

## **Policy on Appointment and Dismissal of Directors and Audit and Supervisory Board Members**

### **[1] Policies on the makeup of the board of directors**

The board of directors shall have the following makeup:

- (i) The number of directors shall be no more than nine persons in accordance with the provisions of the articles of association.
- (ii) At least one-third of the membership of the board of directors shall consist of independent outside directors.
- (iii) To fulfill its roles and responsibilities effectively, the board of directors shall have a sound overall balance of knowledge, experience, ability, and specialization and shall have both diversity in terms that include gender, cosmopolitanism, career history, and age and an appropriate size.

### **[2] Standards for appointment of candidates for directors**

Candidates for directors and the candidate for the position of the CEO shall be nominated by the nomination committee from among persons who satisfy the standards stipulated for each position. Candidates for directors and the CEO shall be selected by the board of directors.

#### **(1) Standards for appointment of candidates for directors other than outside directors**

- (i) Must be able to contribute to increasing corporate value
- (ii) Must be able to enhance governance and stimulate the activities of the board of directors
- (iii) Must have an outstanding personality and judgment, must have an outstanding sense of management, and must be highly familiar with management issues
- (iv) Must have knowledge of the entire Company and outstanding abilities for objective analysis and judgment
- (v) Must be able to state his or her own opinions proactively based on knowledge of the entire Company
- (vi) Must have a high awareness of compliance and a high sense of ethics
- (vii) Must have outstanding foresight and penetration
- (viii) Must be able to ascertain accurately current trends, the business environment, and changes in the market
- (ix) Must not meet any of the grounds for disqualification as a director under each subparagraph of Article 331, Paragraph 1, of the Companies Act
- (x) In principle, must not serve concurrently as a full-time executive of any other corporation, other than a Group member company

#### **(2) Standards for appointment of candidates for outside directors**

- (i) Must be able to contribute to increasing corporate value
- (ii) Must be able to enhance governance and stimulate the activities of the board of directors
- (iii) Must have a personality marked by integrity, high levels of judgment and ability, high levels of wide-ranging knowledge and experience, and a strong track record in his or her previous fields
- (iv) Must not meet any of the grounds for disqualification as a director under each subparagraph of Article 331, Paragraph 1, of the Companies Act
- (v) Must satisfy the requirements of an outside director under Article 2, Paragraph 15, of the Companies Act

- (vi) In principle, must not be a managing executive director (including executive directors and executive officers) or a full-time audit and supervisory board member of another listed company and must be an outside director or audit and supervisory board member of no more than four companies including the Company

### **(3) Standards for appointment of the CEO**

- (i) Must have the ability to make decisions promptly with an awareness of his or her position as the person with ultimate responsibility for business execution and the courage to act as a manager, instead of simply avoiding risks, to realize increases in corporate value
- (ii) Must have the ability to envision and execute large-scale Companywide strategies at a global level from a medium- to long-term perspective by ascertaining changes in business conditions and the directions in which the Company should move
- (iii) Must have an outlook that is not bound by conventional wisdom or past practices in the industry and the organization and the ability to transform the organization to realize the ideal vision while stimulating the organization as a whole

### **[3] Policies on the makeup of the audit and supervisory board**

The audit and supervisory board shall have the following makeup:

- (i) The number of audit and supervisory board members shall be no more than five persons in accordance with the provisions of the articles of association.
- (ii) At least one-half of the membership of the audit and supervisory board shall consist of outside audit and supervisory board members, and efforts shall be made to ensure that at least one of these is independent.
- (iii) At least one member of the audit and supervisory board shall be highly knowledgeable of finance and accounting.

### **[4] Standards for appointment of candidates for audit and supervisory board members**

Candidates for audit and supervisory board members shall be nominated by the nomination committee from among persons who satisfy the standards stipulated for each position. Candidates for audit and supervisory board members shall be selected by the board of directors with the consent of the audit and supervisory board.

#### **(1) Standards for appointment of candidates for audit and supervisory board members other than outside audit and supervisory board members**

- (i) Must be able to enhance governance and stimulate the activities of the board of directors
- (ii) Must have an outstanding personality and judgment, must have an outstanding sense of management, and must be highly familiar with management issues
- (iii) Must have a high awareness of compliance and a high sense of ethics
- (iv) Must have outstanding foresight and penetration
- (v) Must be able to ascertain accurately current trends, the business environment, and changes in the market
- (vi) Must be able to state his or her own opinions proactively based on knowledge of the entire Company
- (vii) Must not meet any of the grounds for disqualification as an audit and supervisory board member under each subparagraph of Article 331, Paragraph 1, of the Companies Act, applicable as stipulated in Article 335, Paragraph 1, of that Act
- (viii) In principle, must not serve concurrently as a full-time executive of any other corporation, other

than a Group member company

**(2) Standards for appointment of candidates for outside audit and supervisory board members**

- (i) Must satisfy the standards established by the Company for independence of outside directors
- (ii) Must be able to enhance governance and stimulate the activities of the board of directors
- (iii) Must have a personality marked by integrity, high levels of judgment and ability, high levels of wide-ranging knowledge and experience, and a strong track record in his or her previous fields
- (iv) Must not meet any of the grounds for disqualification as an audit and supervisory board member under each subparagraph of Article 331, Paragraph 1, of the Companies Act, applicable as stipulated in Article 335, Paragraph 1, of that Act
- (v) Must satisfy the requirements of an outside audit and supervisory board member under Article 2, Paragraph 16, of the Companies Act
- (vi) In principle, must not be a managing executive director (including executive directors and executive officers) or a full-time audit and supervisory board member of another listed company and must be an outside director or audit and supervisory board member of no more than four companies including the Company

**[5] Standards for appointment of executive officers**

When choosing candidates for executive officer positions, the nomination committee shall nominate candidates based on the standards for appointment of candidates for directors other than outside directors, and the board of directors shall select the successful candidates.

**[6] Standards for dismissal of executives**

The board of directors shall decide on policies for dismissal of executives, following deliberation by the nomination committee, and the necessary procedures shall be completed based on laws, regulations, or internal rules concerning executives based on comprehensive consideration of various such matters as failure to satisfy any of the requirements of the applicable standards for appointment, actions having the effect of shaking the Company's management foundations, actions causing marked harm to the interests of shareholders, and actual results in comparison to the targets and expectations of established management plans (business results in each period and state of execution of strategies).

**[7] Revision and abolition of this Policy**

Revision and abolition of this Policy shall be conducted by the board of directors.

Record of establishment and revision of this Policy

1. September 14, 2018: Established and applied
2. June 25, 2019: Revised ([3] revised due to amendment of the Articles of Association)
3. June 17, 2020: Revised ([3] (iii), (iv) revised)
4. February 25, 2021: Revised ([2] (1) (x) partially reworded; [4] (1) (viii) newly established)
5. November 10, 2021: Revised (Policy title changed; [1] and [3] revised in accordance with amendment of the Corporate Governance Code)