For any transactions that are determined particularly important, the Board will adequately deliberate regarding their necessity and appropriateness before approving.

### 3. Corporate Governance Structure

(1) Organizational Design [4.10, 4.10.1]

- The Company adopts the “Company with the Audit and Supervisory Board” structure as defined in the Companies Act. The Company aims to enrich its corporate governance and contribute to enhancing its corporate value in the mid-to-long term with a system that incorporates a board of directors, made up of directors who have thorough knowledge of the Company's business and outside directors who provide objective perspectives. The board makes decisions regarding basic management policies and execution of essential business operations, while separating supervision and execution and promoting the transfer of business execution authority to the executive division centered around senior vice presidents. The Company also has an Audit and Supervisory Board, which independently oversees the directors' execution of duties.

Furthermore, by establishing a Nomination and Remuneration Advisory Committee, of which outside directors make up the majority of members, the Company ensures fairness, transparency, and objectivity in procedures regarding such decisions as nomination and remuneration of directors and senior vice presidents.

(2) Role of the Board of Directors [3.1.3, 3.2.2, 4, 4.1, 4.1.1, 4.2.2, 4.3, 4.5, 5.2.1]

- The Board of Directors carries out the following three responsibilities.
  - Achieving our mission of “Create value in a global marketplace where anyone can buy & sell”
  - Achieving efficient and effective corporate governance in order to maximize profits for our shareholders and all stakeholders

- Achieving sustainable growth for the Company
  - To fulfill these responsibilities, the Board of Directors strategically guides the Company, demonstrates supervision of all management matters, ensures fairness and transparency of management, and makes important business execution decisions.
  - Also, through internal regulations, the Board of Directors clearly defines the matters within its scope of decision-making. Furthermore, in order to render speedy decisions with regard to business execution, the Senior Executive Committee and the individual senior vice presidents are afforded decision-making authority.
  - To ensure that business is executed efficiently under the proper internal controls, the Board of Directors has defined the basic policy for internal control systems; creates the infrastructure necessary for compliance, risk management, and other such systems; and monitors their operation.
  - The Board of Directors determines the basic policy for how the Group's business portfolio and management resources (capital, human resources, intellectual property, etc.) should be allocated, and monitors the execution of that policy. In addition, investments in human capital and intellectual property, etc. will be disclosed on the Company's website.
  - The Board of Directors takes the necessary actions to ensure that it can be appropriately audited by outside accounting auditors.
- (3) Composition of the Board of Directors [4.6, 4.8, 4.11, 4.11.2]
- The Company endeavors to have a monitoring-oriented Board of Directors. In order to ensure fair and transparent management, the Company recruits people for the position of outside director who are the best fit for debating management strategy and monitoring the execution of business. The Company appoints directors such that outside directors comprise the majority of Board members.
  - The Company appoints directors such that the Board is equipped with the knowledge, experience, and abilities necessary to fulfill its responsibilities.
  - Given the nature of our business and the growth stage of the Company at the time of appointment, the Company appoints directors such that the Board is sufficiently diverse in terms of background, expertise, gender, and other such factors.
  - The skill matrix of directors shall be disclosed on the notice of the shareholder meeting.
- (4) Board Evaluation [4.11, 4.11.3]
- Each year, the Board of Directors analyzes and evaluates its effectiveness, and publishes a summary of the results on the Company's website. Also, the board creates an improvement plan based on the evaluation results, which it puts into practice for the following year.
- (5) Role of the Audit and Supervisory Board [3.2, 3.2.1, 3.1.2, 4.4, 4.4.1]
- The Audit and Supervisory Board acts as an organization independent from senior management and audits such things as the directors' and vice presidents' execution of duties, the Company's internal controls system, and accounting.

- The Audit and Supervisory Board creates the standards by which accounting auditors are evaluated. Once per year, based on those standards, the Audit and Supervisory Board evaluates the independence and expertise of accounting auditors, and determines the content of proposals made to the Shareholder Meeting regarding the appointment/dismissal of accounting auditors.
- Recognizing that outside directors are independent from the Company's management, the Audit and Supervisory Board maintains collaboration with the outside directors sufficient to allow for the seamless sharing of information.
- The Audit and Supervisory Board maintains close contact with related departments/teams, such as finance and internal auditing, and collects information as is necessary and sufficient to conduct fair auditing.
- The Audit and Supervisory Board deliberates to determine the remuneration of Board members from within the total remuneration range for all members, which is determined at the Shareholder Meeting. Audit and Supervisory Board members' remuneration will be limited to base remuneration, based on their role.
- The Audit and Supervisory Board holds a regular meeting with accounting auditors and the manager of the Internal Audit Division once every quarter, and in the last month of each fiscal year.

(6) Nomination and Remuneration Advisory Committee [3.1(iii)(iv), 4.1.3, 4.3, 4.3.1, 4.3.2, 4.10, 4.10.1, 4.11.1]

- The Nomination and Remuneration Advisory Committee is composed of at least three directors, of which the majority are outside directors, who have been elected by a resolution of the Board of Directors.
- The Nomination and Remuneration Advisory Committee deliberates on the following matters to create proposals for the Board of Directors.
  - Matters related to the selection or dismissal of directors (matters requiring resolution at the Shareholder Meeting)
  - Matters related to the selection or dismissal of senior vice presidents
  - Matters related to the selection or removal of the Board's representative director
  - Matters related to the selection or removal of titled directors
  - Matters related to remuneration systems/policies and individual remuneration for directors and senior vice presidents
  - Matters related to directors' remuneration amounts (matters requiring resolution at the Shareholder Meeting)
  - Matters related to succession plans (including development)
  - Other important business matters that the Board recognizes as requiring the Nomination and Remuneration Advisory Committee's advice
- The Nomination and Remuneration Advisory Committee also deliberates on the following matters and offers opinions to the Audit and Supervisory Board as necessary.
  - Matters related to the selection or dismissal of Audit and Supervisory

Board members (matters requiring resolution at the Shareholder Meeting)

- Matters related to remuneration systems/policies and individual remuneration for Audit and Supervisory Board members

(7) Directors [4.4.1, 4.5, 4.7, 4.8.1, 4.8.2, 4.11.2, 4.12, 4.13.1]

- Directors, recognizing their fiduciary responsibility, help make decisions critical to the Company's sustainable growth-oriented business strategies. In making these decisions, directors look at the future of the Company with consideration to changes in the market and the industry from a mid- to long-term perspective, also taking their broad and diverse wealth of experience into account. Furthermore, directors have a responsibility to the management of the Company and conduct monitoring of the status of business execution.
- Directors consistently strive to put our corporate philosophy into practice, and have the insight, high ethical standards, fairness, and integrity necessary to hold the position of director.
- In addition to aggregating sufficient information to properly execute their duties, directors use their individual values, ethical standards, experience, and knowledge in order to proactively speak, and freely and constructively debate at Board of Directors meetings.
- Directors may concurrently hold executive positions at other companies as long as it does not affect the execution of their duties at the Company. The status of noteworthy concurrent directors will be recorded in the Notification of Shareholder Meeting.
- Outside directors utilize their experience and knowledge from an independent standpoint to carry out management oversight, management advice, and conflict of interest oversight functions. Additionally, they echo the opinions of stakeholders to the Board of Directors.
- Seeking to strengthen the management oversight function, outside directors and Audit and Supervisory Board members periodically hold a joint meeting where they exchange information and share common issues.

(8) Audit and Supervisory Board Members [4.4, 4.5, 4.11.2, 4.13.1]

- Audit and Supervisory Board Members, recognizing their fiduciary responsibility, strive for the improvement of sustainable corporate value and ensuring the health of the company, and carry out their duties as auditors.
- Audit and Supervisory Board members oversee both the business and accounting based on the relevant laws.
- Audit and Supervisory Board members audit directors' and the Board of Directors' business execution and oversight duties for both legality and appropriateness.
- Audit and Supervisory Board members have the right to oversee the business execution of directors, select or dismiss accounting auditors, and audit the remuneration of accounting auditors.
- Audit and Supervisory Board members monitor and verify the decision-making of the Board of Directors, as well as the structure and operating status of internal controls systems.



- Audit and Supervisory Board members strive to acquire and deepen the knowledge necessary to properly fulfill their role and duties.
  - Audit and Supervisory Board members may concurrently hold executive positions at other companies as long as it does not affect the execution of their duties at the Company. The status of concurrent Audit and Supervisory Board members will be recorded in the Notification of Shareholder Meeting.
- (9) Support Structure [4.12.1, 4.13.1, 4.13.2, 4.13.3]
- A Board of Directors Office is established with the goal of improving the deliberation function of the Board of Directors, and operates as follows.
    - Create the annual schedule for the Board of Directors and make an annual plan for the matters to be discussed.
    - Provide enough time for the Board of Directors to thoroughly discuss each matter.
    - Distribute any documents or materials related to matters for discussion well in advance of the next Board of Directors meeting.
    - In addition to the above, the Board of Directors Office will regularly provide information necessary to the decision-making function of all directors, including outside directors, by providing an onboarding program for new directors, answering any questions the directors may have in advance of the meeting after looking over documents or materials, and through free discussion.
  - The Company has established a specialist-led Audit and Supervisory Board Office to assist with the duties of Audit and Supervisory Board members and support their activities.
    - The Audit and Supervisory Board Office works both under the Audit and Supervisory Board and strives to ensure independence from senior management when they are performing their duties.
  - If asked, the Internal Audit Division and other administrative bodies will not hesitate to provide information necessary for directors and Audit and Supervisory Board members to perform their work.
  - The Company secures the budget deemed necessary for directors and Audit and Supervisory Board members to perform their work.
- (10) Determination of Candidates for Director Positions [3.1(iv) (v), 4.3.1, 4.9, 4.11.1]
- Determination Process
    - In determining whether a candidate will be able to sufficiently carry out their duties as a director, the Nomination and Remuneration Advisory Committee conducts resume screenings, interviews, and reference checks based on the selection criteria, deliberates among the committee, and proposes their findings to the Board of Directors.
    - When considering candidates for reappointment, the evaluation they received during their time as director is also taken into consideration. Additionally, in the case of outside directors, the Company aims for appropriate turnover to match the constantly changing tech industry, and as such, takes into consideration whether it is appropriate to reappoint the candidate in terms of whether the reappointment will ensure management discipline and independence.

- Candidates for outside director positions must fulfill the criteria for determining independence of outside directors in order to ensure their independence. The criteria for determining independence of outside directors is determined by the Board of Directors and included in the appendix of this document.
- Selection Criteria
  - Will to increase corporate value
    - Possesses strong interest in the Company's mission, desire to contribute, and ability to accomplish strategies
  - Knowledge, experience, and abilities
    - Meets the appropriate standards to serve as a director of a company aiming to become a global tech company
  - Personality and sense of ethics
    - Possesses an outstanding personality and ability to faithfully and sincerely carry out their duties
  - Compatibility with the Company's culture and values
    - Possesses a sense of values and knowledge necessary to embody the Company's culture and values
    - Willing to voice dissenting opinions to existing discussions in a constructive manner in order to contribute to better management decisions
  - Concurrent positions
    - Will not hold any positions at the Company's direct competitors at the time they are appointed director of the Company; will only hold concurrent positions within a reasonable extent
  - Diversity
    - Capable of contributing to management of the Company in terms of diversity, based on their career history, etc.

(11) Dismissal of Directors [3.1(v), 4.3.1, 4.3.3]

- If a director meets any of the following criteria, they will be considered for dismissal.
  - The director violates laws, ordinances, the Company's Articles of Incorporation, or any of the Group's other regulations, resulting in serious loss or disruption of work for the Company
  - The Company discovers that the director does not meet the criteria for selection
  - The director neglects their duties, resulting in significant harm to the Company's corporate value
  - The Company discovers that the director has unacceptable connections to anti-social forces
  - The director carries out conduct that violates public order and morals
  - A significant impediment to the director's ability to carry out their duties, such as health issues, etc., occurs
- Decisions regarding dismissal of directors are deliberated fairly and rigorously by the Nomination and Remuneration Advisory Committee, resolved by the Board of Directors, and approved at a Shareholder Meeting.

- Decisions regarding dismissal of the representative director or a titled director are deliberated fairly and rigorously by the Nomination and Remuneration Advisory Committee and approved by the Board of Directors.
- (12) Director Remuneration [3.1(iii), 4.2, 4.2.1]
- Basic Policy
    - The Company's basic policy with regards to determining the remuneration of directors is to secure outstanding personnel at the global level as directors of the company and ensure that their supervisory functions are effective, taking into account that the primary duty of directors is to supervise the management of the Group as a whole, as well as to formulate and drive forward its global growth strategy over the medium to long term.
    - Remuneration of directors (excluding outside directors) consists of fixed remuneration and medium- to long-term incentive remuneration in the form of performance-linked stock options. The performance-linked stock options are set up with appropriate restrictions and conditions to maximize director performance and their willingness to contribute, and to provide incentives that encourage more appropriate risk-taking by linking shareholder value to remuneration.
    - Remuneration of outside directors consists of fixed remuneration only, so as to preserve their independence from the Company.
  - Policy on Determining Individual Remuneration Amounts for Fixed Remuneration (including policy on determining when remuneration, etc. is granted and conditions thereof)
    - In principle, fixed remuneration for directors of the Company is granted monthly and is determined by taking a comprehensive view of each director's duties, abilities, results, and contribution to the Company, and of the performance and economic situation of the Company, etc.
  - Details of Performance-Linked Stock Options and Policy on Determining Calculation Methods for Amount and Number Thereof (including policy on determining when remuneration, etc. is granted and conditions thereof)
    - Performance-linked stock options will be granted in accordance with Part 1, Section 4 ("4. Corporate Governance Status, etc."), Article 4-d of the Company's annual securities report.

- Policy on Determining Ratio of Fixed Remuneration and Performance-Linked Stock Options and Individual Remuneration, etc. of Directors, as well as Matters for Delegating Authority for All or Part Thereof to Directors or Other Third Parties
  - In the event the Board of Directors delegates authority to the representative director, in order to ensure the appropriateness of the remuneration plan and levels for directors as well as the independence, objectivity, and transparency of the decision process, the representative director consults with the Nomination and Remuneration Advisory Committee, of which a majority is outside directors. Through discussion, they determine the ratio of fixed remuneration and performance-linked stock options, as well as remuneration amounts (including non-monetary remuneration, etc.) of directors, by taking a comprehensive view of each director's duties, abilities, results, and contribution to the Company, and of the performance and economic situation of the Company, etc. When granting stock-based remuneration, the Board of Directors resolves the number of shares allocated to each individual after consulting with the Nomination and Remuneration Advisory Committee.

(13) Director Training [4.14, 4.14.1, 4.14.2]

- The Board of Directors establishes an internal system to provide the information and training necessary for directors and Audit and Supervisory Board members to appropriately carry out their roles and duties.
- When outside directors and outside Audit and Supervisory Board members are newly appointed, they undergo an onboarding program, which shares company information such as management principles, company culture, business activities, financial affairs, and organization information.
- After directors and Audit and Supervisory Board members are appointed, the Board of Directors continues to provide training opportunities relevant to each individual's duties, skills, experience, etc. and/or provide support for expenses thereof.

(14) Risk Management Policy [4.3, 4.3.4]

- In order to ensure that business is executed with the appropriate controls and appropriate risk-taking, the Board of Directors establishes policies such as a Basic Policy for Establishing Internal Control Systems, a Basic Compliance Policy, and a Basic Risk Management Policy. In addition to appropriately establishing internal controls and a risk management structure, the Board of Directors also regularly or as necessary receives reports regarding important compliance and risk management matters and provides supervision to ensure that such controls and structures function effectively.

4. Proper Collaboration with Non-Shareholder Stakeholders

(1) Initiatives Towards Sustainability [2, 2.3, 2.3.1, 3.1.3, 4, 4.2.2]

- The Group believes that the earth's resources are the foundation upon which people build their lives and aims to create a circular economy in which these finite resources are used sparingly and all people can prosper. In order to

achieve this goal, the Company believes that it is necessary to share these ideals and develop them not only within the Group, but together with various stakeholders such as users, business partners, local communities, and investors. The Company has established an ESG Committee to advise the Senior Executive Committee and actively takes on social and environmental problems and other topics related to sustainability.

- The ESG Committee sets the Group's material topics, KGIs, and KPIs, and works to achieve them under the supervision of the representative director and ESG officers. The Board of Directors supervises the appropriateness of the material topics, KGIs, and KPIs, as well as the process and results of each initiative.
- The Company discloses the Group's basic policy on sustainability, initiatives, and results as part of a sustainability report.

(2) Ensuring Internal Diversity [2.4, 2.4.1]

- The Group does not set gender ratio targets for the appointment of core talent. However, the Company sets quantitative KPIs for the hiring and appointment processes and creates mechanisms to ensure that all candidates receive equal opportunities regardless of their attributes. By doing so, the Company works to remediate structural inequality and disparities in human resources processes.
- The Company discloses specific strategies to achieve the above point and talent development policies and work environment policies for ensuring diversity, as well as the progress and results thereof, as part of a sustainability report.

(3) Internal Whistleblowing Hotline [2.5, 2.5.1]

- As is defined in the Basic Policy for Internal Control Systems, the Group establishes an appropriate whistleblowing system to ensure that whistleblowers are able to convey information and/or sincere suspicions regarding illegal or inappropriate conduct or information disclosure without risk of being put at a disadvantage, as well as to ensure that such information and/or suspicions are objectively verified and used appropriately.

Criteria for Independence of Outside Officers

The Company deems outside directors and outside Audit and Supervisory Board members (collectively, “outside officers”), as well as outside officer candidates, to be independent from the Company if they do not fall under any of the following categories.

1. A director, officer, or employee in charge of business execution (collectively, “person in charge of business execution”) for the Company or a subsidiary of the Company, either currently or within the past 10 years
2. A person who either directly or indirectly possesses 10% or more of the total voting rights of the Company, or else a person in charge of business execution for a corporation which possesses the same
3. A person who has the Company as a major business partner, or a person in charge of business execution for an organization which has the Company as a major business partner<sup>1</sup>; additionally, a person who is a major business partner of the Company, or a person in charge of business execution for an organization which is a major business partner<sup>2</sup> of the Company
4. An accounting auditor of the Company or a subsidiary of the Company or employee, etc. thereof
5. A consultant, lawyer, certified public accountant, tax accountant, etc. that receives money or other property gains exceeding 10 million JPY per year from the Company or a subsidiary of the Company, excluding remuneration as an officer (if the party receiving such property is a corporation, association, or other organization, a person belonging to such organization)
6. A person who receives contributions or subsidies exceeding 10 million JPY per year from the Company or a subsidiary of the Company, or else a person in charge of business execution for a corporation which receives the same
7. A person who fell under any of categories 2 through 6 within the past 3 years
8. A person who has a spouse or other relative (to the second degree of kinship) who falls under any of categories 1 through 7 (excluding those not considered important)
9. Any other person who the Nomination and Remuneration Advisory Committee deems liable to have a constant conflict of interest with general shareholders, even if they do not fall under any of categories 1 through 8

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<sup>1</sup> A business partner to which the Company made payments amounting to 2% or more of yearly net sales.

<sup>2</sup> A business partner from which the Company received payments amounting to 2% or more of yearly net sales.