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Capcom Corporate Governance Guidelines

Chapter 1 General Provisions

1. Basic views on corporate governance

Based on our “Management Philosophy” (hereinbelow defined), and with the aim of becoming the company envisaged in our “Vision,” the Capcom Group (hereinafter referred to as the “Company” (including its subsidiaries and affiliates)) endeavors to continuously enhance its corporate governance, by improving the transparency and soundness of management and building a system that is able to respond to climate change, in order to achieve stable medium- to long-term growth and raise corporate value through its business activities. In addition, the company strives to build relationships of mutual trust with our shareholders, customers, business partners, employees, regional communities, and other stakeholders for mutual prosperity, and have built on these principles to formulate the “Capcom Corporate Governance Guidelines” which encapsulate the Company’s basic view on corporate governance and its policy for initiatives.

< Management Philosophy >

To create an entertainment culture and be a creator that moves and excites people through the medium of games.

< Vision >

To be a company that captivates people around the world with our best-in-class immersive content.

2. Amendment and annulment

The Guidelines shall be amended or annulled by resolution of the Board of Directors.

Chapter 2 Appropriate Cooperation with Stakeholders

1. Relationships with shareholders

(1) General Meeting of Shareholders

The Company ensures that shareholders have sufficient time to consider proposals to be raised at the general meetings of shareholders, which is the highest decision-making body of the Company, and will improve the environment in which shareholders may exercise their voting rights appropriately.

- We convene the Ordinary General Meeting of Shareholders early, and to avoid so-called peak days.
- We post the Notice of Convocation of the Ordinary General Meeting of Shareholders approximately three weeks before the day of the general meeting.
- We publish the Notice of Convocation on the website of the Tokyo Stock Exchange and the Company’s website, in Japanese and English, prior to posting and the start of legal electronic provision measures.
- We ensure that shareholders inside and outside Japan may conveniently exercise their voting rights by introducing the exercise of voting rights over the internet and a platform for the electronic exercise of voting rights, among others.
- We endeavor to provide simple explanations in the Notice of Convocation using diagrams, charts, and other methods, so as to contribute assistance to shareholders in making appropriate judgments. We also publish latest updates and past data on the Company’s website for users’ reference.
- Generally, we permit shareholders who are wheelchair users or otherwise disabled to enter the meeting venue with their caregiver or other accompanying person, if they so request.
- Where an institutional investor or other entity whose shares are held in the name of a trust bank submits a request not later than the day before the general meeting of shareholders, and where we are able to verify the identity of the actual shareholder pursuant to discussions with the trust bank, submitted materials, or other means, the institutional investor concerned will be permitted to enter the meeting venue as an observer.
- At the general meeting of shareholders, in order to facilitate constructive dialogue with shareholders, we will adopt a ‘consolidated deliberations’ format in which we summarize the questions and opinions pertaining to the agendas received all at once.
- The Board of Directors sincerely accepts the outcomes of shareholders’ exercise of voting rights at the general meeting of shareholders. Where 10% or more oppose a proposal, they promptly analyze the reasons for the same and engage in shareholder dialogue and other necessary investigative measures.

(2) Protecting shareholders' rights and equality

The Company takes care not to hinder the exercise of voting rights by shareholders, and strives to effectively protect the rights and equal status of all shareholders, including minority and foreign shareholders.

The Company takes appropriate measures to allow the smooth and impartial exercise of diverse voting rights by shareholders without distinction, regardless of the nature and number of shares held.

(3) Policies in response to takeover

(i) In the event of the occurrence of a large-scale purchase of shares that may damage the Company's corporate value or the common interests of shareholders, the Company's Board of Directors will take the following measures.

- Endeavor to gather the information and secure the time that are necessary for shareholders to appropriately assess the advantages and disadvantages of the large-scale purchase of shares.
- Request that the prospective purchaser explain how the purchase would raise the Company's corporate value.
- Take suitable measures including demonstrating to shareholders how the purchase would raise the Company's corporate value and disclosing the Company's opinion on whether the purchase is beneficial and the reasons for such opinion.

(ii) In the event that the Company's shares are the subject of a tender offer, the Company's Board of Directors will take the following measures.

- Request that the tender offeror explain how the purchase would raise the Company's corporate value, including by submitting a position statement; and
- Take suitable measures including demonstrating to shareholders how the purchase would raise the Company's corporate value and disclosing the Company's opinion on whether the purchase is beneficial and the reasons for such opinion in order to facilitate swift and accurate decisions by shareholders on whether to continue holding the shares or accept the tender offer.

(4) Related party transactions

The Company puts the following structures in place so that related party transactions will not harm the interests of the Company or the common interests of shareholders.

- The Company obtains advance approval of transactions involving major shareholders that are effectively controlled by directors and/or their next of kin and other transactions involving conflicts of interests, by way of resolution of the Board of Directors. In addition, the Company reports on such transactions after the fact.
- The Company undergoes rigorous audits for reasonableness and appropriateness, among others, by members of the Audit and Supervisory Committee and Accounting Auditors.
- The Company discloses related party transactions in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other laws and regulations as well as the rules stipulated by the Tokyo Stock Exchange.

2. Relationships with customers

The Company's Vision is "to be a company that captivates people around the world with our best-in-class immersive content," and based on our Management Philosophy, we strive to heighten customer satisfaction by bringing smiles and excitement through the entertainment medium of games.

- We work to expand game development and environment such that all users can enjoy our games fairly and safely.
- The Company as a whole engages in initiatives to facilitate the healthy development of entertainment.

3. Relationships with business partners

Based on our Management Philosophy, we build fair, reasonable business relationships based on mutual trust that comply with laws and regulations. We engage in high-quality manufacturing in co-operation with our business partners.

4. Relationships with employees

Based on our Management Philosophy, we aim to create a company that respects humanity and cares about each employee's individuality, and that is impartial, positive, and comfortable to work at, in accordance with our human resources investment strategy.

- Based on the view that “people are the essence of a company,” we push forward with creating an environment that is comfortable to work in, promotes productivity, and retains and develops our human resources.
- The Company seeks out diverse human resources in line with the changing business environment, and places and evaluates them without regard to factors such as gender, nationality, and age.
- The Company has formulated the Capcom Code of Conduct which governs the conduct of the Company's officers and employee, works to make specific behavioral guidelines known, and conducts periodic verification in view of legal compliance.
- In addition to maintaining a working environment where employees can work safely and healthily, we have a point of contact in place through which employees may make reports or seek advice, to facilitate early detection and prevention of illegal activities.
- The points of contact are located within the Company office as well as offsite at a law office, and are operated based on rules that maintain their independence from management, ensure that people who submit internal reports are not subject to unfavorable treatment as a result of such reports, and protect the confidentiality of information that might identify the persons seeking advice.

5. Relationship with society

Based on our Management Philosophy, we strive to be a responsible member of society, and actively work to resolve common issues relating to environmental and social problems.

- In order to reduce the business' negative effects on climate change in the form of CO₂/GHG (greenhouse gas) emissions, etc., not only do we use renewable energy; we are also involved in initiatives to reduce environmental pollution and consumption of natural resources.
- We work to respect human rights and stop discrimination based on factors including race, religion, gender, age, sexual orientation, disability, nationality, and to eradicate inequality by protecting the vulnerable.
- We engage in activities that support the healthy development of poor and impoverished children.
- We promote initiatives for spreading a healthy gaming culture among children through activities such as hosting company visits and on-site classes.

Chapter 3 Ensuring Appropriate Information Disclosure and Transparency

To achieve effective corporate governance, the Company aims to exercise transparent management and makes timely, appropriate, and proactive information disclosures.

- We comply with the Companies Act, the Financial Instruments and Exchange Act, and other laws and regulations as well as the rules stipulated by the Tokyo Stock Exchange.
- We aim for timely and impartial information disclosure by publishing disclosures on the Company website and other means.
- We strive to provide specific and simple descriptions while also including non-financial and other information that adds significant value.
- In addition to swift, fair, and accurate disclosures, we also take efforts to provide necessary information in English.
- The Board of Directors exercises its supervisory functions to ensure timely and accurate information disclosure.

Chapter 4 Organizational Structure

1. Organizational design

- The Company adopts the structure of a company with an audit and supervisory committee so as to achieve swift decision making and dynamic execution of duties. This structure also enhances the audit and supervisory functions of the Board of Directors.
- We have further strengthened the functionality of our corporate governance by establishing the Nomination and Remuneration Committee and the Compliance Committee, advisory organs of the Board of Directors.
- We introduced the corporate officer system to distinguish between supervision and execution of management duties, clarifying the delegation of responsibility for execution and increasing efficiency of decision-making.

2. The Board of Directors

(1) Roles and responsibilities of the Board of Directors

The Board of Directors appropriately fulfills the following roles and responsibilities so as to achieve sustainable growth and medium- to long-term increases in corporate value based on their fiduciary responsibility to shareholders.

- The Board of Directors makes decisions on such matters as are stipulated under the laws and regulations, the Articles of Incorporation, and the Rules of the Board of Directors.
- They discuss growth strategies based on the Management Philosophy and set basic management policies and management strategy.
- The Board of Directors makes reasonable decisions after sufficient deliberations, having duly taken into consideration factors such as future forecasts, objectivity, transparency, and fairness.
- Executive directors and corporate officers execute such duties that have been determined in advance and the Board of Directors supervises such execution in an appropriate manner.
- The Board of Directors maintains and applies the systems relating to internal control, including the Company-wide risk management system, in order to achieve swift execution of duties based on appropriate controls.
- The Board of Directors supervises the operational status of the internal control system with the advice and recommendations of the Audit and Supervisory Committee.
- The Board of Directors delegates decision-making on certain key operational duties, such as personnel transfers and organizational reforms, to a representative director, so as to enable swift, dynamic, and efficient business expansion.
- The Board of Directors exercises overall supervision of management and ensures fairness and transparency in management by its decisions relating to the appointment and removal of directors, the remuneration of directors who are not members of the Audit and Supervisory Committee, and the execution of important business.

(2) The Chairman of the Board

- The Board of Directors determines the Chairman of the Board based on the Articles of Incorporation.
- The Chairman of the Board strives to vitalize the deliberations of the Board of Directors by facilitating free, open discussions and exchanges of opinions.

(3) Structure of the Board of Directors

- We strive to maintain diversity on the Board of Directors and achieve a composition that takes into account management strategy and balances attributes such as expertise, experience, ability. We also present and disclose this information in a visual format.
- In order to adopt an external perspective to improve management transparency, we make full use of our several independent external directors to strengthen the supervisory functions of the Board of Directors.
- We work to vitalize the Board of Directors and raise corporate value by ensuring that at least one in three directors are independent external directors.
- The Nomination and Remuneration Committee is established under the Board of Directors as advisory organs relating to the nomination and remuneration of directors. The Compliance Committee, another advisory organ, was established to audit and supervise the status of compliance with laws and regulations and related matters.

3. The Audit and Supervisory Committee

(1) Roles and responsibilities of the Audit and Supervisory Committee

The Audit and Supervisory Committee appropriately fulfills the following roles and responsibilities so as to ensure exercise of the audit function over management from an independent and objective perspective based on their fiduciary responsibility to shareholders.

- The Audit and Supervisory Committee audits the execution of duties by directors and employees based on auditing policies.
- The Audit and Supervisory Committee audits directors' job performance and the appropriateness of internal control systems.
- The Audit and Supervisory Committee determines audit policies and schedules and appoints its Committee representatives, full-time members, selected members, and Chairman.
- The Audit and Supervisory Committee gives instructions to the Internal Audit Division (an organization directly under the Committee's control) in relation to investigations and reporting on the operations and effectiveness of internal control systems.
- The Audit and Supervisory Committee appropriately exercises authority over the appointment of Audit and Supervisory Committee members and the Accounting Auditors as well as their audit fees.

(2) The Chairman of the Audit and Supervisory Committee

- The Audit and Supervisory Committee determines its Chairman from among its members by way of resolution, and the member so appointed serves as Chairman.
- The Chairman of the Audit and Supervisory Committee shall be an external director.

(3) Relationship with the Internal Audit Department

- The Internal Audit Department, being established as an Internal Audit Department as a body to support the Audit and Supervisory Committee, receives from audited departments reports on the outcome of their audits, and reports on such outcomes to the Board of Directors as appropriate.
- The Internal Audit Department verifies and evaluates employees' execution of duties and the effectiveness and operational status of internal control systems and reports on the same to the Audit and Supervisory Committee. In addition, its members accompany selected Audit and Supervisory Committee members on on-site audits of business sites and subsidiaries inside and outside Japan.

(4) Relationship with Accounting Auditors

- The Audit and Supervisory Committee and Accounting Auditors consult each other to exchange opinions and information regarding audits whenever it is necessary to do so, enhancing and improving each other's audit performance through cooperation and coordination.
- In collaboration with the Internal Audit Department and relevant parties, the Audit and Supervisory Committee formulates the evaluation standards for selecting the Accounting Auditors, requests proposals from several Accounting Auditors, and evaluates them according to said standards.
- The Audit and Supervisory Committee and its members assess the appropriateness of the audit methods adopted by the Accounting Auditors and the outcomes of their audit. In addition, they assess fitness by interviewing and exchanging opinions with the Accounting Auditors among other methods.
- The Audit and Supervisory Committee and its members conduct interviews as appropriate to evaluate the existence of any interests vis-a-vis the Accounting Auditors under the Certified Public Accountants Act, their independence and expertise.

4. Directors and members of the Audit and Supervisory Committee

(1) Directors

The directors execute their duties as directors to achieve sustainable growth in corporate value bearing in mind their fiduciary responsibility to shareholders.

- The directors act to advance the common interests of the Company and shareholders.
- The directors contribute their opinions based on their respective expertise, experience, and abilities.
- The directors gather sufficient information for executing their duties.
- The directors request information and documents from the relevant departments as needed in order to make appropriate decisions.
- The directors endeavor to learn and study to gain the expertise required for them to fulfill their roles and responsibilities appropriately.

(2) Members of the Audit and Supervisory Committee

- The Company endeavors to ensure that the members of the Audit and Supervisory Committee include persons who possess a sufficient degree of expertise in finance and accounting matters.
- The members of the Audit and Supervisory Committee supervise and audit from diverse perspectives based on their respective excellent insight, specialized expertise, and rich experience.
- The members of the Audit and Supervisory Committee audit the directors' job performance and exercise authority over the appointment and dismissal of the Accounting Auditors and audit fees.
- The members of the Audit and Supervisory Committee audit the legality and appropriateness of the execution of duties by directors through objective and fair statements of opinion, among others.
- Selected members of the Audit and Supervisory Committee conduct on-site audits of business divisions, business sites, and subsidiaries inside and outside Japan. They also attend key meetings of the Corporate Management Council and other groups and share information.

(3) Independent external directors

- In addition to the requirements of the Companies Act, we have formulated the Standards for Independence of External Directors, based on which independent external directors are elected.
- The independent external directors provide opinions and advice as appropriate to the Board of Directors and Audit and Supervisory Committee, etc. with the aim of increasing corporate value.
- The non-executive directors, including independent external directors, supervise the directors' execution of duties.
- The independent external directors supervise transactions involving conflicts of interest from an independent point of view.
- The independent external directors strive to reflect the opinions of stakeholders to the Board of Directors.
- The independent external directors work to exchange information and spread awareness through voluntary established committees and other activities.
- In addition to creating opportunities for information exchange and spreading awareness among non-executive directors, including independent external directors, the Company has systems in place to facilitate effective functioning of audit and supervision functions, including by holding meetings between these directors and the top management as needed.
- In order to perform their duties in a suitable manner and from an independent standpoint, the independent external directors gather information from and exchange opinions with executive directors and corporate officers, employees, and others who execute business.

<Standards for Independence of External Directors>

The Company regards persons not described by any of the following items as external directors who are independent.

- (i) A person who is, or was within the last ten years, an executive of the Company.
- (ii) A person who is a significant customer of the Company (that is to say, a customer whose dealings with the Company account for 1% or more of the Company's or the customer's consolidated net sales or transaction value), or an executive of such person.
- (iii) A person who has a significant business relationship with the Company (that is to say, a person whose dealings with the Company account for 1% or more of the Company's or the person's consolidated net sales or transaction value), or an executive of such person.
- (iv) A major shareholder (that is to say, a shareholder who holds 10% or more of voting rights) of the Company or an executive of such major shareholder, or an executive of an entity of which the Company is a major shareholder.
- (v) An executive of an organization or corporate body that receives large amounts of donations, loans, or guarantees provided by the Company.
- (vi) An executive of a company which sends its directors to the Company in mutual exchange with the Company's directors.
- (vii) Lawyers, CPAs, consultants, and similar persons who receive 10 million yen or more in money or other assets from the Company (in addition to their remuneration for serving as an officer) (where the receiver belongs to a corporate body, association, or other company, an amount that accounts for 1% or more of the Company's or the Company's consolidated net sales or transaction value).
- (viii) A person who was a person described by the above items (ii) to (vii) at any time within the last ten fiscal years.
- (ix) A spouse or person within two degrees of kinship of a person described by any of the above items (i) to (viii).

5. Accounting Auditors

The Accounting Auditors perform the important role of maintaining the trustworthiness of disclosed information, and bear a responsibility to shareholders and investors. The Accounting Auditors observe independence and maintain specialized expertise, and appropriately conduct the accounting audit.

- In order to achieve a high-quality audit, the Board of Directors and Audit and Supervisory Committee endeavor to secure sufficient time for the Accounting Auditors to perform the audit by promptly providing them the requested information.
- The Board of Directors and Audit and Supervisory Committee endeavor to secure opportunities for information gathering and exchanges of opinions, such as by holding dialogues between the Accounting Auditors and the CEO, COO, and CFO and other directors in charge of Corporate Management.
- The Accounting Auditors cooperate and coordinate with the Audit and Supervisory Committee and the Internal Audit Department to maintain a system that facilitates an adequate audit, enhancing and improving the audits.
- The Board of Directors and Audit and Supervisory Committee have a system for responding when members of the Audit and Supervisory Committee or the Accounting Auditors request an appropriate response to irregularities they have detected, or when deficiencies or problems are brought to attention.

6. Voluntary Established Committees

(1) The Nomination and Remuneration Committee

- The Board of Directors has established the Nomination and Remuneration Committee as an advisory organ to strengthen the supervisory functions.
- The Committee is chaired by an independent external director, and a majority of the Committee's members are independent external directors.
- The CEO and COO do not sit on the Nomination and Remuneration Committee.

<Policies relating to nominations>

- The Board of Directors and the Nomination and Remuneration Committee maintain transparency and objectivity in the nomination of candidates for director.
- When nominating directors, the Board and the Nomination and Remuneration Committee endeavor to optimize the Board of Directors as a whole in light of management strategy and maintaining diversity of the Board, to achieve a balance of rich experience and specialized expertise and insight in a wide range of fields.
- With regard to the selection, appointment, and dismissal of directors and senior management, the Board of Directors seeks the advice of the Nomination and Remuneration Committee and makes a decision as a Board based on the deliberations and response of said Committee, upholding a higher standard of rigor, transparency, and fairness in its process and candidates.
- The Board of Directors conducts a global assessment of working experience, insight, specialized expertise, contribution to corporate performance, and seeks the advice of the Nomination and Remuneration Committee on the selection, appointment, or dismissal of senior management.
- The Board of Directors obtains the consent of the Audit and Supervisory Committee in relation to the selection of members of the Audit and Supervisory Committee.
- Information about each director including their career history, reasons for election, and major concurrent positions held is disclosed in various publications, including the Notice of Convocation of the Ordinary General Meeting of Shareholders and the annual securities report.
- With regard to the selection and dismissal of the CEO, the Board of Directors conducts a global assessment of qualifications, business execution skills, past performance, management ability, and other factors, seeks the advice of the Nomination and Remuneration Committee, and makes a decision as a Board based on the deliberations and response of said Committee.
- The Board of Directors seeks advice from the Nomination and Remuneration Committee in relation to the suitability of successors.

<Policies relating to remuneration>

- The Board of Directors and the Nomination and Remuneration Committee ensures objectivity and transparency for resolutions of the General Meeting of Shareholders relating to matters such as the total amount of directors' remuneration.
- The Nomination and Remuneration Committee receives the Board of Directors' requests for advice regarding the "Guidelines for Determining the Remuneration, etc. of Individual Directors.", and deliberates and makes recommendations on the same. The Board of Directors determines the Policy based on these recommendations.
- The Policy on directors' remuneration based on the above is as follows.
 - (i) Remuneration of directors (excluding directors who are members of the Audit and Supervisory Committee)
 - a. Remuneration for directors comprises basic remuneration (fixed remuneration), which rewards solid performance of duties and corresponds to each director's position, duties, and other considerations, as well as performance-linked remuneration (variable remuneration), a remuneration system and structure strongly linked to performance that prioritizes raising medium-term corporate and shareholder value, in the form of bonuses (as a short term incentive) and stock remuneration (as a medium- to long-term incentive).
 - b. Remuneration for external directors (excluding members of the Audit and Supervisory Committee) is not linked to performance and comprises basic remuneration (fixed remuneration) only, in view of their role of supervising the Company's management from an objective and independent standpoint.
 - (ii) Remuneration of members of the Audit and Supervisory Committee
 - Remuneration for individual members of the Audit and Supervisory Committee is not linked to performance and comprises basic remuneration (fixed remuneration) only, in order to maintain their independence. The amount of remuneration is determined through discussions by the members of the Audit and Supervisory Committee taking the difference between full-time and part-time service and other factors into account.
- The Board of Directors determines the amount of each director's individual remuneration based on the response of the Nomination and Remuneration Committee, within the limits on the amount of remuneration for the directors (excluding directors who are members of the Audit and Supervisory Committee) and the amount of remuneration for members of the Audit and Supervisory Committee approved by resolution at the General Meeting of Shareholders.

(2) The Compliance Committee

The Board of Directors has established the voluntary Compliance Committee, an advisory organ that audits and supervises the status of compliance with laws and regulations and related matters.

- The Compliance Committee determines the probability of occurrence of problems pertaining to the observance of laws and regulations.
- The Compliance Committee provides recommendations and advice to the Board of Directors regarding the status of compliance with laws and regulations as needed.

7. Support system

- (i) In order to vitalize the deliberations of the Board of Directors, a secretariat to the Board of Directors has been established to handle the following operations.
 - Establish an annual schedule of Board of Directors' meetings and hold extraordinary meetings as necessary.
 - Prepare materials that will help participants get an overview of the agenda items, and distribute them in advance.
 - Endeavor to enhance the deliberations of the Board of Directors by delegating some important business execution matters, such as personnel transfers and organizational reforms, to the Representative Directors to confirm the appropriateness of the matters to be discussed.
- (ii) To facilitate thorough discussions during the Board of Directors meetings, the director in charge of Corporate Management will provide explanations to external directors regarding agenda items and supplementary matters approximately one week in advance of the scheduled board meeting date.
- (iii) To establish a system that allows external directors to make timely and appropriate judgments on proposals, the corporate officers in charge will attend Board of Directors meetings as necessary to assist the director in charge in explaining proposals and answering questions.
- (iv) The directors, officers and employees of the Company will respond promptly and appropriately when asked to provide information necessary for the directors to perform their duties.
- (v) To facilitate the smooth and appropriate execution of duties by the Audit and Supervisory Committee, an Internal Audit Department independent of the departments conducting business has been established to assist the same committee as an organization directly under the Internal Audit Department and serves as the Secretariat of the committee.
 - The Internal Audit Department will strive to maintain independence from business executors, carrying out its duties under the direction of the Audit and Supervisory Committee. It will also provide timely reports to the Audit and Supervisory Committee as necessary.
- (vi) The Executive Support Section and the Internal Audit Department provide support to ensure that non-executive directors, including external directors, can smoothly execute their duties. In addition, we will build a support system by establishing a department dedicated to the Board of Directors.
- (vii) To facilitate smooth and appropriate execution of their duties, directors may engage external experts such as consultants as necessary, with the associated costs borne by the Company.

8. Director training and development

The Company provides directors with necessary training opportunities and information, as appropriate.

- When directors assume their position, they are briefed on the Company's business, finances, and organization, given a tour of the workplaces as well as information on industry trends and such.
- Support is provided for expenses and other costs related to the acquisition of knowledge and exchange of information by directors.
- The Members of the Audit and Supervisory Committee are provided with opportunities to study through participation in external training programs as part of our efforts to ensure proper audits.
- The Board of Directors is provided opportunities to hear explanations on business strategies and other measures for each fiscal year and necessary information related to the Company's business challenges and other issues is provided to external directors on a continuous basis.

Chapter 5 Dialogue with Shareholders

1. Constructive dialogue with shareholders and investors

We strive to contribute to sustainably growing corporate value through dialogue with investors, including shareholders.

We have a system in place for promoting constructive dialogue with shareholders as well as a basic policy regarding such initiatives.

<Basic policy relating to constructive dialogue with shareholders>

- With a view to building positive, trusting relationships with shareholders, we actively engage in dialogue from both IR and SR perspectives to promote understanding and raise awareness.
- The Representative Director and Director in charge of Corporate Management (CHO* and CFO) oversee shareholder dialogue, for which the General Affairs Department and Corporate Planning Department are responsible. The CEO, COO, and other directors (including external directors) as well as corporate officers attend dialogue sessions as appropriate.
 - * Chief Human Resources Officer
- The General Affairs Department, Corporate Planning Department, and Public Relations and Investor Relations Section coordinate closely with each other while other relevant departments share information across the organization to enhance shareholder and investor dialogue.
- The Company holds financial reports presentations, small group meetings as well as regular briefings for individual investors to explain its medium-term management vision, business strategy, and business performance.
- To ensure that the requests, opinions, questions, and other feedback gleaned from these interviews are taken into consideration by the management, they are reported to the Representative Directors and relevant persons as appropriate, as well as to the Board of Directors where needed.
- The Company ensures fair disclosure in promoting dialogue, and responds appropriately to matters regarding management of insider information.
- In principle, the Company ascertains the registered holders of shares in the shareholder register twice a year. We conduct investigations on beneficial shareholders and make an effort to ascertain the identities of persons who are substantive shareholders of the Company's shares.

2. Establishing and publicly disclosing management targets

In establishing and publicly disclosing management strategy and management plans, the Company presents an outline of specific targets and the corresponding business strategies for achieving them, taking into account an accurate assessment of the Company's cost of capital.

Chapter 6 Other

1. Basic guidelines for capital policy

- The Company prioritizes operating income (growth indicator), operating margins (efficiency indicator), and cash flows in managing its business to improve corporate value.
- Where necessary, we carry out fundraising for activities that contribute to sustainable growth, such as capital investment and corporate acquisitions.
- We endeavor to facilitate dynamic implementation of capital policy and improve capital efficiency in response to changes in our operating environment.
- When implementing capital procurement that would result in large-scale dilution of stock, the Board of Directors deliberates the matter thoroughly before resolving the same, having holistically considered the Company's growth strategy and financial structure. In addition, the Company makes suitable and timely disclosures to explain the matter.
- The external directors contribute their opinions and advice from an independent and neutral perspective on an as-needed basis in the event of a risk of conflict of interest between the management and ordinary shareholders.

<Shareholder return policy>

The Company endeavors to achieve a payout ratio of 30% and stable dividends.

2. Policy regarding strategic holdings of publicly listed shares

- The Company holds shares only where doing so serves to achieve sustainable growth in corporate value.
- The Board of Directors regularly scrutinizes and verifies whether returns and risks of such strategic holdings remain in line with capital costs, based on a holistic assessment of the purpose and reasonableness of the holdings from a medium- to long-term perspective.
- Where, as a result of verification, it is judged that there is little economic basis for such holdings (for example, where the book value of the stock drops by 50% or more, or where the corporate value of the target corporation suffers significant damage), the Company engages in dialogue with the target corporation and reduces or disposes of such holdings at a suitable time, taking into consideration the impact on business and the market.
- With regard to exercise of voting rights, voting on the respective proposals takes place pursuant to internal company procedures and includes consideration of the following matters: (i) changes in performance; (ii) capital policy; (iii) status of corporate governance; (iv) major scandals; (v) aptitude of officers; (vi) any improvements to corporate value.
- Where an owner of strategic holdings of the Company's shares requests to sell those shares of the Company, the Company does not suggest a reduction in transaction quantity, respond reluctantly, or otherwise engage in attempts to prevent the sale.

3. Corporate pension plan

- The Company has entrusted the management of the corporate pension investment fund to a manager with specialized expertise and ample experience.
- The exercise of voting rights is entrusted to the manager so as to avoid conflicts of interest between the Company and the beneficiaries of the corporate pension plan.

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Amended June 23, 2025

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