

Corporate Governance

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Our Basic Approach and Strategy

Unicharm believes that working to achieve sustainable growth and create medium- to long-term corporate value by cooperating appropriately with stakeholders to become a company that is recognized and trusted by society will lead to the promotion of sound corporate management, as stated in the Unicharm Ideals. To that end, our basic policy on corporate governance is to achieve highly transparent, timely, and decisive management through frank and proactive engagement that will gain the support of various stakeholders, initiatives that sufficiently address ESG issues, and the further development of an environment that enables management to make appropriate decisions without missing out on opportunities.

[web Corporate Governance Report](https://www.unicharm.co.jp/en/company/corporate-governance.html)
<https://www.unicharm.co.jp/en/company/corporate-governance.html>

Management Structure

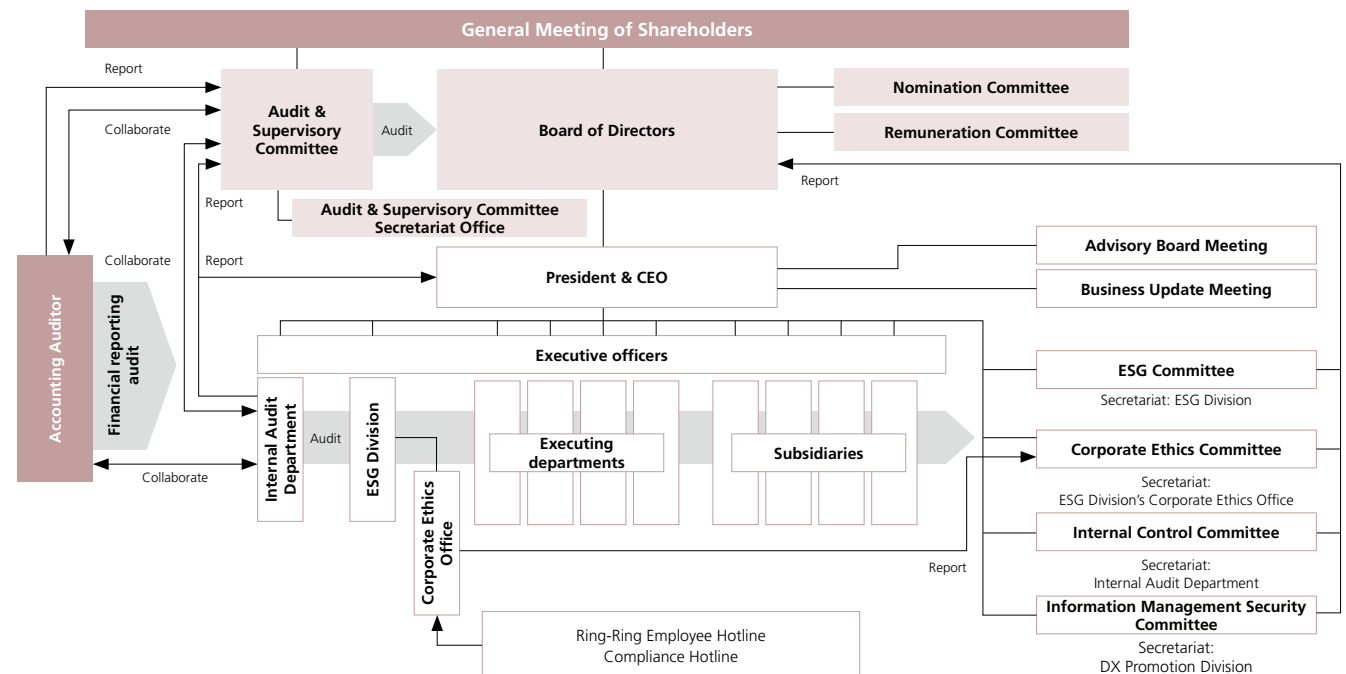
In May 2015, we became a company with an audit and supervisory committee governance structure to meet the expectations of all stakeholders, in Japan and overseas, from a global perspective. We achieved this by strengthening the oversight function of the Board of Directors in regard to management and bringing outside directors into the management process to increase transparency and efficiency. Members of the independent Audit & Supervisory Committee have voting rights on the Board of Directors, and the committee actively uses the internal control system to carry out

audits. This has enabled the Company to not only comply with laws and regulations but to also strengthen the audit and supervisory functions of management from an outsider's perspective, with the aim of maintaining collaborative relationships with stakeholders and fostering an organizational culture and climate that respect healthy and ethical business practices. Moreover, to ensure transparency and objectivity in making nomination- and remuneration-related decisions concerning prospective directors and executive officers, the Nomination Committee and the Remuneration Committee were established as discretionary bodies in December 2015.

P010 ESG Promotion Structure

► Corporate Governance Structure

(As of March 24, 2023)



► Board of Directors and Committees, etc.

Board of Directors	The Board of Directors comprises one representative director, two executive directors, one non-executive director other than outside directors, and two outside directors. It has the authority to determine basic management policies, decide on the establishment of the internal control system, and execute other important duties. It also fulfills a supervisory role in monitoring the formulation and execution of the medium- to long-term direction, ensuring an environment that enables management to make appropriate decisions without missing out on opportunities.
Audit & Supervisory Committee	The Audit & Supervisory Committee consists of one non-executive director other than an outside director and two outside directors. The one non-executive director is the full-time member of the Audit & Supervisory Committee who is selected for this role to increase the effectiveness of audits performed by the Audit & Supervisory Committee based on information obtained by a person highly familiar with the Company's internal situation. This person gains information through attending important meetings other than those of the Board of Directors and close collaboration with the internal auditing departments.
Nomination Committee	The Nomination Committee is a discretionary body established for the purpose of nominating director candidates and ensuring the transparency and objectivity of the selection of executive officers. The Nomination Committee has the authority to (1) propose ideas on the appointment and dismissal of directors to submit to the general meeting of shareholders' (2) select and dismiss the representative director, and (3) discuss proposals on the selection and dismissal of executive officers as well as executive officers with line responsibility.
Remuneration Committee	Unicharm has established the Remuneration Committee, a discretionary body with the purpose of securing transparency and objectivity regarding the remuneration of directors (excluding directors who are Audit & Supervisory Committee members) and executive officers. The Remuneration Committee has the authority to deliberate on (1) proposals concerning remuneration of directors to be submitted to the general meeting of shareholders, (2) the policy for determining remuneration of individual directors (excluding directors who are Audit & Supervisory Committee members) and executive officers, and (3) the evaluation criteria and results used to determine the remuneration of individual directors (excluding directors who are Audit & Supervisory Committee members) and executive officers.
Advisory Board Meeting	The Advisory Board Meeting is chaired by the representative director and the president & CEO, and is attended by all directors with the exception of outside directors, executive officers, and the leaders of relevant business units. Outside directors also attend the meeting as necessary. The meeting convenes to deliberate on how to achieve the strategies in the medium-term management plan as well as the business plans and strategies of Group companies.
Business Update Meeting	The Business Update Meeting is attended by all directors with the exception of outside directors, executive officers, and the leaders of relevant business units. The president & CEO chairs this meeting. In principle, the meeting convenes monthly to provide reports on the execution of operations, and discussions are held on material issues in terms of business execution selected by the chair for prompt resolution.
ESG Committee	The ESG Committee is chaired by the president & CEO and the ESG Division serves as its secretariat. The committee discusses the progress of activities and countermeasures for issues related to the medium-term management plan and medium- to long-term ESG goals.
Corporate Ethics Committee	The Corporate Ethics Committee is chaired by the executive officer in charge of the Corporate Ethics Office. All Audit & Supervisory Committee members serve as full-time members of this committee, which promotes a system for ethics and legal compliance.
Internal Control Committee	The Internal Control Committee is chaired by the executive officer in charge of the Internal Audit Department, which serves as its secretariat. The committee is responsible for ensuring that the internal control system related to financial reporting is appropriately assessed by management and audited by an audit firm.
Information Management Security Committee	The Information Management Security Committee is chaired by the executive officer in charge of the DX Promotion Division, which serves as its secretariat. The committee functions as a system for ensuring information security.
Accounting Auditor	The Audit & Supervisory Committee approves the accounting auditor based on its auditing system, independence, and expertise.

► Composition of the Board of Directors, Audit & Supervisory Committee, and Other Committees and Relevant Expertise of Directors (as of March 24, 2023)

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	Tenure	Composition of the Board of Directors and Audit & Supervisory Committee				Relevant Expertise of Directors										
		Board of Directors	Audit & Supervisory Committee	Nomination Committee	Remuneration Committee	Corporate management	Finance and accounting	Corporate governance	Risk management	Human resource development	Overseas business	Marketing	Distribution strategy	Development and production	Sustainability*1	Digital transformation
Takahisa Takahara President & CEO	27 years, 9 months	◎		○	○	■	■	■	■	■	■	■			■	
Toshifumi Hikosaka Senior Executive Director in Charge of Production and Development	1 year	○				■			■	■				■	■	
Kenji Takaku Director, Senior Managing Executive Officer in Charge of Marketing and Sales	—*2	○				■			■	■	■	■	■			
Hiroaki Sugita Director, Audit & Supervisory Committee Member <div>Outside</div> <div>Independent</div>	2 years	○	○	◎	◎	■	■	■	■	■		■	■		■	■
Noriko Rzonca Director, Audit & Supervisory Committee Member <div>Outside</div> <div>Independent</div>	—*2	○	○	○	○	■		■	■	■	■	■			■	■
Shigeru Asada Director, Audit & Supervisory Committee Member	4 years	○	◎	○	○	■	■	■	■	■	■					

Under “Composition of the Board of Directors and Audit & Supervisory Committee” ◎ denotes chair and ○ denotes members.

Outside

Outside director

Independent

Independent director

*1 Environment and quality

*2 Appointed on March 24, 2023

Views on the Balance between Knowledge, Experience, and Skills of the Board of Directors and Diversity and Size Thereof

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At Unicharm, contributing to the achievement of the SDGs is our purpose, which consists of three components: mission, to realize a cohesive society; vision, “NOLA & DOLA”; and value, management with resonance. Realizing our purpose, mission, vision, and value will mean the Company's Board of Directors duly taking into account the interests of a wide range of stakeholders and making decisions in a fair and transparent manner achieved through the supervision of management. In this way, the Board of Directors must gain the recognition and trust of society while promoting prompt and bold management, thereby realizing sustainable growth and generating corporate value over the medium to long term. To effectively fulfill this role, the Board of Directors must, on the whole, have a good balance of essential knowledge, experience, and skills, embrace diversity, and be of an appropriate size. Additionally, because Unicharm is a company with an audit and

supervisory committee, directors who are Audit & Supervisory Committee members must essentially possess the knowledge, experience, and skills necessary to conduct effective audits. Taking these factors into account, the key areas of expertise covered hereafter have been deemed necessary for the Board of Directors. Moreover, with respect to gender diversity, the Board of Directors consists of six members that includes one female director.

Management Experience

Maintaining an appropriately sized Board of Directors and duly considering the views of all stakeholders entail the selection of candidate directors who possess the management experience necessary for balancing the interests of a wide range of stakeholders. In order to effectively oversee the activities of management, directors must possess management experience, preferably as a member of senior management. Moreover, it is important that this management experience exists in some, if not all, of the independent outside directors.

Finance and Accounting

Directors who are also Audit & Supervisory Committee members must have a sufficient level of knowledge in finance, accounting, and law, and be particularly well versed in the areas of finance and accounting.

Strategies

With a view to realizing our purpose, mission, vision, and value, the Company stipulated five strategies as a part of its 11th Medium-Term Management Plan: (1) strengthen and spread human resource development; (2) establish a recycling value chain; (3) focus on new growth pillars; (4) promote DX and strengthen brands by exploring the deep psyche of customers; and (5) analyze the principles of *monozukuri* (manufacturing) thoroughly to build optimal processes.

The knowledge, experience, and skills associated with these strategic fields are valuable tools for the Board of Directors from the viewpoint of management oversight.

Policies and Procedures for the Nomination of Director Candidates As Well As the Appointment and Dismissal of Executive Officers

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Policies

Candidates for both internal and outside directors are nominated from those possessing outstanding characteristics and comprehensive management knowledge, with an emphasis on their capacity to appropriately fulfill the duties of a prudent manager and on their loyalty and contributions to the Company's sustained growth and increased corporate value. Internal directors are appointed based on the periodic assessment of their cultivation of successors and implementation of supervision by the directors, the Nomination Committee, and the Board of Directors. Moreover, with respect to the nomination of director candidates, the Board of Directors must, on the whole, have a good balance of essential knowledge, experience, and skills, embrace diversity, and be of an appropriate size.

Executive officers are appointed from those with outstanding characteristics who are familiar with the Group's businesses and practice the Five Great Pillars and Associate Code of Conduct established as the Group's Charter of Actions for both executives and employees, with an emphasis on the ability to appropriately execute business activities. To ensure objectivity and transparency, the evaluation criteria for directors and executive officers are clearly defined per role and disclosed. When receiving an evaluation below standard for two consecutive years, the director or executive officer will be subject to review by the Nomination Committee and dismissed or not reappointed by the Board of Directors following a comprehensive evaluation based on the advice and recommendations from the committee.

Procedures

The nomination of candidates for directors and the appointment of executive officers are both determined by the Board of Directors based on deliberations by the Nomination Committee,

which is chaired by an independent outside director and consists of the president & CEO, two independent outside directors, and one non-executive director, in order to secure transparency and objectivity. The Nomination Committee deliberates on the policy concerning the nomination of candidates for directors and the appointment of executive officers as necessary. Decisions on candidates for directors who are Audit & Supervisory Committee members are made by the Board of Directors based on a draft formulated after deliberation by the Nomination Committee in accordance with the policy of the Audit & Supervisory Committee, with prior consent from the same committee.

Resolution Requirements for the Appointment of Directors

The Articles of Incorporation stipulate that a resolution on the appointment of a director is reached when more than one-third of shareholders with exercisable voting rights are in attendance and pass the proposal with a majority vote, with directors separated by those who are and who are not members of the Audit & Supervisory Committee. In addition, the Articles of Incorporation stipulate that the resolution on the appointment of directors shall not use cumulative voting.

Reasons for Appointment of Outside Directors

Name	Audit & Supervisory Committee Member	Independent Director	Supplementary Explanation on Appropriateness	Reasons for Appointment
Hiroaki Sugita	○	○	Mr. Sugita currently serves as the senior adviser of Boston Consulting Group, and is not involved in the Company's consulting business. Moreover, the ratio of expense payment for consulting from Mr. Sugita comprises less than 0.1% of both groups' consolidated net sales for the three most recent fiscal years. Therefore, he is qualified as an independent director in accordance with the independence standards provided in the Guidelines concerning Listed Company Compliance of the Tokyo Stock Exchange and the Standards for Appointment of Independent Directors of the Company, and the Company has determined it unlikely that he will have a conflict of interest with general shareholders.	With a background as the Japanese representative of the major foreign capital consulting firm Boston Consulting Group, Mr. Sugita possesses a high level of insight and is highly experienced in finance and accounting, as well as management strategies within business management, particularly in globalization strategy, corporate governance, group management, digitalization, and digital transformation. The Company has determined that he is qualified to further develop its global expansion and provide appropriate advice on both governance and management strategies.
Noriko Rzonca	○	○	Ms. Rzonca has been designated as an independent director upon determining that she does not have any conflict of interest with the Company's general shareholders and fulfills the independence criteria stipulated in the Guidelines for Listing Management of the Tokyo Stock Exchange and the Company's selection standards for independent directors.	She has years of experience in management positions at major overseas and foreign-affiliated financial institutions through which she has acquired a high degree of insight into corporate management and corporate governance. Ms. Rzonca has also been in charge of promoting digital transformation at two companies in very different industries in Sony Bank Inc. and Cosmo Energy Holdings Co., Ltd. For that reason, we believe that, by drawing on her cross-industry experience, she will make meaningful contributions to our marketing activities, development of digital technology experts, and management reform through the use of the Company's digital technologies. We are also confident that, based on her experience, she will continue to provide guidance in the development and execution of our global strategies and risk management. We believe that she will provide appropriate advice on both sustainable management strategies and digital strategies and play a key role in our efforts to become a global leading company.

Avoiding Conflicts of Interest

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The Company obtains the prior approval of the Board of Directors when conducting either direct or indirect business with its directors (Audit & Supervisory Committee members included) or their relatives. With regard to transactions between Group companies, a legal check is conducted in advance to verify the validity of transactional conditions and their method of determination, as well as careful deliberation being conducted by the Board of Directors, including multiple independent outside directors, when conducting important transactions.

Selection Standards for Independent Directors

The selection standards for independent directors are presented below.

 **Selection Standards for Independent Directors (in Japanese only)**

<https://www.unicharm.co.jp/ja/company/corporate-governance.html>

Audit Status

① Audit Status of the Audit & Supervisory Committee Organization and Personnel

The Audit & Supervisory Committee consists of three members, including one full-time member who is a non-executive director and two members who are outside directors.

Hiroaki Sugita has experience as the Japanese representative of the major foreign capital consulting firm Boston Consulting Group and in other roles where he has utilized his considerable knowledge of corporate management and corporate governance.

Noriko Rzonca, who serves as outside director and Audit & Supervisory Committee member, has years of experience in management positions at major overseas and foreign-affiliated financial institutions through which she has acquired a high level of insight into corporate management strategies and corporate governance. Shigeru Asada, who serves as a full-time member of the Audit & Supervisory Committee, has sufficient knowledge of finance and accounting from his experience as the executive director and general manager of the Accounting Control & Finance Division of the Company, in addition to his experience as the head of the internal audit and tax departments and as the officer in charge of accounting for overseas businesses at Panasonic Corporation's global headquarters.

The Audit & Supervisory Committee conducts systematic audits based on reports from departments, including the Internal Audit Department, and other internal control systems and may require further reports and the sharing of opinions as needed.

Activity Status of the Audit & Supervisory Committee

1. Meeting frequency:

Meetings of the Audit & Supervisory Committee are generally held once a month and from time to time as needed.

2. Main meeting agenda:

The following resolutions and reports were made in fiscal 2022.

Resolutions: Audit plan and the sharing of the duties of the Audit & Supervisory Committee, reappointment and non-reappointment of the accounting auditor, agreement on the remuneration of the accounting auditor, Audit & Supervisory Committee audit reports, etc.

Reports: Prior confirmation of the Board of Directors' agenda items, audit plan and audit report of the accounting auditor, internal control and audit reports on the Internal Audit Department, strategies of domestic and overseas subsidiaries, reports on financial position and business restructuring, etc.

3. Attendance of Audit & Supervisory Committee members: Please see "Implementation Status of the Board of Directors and the Audit & Supervisory Committee" for the attendance record at meetings of the Audit & Supervisory Committee held in fiscal 2022. The average duration of Audit & Supervisory Committee meeting was approximately 90 minutes.

4. Activities of the full-time Audit & Supervisory Committee member: The full-time Audit & Supervisory Committee member shares information with part-time outside directors who are Audit & Supervisory Committee members, while auditing the appropriateness of the operational status of the internal control system through (1) collecting information internally, (2) monitoring information dissemination from Company management, (3) attending regularly held business update meetings and advisory meetings that deliberate on the Company's master plan and management plan of each subsidiary company in Japan and overseas, (4) auditing business reports, financial documents, consolidated financial statements, and supplemental schedules, (5) perusing important approval documents and contracts, (6) receiving reports from the Internal Audit Department in a timely manner, and (7) verifying the appropriateness of the methods and results of the accounting auditor and confirming whether an internal control system is in place through regular meetings with said auditor.

② Status of the Internal Audit

The Company has established the Internal Audit Department (seven members) as an internal auditing section that is under the direct control of the president & CEO. It conducts internal audits on executing departments and compiles internal audit reports, which include points of critique and improvement

recommendations. The reports are then shared with the president & CEO, as well as the Audit & Supervisory Committee, and submitted to the department undergoing the audit. In case any deficiency is noted, the audited department will develop and implement an improvement plan while the Internal Audit Department will monitor the improvement results. Regular meetings are held between the Internal Audit Department, the Audit & Supervisory Committee, and the accounting auditor to share information and opinions. Moreover, audits done by this assembly include the establishment and operational status of an internal control system developed by the internal control sections.

③ Policy and Reason for Selection of the Audit Firm

The selection of an accounting auditor is made upon considering the audit system, independence, and expertise of the accounting auditor by the Company's Audit & Supervisory Committee. Following this policy, the Company has determined it is appropriate to reappoint PricewaterhouseCoopers Aarata LLC as its accounting auditor for the fiscal year ended December 31, 2022. If an accounting auditor is found to fit the description of any item under Article 340, Paragraph 1 of the Companies Act, the accounting auditor will be terminated by the Audit & Supervisory Committee, given the agreement of all members of the committee. The decision to reappoint an accounting auditor is made every term with consideration of the accounting auditor's suitability, independence, and job performance. If the decision is made such that non-reappointment is appropriate, then the Audit & Supervisory Committee will determine the details of the proposal concerning the non-reappointment of the accounting auditor to the general meeting of shareholders.

Development of an Internal Control System

The Company formulated its Basic Policy for Establishing an Internal Control System in accordance with the Companies Act and established the Internal Control Committee in compliance with the Internal Control and Reporting System (J-SOX) of the Financial Instruments and Exchange Act.

The Internal Control Committee conducts an annual reassessment of risks for each Group company, reviews target countries

and regions for J-SOX assessment, and revises the scope of assessment for business processes. The committee also monitors the development and operational status of the internal control system and works to ensure the reliability of financial reports. The Company is making ongoing improvements to this internal control system from a global perspective by taking into account the regulatory developments in countries where the Group operates and through other means.

Director Remuneration

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1. Method of Determining the Policy for Decisions on Individual Remuneration of Directors

To ensure transparency and objectivity in the process for determining individual remuneration of directors, remuneration of directors is deliberated by the Remuneration Committee, which consists of the president & CEO (one person), a non-executive director (one person), and independent outside directors (two persons), with the independent outside directors comprising half of the seats on the committee, which is chaired by an independent outside director. Based on these deliberations, the results are then conferred for approval with the Board of Directors.

► Our Basic Policy

Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) and executive officers of the Company and related policies are determined based on a comprehensive evaluation of their motivation to improve Unicharm's performance and corporate value and the securing of excellent human resources, in order to ensure that the level of remuneration is commensurate with the roles and responsibilities of their position. Basic policies on their remuneration aimed at promoting growth-oriented management, accomplishing management strategy, and fulfilling management plans are as indicated on the right.

► Basic Policy on Director Remuneration

- 1 Contributes to the sustainable growth and medium- to long-term increase of corporate value
- 2 Remuneration structure is linked closely with performance and motivates the fulfillment of management plans and the achievement of results
- 3 Remuneration level that can attract and retain human resources who can assume the role of management
- 4 Highly transparent and objective process for determining remuneration

► Director Remuneration Policy

- 1 Remuneration is set to match director remuneration levels in the same industry in Japan and overseas and in companies of the same scale in other industries in order to promptly cope with the changes in the external environment and market conditions.
- 2 The target value of monetary compensation is set within the top 25 percentile and that of combined stock option compensation from a medium- to long-term perspective is set within the top 10 percentile.

2. Overview of the Policy for Decisions on Individual Remuneration of Directors

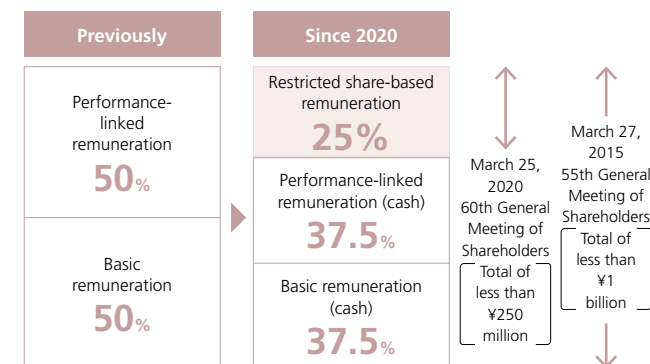
The following is an overview of the Company's policy for decisions on the individual remuneration of directors:

1 Overview of the Director Remuneration System

Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) and executive directors consists of basic remuneration (cash) and performance-linked remuneration. Performance-linked remuneration consists of monetary compensation as a short-term incentive and restricted share-based remuneration as a medium- to long-term incentive. In addition, basic remuneration for each position is determined based on the extent of job responsibility. Independent outside directors, coming from a stance independent of business execution, and directors who are Audit & Supervisory Committee members receive only fixed remuneration, given their roles to provide supervision and advice on the Company's management from an objective perspective.

The total amount of annual remuneration was approved to be within ¥1 billion for directors (applicable to eight members and excluding those who are Audit & Supervisory Committee members) and within ¥100 million for directors who are Audit & Supervisory Committee members (applicable to three members) at the 55th General Meeting of Shareholders held on March 27, 2015. The total annual amount of restricted share-based remuneration was approved to be within ¥250 million (applicable to three members and remaining within the aforementioned ¥1 billion limit) at the 60th General Meeting of Shareholders held on March 25, 2020.

► Composition of Remuneration



- Basic remuneration (cash): To ensure the Company's competitiveness in the marketplace, basic remuneration is determined based on benchmarks set according to the extent of the roles and responsibilities for each position and paid in the form of monthly fixed compensation.
- Performance-linked remuneration (cash): As a short-term (one-year) incentive, performance-linked remuneration is set in the range of 0% to 200% (consisting of 10 remuneration levels) of the basic remuneration amount depending on performance results for that period. It is paid out from the following April to March of the following year based on the results of the fiscal year under evaluation (preceding January to December).
- Restricted share-based remuneration: As an incentive to increase corporate value over the medium to long term, the Company allocates in April of the following year the restricted shares equivalent to 33% to 100% of the basic remuneration amount according to the performance results of the fiscal year under evaluation (preceding January to December). Restricted share-based remuneration has a transfer restriction period set at three years.

► Evaluation Criteria for and Basic Policy on Executive Remuneration and Fiscal 2022 Remuneration Targets and Results

The evaluation criteria (consisting of eight themes in four categories, including ESG assessment) used to determine performance-linked remuneration (cash) and restricted share-based remuneration of directors (excluding those who are also Audit & Supervisory Committee members) and executive officers as well as the targets and results for remuneration in fiscal 2022 are presented below.

Moreover, weightings for evaluation criteria are assigned to each position in line with the extent of responsibilities. For example, evaluation weightings for the representative director are set at 50% each for the Group's performance and key strategies.

For executive officers responsible for line function departments, the weightings are 30% each for the performance of the Group and the departments of which they are in charge and 20% each for the key strategies of the Group and the departments of which they are in charge.

In addition, ESG assessment was added as a part of the evaluation criteria from fiscal 2020. Criteria such as "inclusion in the FTSE Blossom Japan Index" or "improvement of ESG score" are used in an effort to conduct quantitative assessment to the extent possible. Owing to this effort, the Company was selected for the FTSE4Good Index Series for the third year in a row and for the Bloomberg Gender-Equality Index (GEI). It was also awarded the Special Prize in the Environmentally Sustainable Company category at the Ministry of the Environment's 2nd ESG Finance Awards Japan, the Ministry of Economy, Trade and Industry (METI) Minister's Award at the Green Logistics Partnership Conference, and four stars, the highest rating, in Nikkei's Smart Work Management Survey. From fiscal 2022, each executive officer will be assigned specific themes from the 20 themes stipulated in the medium- to long-term ESG goals, Kyo-sei Life Vision 2030, announced in October 2020, which are incorporated into their evaluation criteria.

No.	Evaluation Criteria	Accountability	Assessment Weighting	Target	Result	Assessment
1	Group performance (business plan)	1-1 Consolidated net sales	20%–50%	¥850.0 billion (up 10.4% YoY)	¥898.0 billion (up 14.7% YoY)	105.6%
		1-2 Consolidated core operating income		¥127.0 billion (up 6.7% YoY)	¥119.6 billion (down 2.4% YoY)	94.1%
		1-3 Profit attributable to owners of parent		¥79.2 billion (up 5.6% YoY)	¥67.6 billion (down 7.1% YoY)	85.4%
2	Department performance	2-1 Sales in applicable business division	0%–40%	(Each department)	(Each department)	—
		2-2 Profits in applicable business division		(Each department)	(Each department)	—
3	Group key strategy	3-1 Priority strategies for each role	20%–50%	(Each director)	(Each director)	—
		3-2 ESG assessment (specialist rating agency evaluation, etc.)		(Each director)	(Each director)	—
4	Department key strategy	4 Priority strategy in applicable business division	0%–40%	(Each department)	(Each department)	—

Overview of key assessment indicators

1. Performance-based indicators for Company efforts
2. Performance-based indicators for individual director and executive officer efforts
3. Assessment indicators for Company priority strategies (including qualitative assessments)
4. Assessment indicators for individual director and executive officer priority strategies (including qualitative assessments)

► Conditions in the Agreement on the Allotment of Restricted Share-Based Remuneration

Restricted share-based remuneration means that eligible directors and executive officers receive monetary claims as their remuneration, all of which are then contributed to the Company. Finally, the Company disposes of treasury shares in exchange for these contributions. The Company and each of the eligible directors and executive officers conclude an agreement on the allotment of restricted shares.

1	Restriction period	The eligible directors and executive officers are prohibited from assigning, pledging as collateral, or disposing ("transfer restriction") of these shares ("allotted shares") for three years from the date of the allotment ("restriction period").
2	Handling of retirement	If an eligible director or executive officer resigns or retires from the position of director, executive officer, or another position stipulated in advance by the Board of Directors before the restriction period ends, the Company shall automatically acquire the allotted shares without contribution unless there are justifiable reasons for the retirement from office such as expiration of the term of office or death.
3	Removal of transfer restriction	The Company will remove the transfer restriction for all of the allotted shares when the restriction period ends on the condition that the eligible directors and executive officers serve in the position of director, executive officer, or another position stipulated in advance by the Board of Directors throughout the restriction period. However, if an eligible director or executive officer resigns or retires from the position of director, executive officer, or another position stipulated in advance by the Board of Directors before the end of the restriction period due to justifiable reasons for the retirement from office, such as expiration of the term of office or death as outlined in "2" above, the Company will reasonably adjust as needed the number of allocated shares for removal of the transfer restriction and the timing of when to remove the transfer restriction. Also, the Company will automatically acquire without contribution the allotted shares for which the transfer restriction has yet to be removed as of the point in time immediately after the removal of the transfer restriction period following the above rules.
4	Clawback provision	The eligible directors and executive officers shall return all or part of the accumulated allotted shares without contribution in the event of material accounting fraud or substantial losses to take responsibility for such occurrences.
5	Other matters	Other matters concerning the agreement on the allotment of restricted shares shall be determined by the Board of Directors.

2 Method for Determining Individual Remuneration of Directors

In order to properly assess individual remuneration amounts based on the contribution performance of each director, the evaluation results based on each key performance indicator (KPI) are reported to and deliberated by the Remuneration Committee with a decision made by the representative director entrusted in a resolution of the Board of Directors.

3 Policy regarding Decisions on the Composition and Amount of Fixed Remuneration, Bonuses, and Restricted Share-Based Remuneration

A Remuneration Committee meeting was held on February 22, 2021, to deliberate on matters concerning the calculation method, composition, timing of payment, and details and delegation of authority for the determination of fixed remuneration, performance-linked remuneration, and share-based remuneration. After discussions on the matters that should be resolved by the Board of Directors, decisions were made according to the resolutions of the Board of Directors' meeting held on the same day.

3. Reasons for the Board of Directors' Decision to Ensure That Individual Compensation of Directors in Fiscal 2022 Is Consistent with the Policy for Decisions on Individual Remuneration of Directors

The policy and method of determining director remuneration, approved at the Board of Directors' meeting held on February 22, 2021, remain unchanged, and the policy for determining individual remuneration of directors was reapproved at the Remuneration Committee meeting held on February 22, 2023. Based on the approval being made without objection, we have determined that the method for determining remuneration and the determined amounts of remuneration are consistent with the policy for determining remuneration approved by the Board of Directors.

Support System for Outside Directors

A designated secretary supports outside directors while the Board of Directors' secretariat coordinates between outside directors and the Board of Directors and distributes meeting documents four business days before the meeting, in principle,

in an effort to ensure adequate time for reviewing proposals in advance. Support is also provided to ensure that outside directors can make appropriate decisions by providing information on the Company's important strategies, even if there is no direct correlation to the matters of the resolution.

In addition, support staff of the Audit & Supervisory Committee Secretariat Office provide assistance for the two outside directors who are Audit & Supervisory Committee members. The full-time Audit & Supervisory Committee member also supports outside directors by providing preliminary explanations of agenda items for the Board of Directors and setting up meetings with relevant departments as necessary.

Policy on Cross-Shareholdings

The Company holds the minimum number of shares in other companies necessary for the purpose of maintaining and strengthening its business relationships. In such cases, the Company shall determine whether to invest or not based on whether such investment would contribute to an increase in the corporate value of the Company, comprehensively taking into account the benefits that can be gained by maintaining and improving dividends and business relationships, as well as risks, capital costs, and other factors. Each year, the Board of Directors verifies the appropriateness of each cross-shareholding, based on whether the purpose of the cross-shareholding has become insubstantial relative to the time of its acquisition and whether the risks and benefits are commensurate with capital costs. Shares that are deemed as unreasonable to hold based on this verification are sold as appropriate, taking into consideration the overall impact on the market and other factors. With respect to the exercising of voting rights, the Company shall appropriately exercise voting rights upon a careful examination of proposals and determination of whether or not these proposals contribute to the improvement of shareholder value. The Company shall not vote for any proposals that may damage shareholder value, regardless of whether they are submitted by the companies or their shareholders.

► Total Remuneration for Each Director and Executive Officer, Total for Each Type of Remuneration, and Number of Eligible Directors and Executive Officers

Role	Total remuneration (million yen)	Totals for each type of remuneration (million yen)			Number of directors receiving remuneration
		Basic remuneration	Performance-linked remuneration	Nonmonetary remuneration Restricted share-based remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	546	190	190	166	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	8	8	—	—	1
Outside directors	21	21	—	—	2

- The amounts above include those for the remuneration of one director (who did not serve as an Audit & Supervisory Committee member) who resigned as of the end of the 62nd General Meeting of Shareholders held on March 25, 2022.
- Total amount of remuneration of directors (excluding Audit & Supervisory Committee members) includes amounts recorded as expenses of ¥166 million for restricted share-based remuneration of four directors (excluding Audit & Supervisory Committee members).
- Following the enforcement of the Companies Act, the Company's shareholders approved a resolution to abolish the retirement benefit system for directors and executive officers at the 47th Annual General Meeting of Shareholders held on June 26, 2007. Directors and executive officers now only receive annual compensation.

Analysis and Evaluation of Overall Board Effectiveness 2-18

The Company conducts a questionnaire of all directors every year and also hosts a discussion on the results of this survey with all directors in attendance. Through this discussion, the Company

seeks to improve Board effectiveness by analyzing and evaluating the results of the overall effectiveness of the Board of Directors. A summary of the analysis and evaluation results for 2022 is presented below.

1. At meetings of the Board of Directors, various opinions are expressed by the directors and agenda items are duly deliberated through active discussions. In addition, in the analysis and evaluation for 2022, specific steps have been made to improve the following points found to require further efforts. Accordingly, the Company can evaluate that the Board of Directors meeting functions effectively.
 - (1) In addition to ongoing discussions on matters concerning Groupwide strategy themes stipulated in the medium-term management plan, the agenda for the Board of Directors' meetings is set by placing emphasis on improving the effectiveness of these meetings by allocating time for reporting on ESG-related issues and the progress of actions taken against such issues.
 - (2) The Board of Directors' secretariat cooperates with the applicant to revise the content and the volume of materials for approval to ensure that they are clear and appropriate.
 - (3) In cases where a report on the progress of the Board of Directors becomes necessary after approval, measures are taken such as requesting via the Board of Directors' secretariat for a report from the Application Department.
2. In order to further improve the effectiveness of the Board of Directors, the Company will consider promotion of the following initiatives:
 - (1) Further enhance the IT- and DX-related expertise of the Board of Directors
 - (2) Further improve the quality of preparations and follow-up responses made by the Board of Directors' secretariat
 - (3) Continue to conduct the one-on-one meetings with directors and executive officers held in 2022 on a regular basis

Evaluating Audit & Supervisory Committee Effectiveness

The Company's Audit & Supervisory Committee, in principle, meets monthly. During these meetings, the Audit & Supervisory Committee conducts preliminary confirmation of agenda items for Board meetings and develops an understanding of issues by reviewing the audit plan summary and report from the accounting auditor, the audit report from the Internal Audit Department (including internal control), performance projections and reports concerning issues from the Accounting Control & Finance Division, and activity reports from each department (as needed). In addition to the above, outside Audit & Supervisory Committee members receive reports on various issues obtained from audit reports prepared by the full-time Audit & Supervisory Committee member, exchange opinions and information, attend important meetings other than Board meetings, and work in close partnership with the internal auditing sections. Through these activities, the Company seeks to improve the effectiveness of audits conducted by the Audit & Supervisory Committee.

Implementation Status of the Board of Directors and the Audit & Supervisory Committee

► Composition of the Board of Directors, the Audit & Supervisory Committee, and Other Committees and Attendance at These Meetings (2022)

		Board of Directors	Audit & Supervisory Committee	Nomination Committee	Remuneration Committee
Takahisa Takahara President & CEO		◎ 100% (10/10 times)	—	○ 100% (1/1 time)	○ 100% (2/2 times)
Eiji Ishikawa Director, Vice President		○ 100% (3/3 times)	—	—	—
Shinji Mori Director, Vice President		○ 100% (10/10 times)	—	—	—
Toshifumi Hikosaka Director, Senior Managing Executive Officer		○ 100% (7/7 times)	—	—	—
Hiroko Wada Director, Audit & Supervisory Committee Member	Outside Independent	○ 100% (10/10 times)	◎ 100% (11/11 times)	◎ 100% (1/1 time)	◎ 100% (2/2 times)
Hiroaki Sugita Director, Audit & Supervisory Committee Member	Outside Independent	○ 100% (10/10 times)	○ 90.9% (10/11 times)	○ 100% (1/1 time)	○ 100% (2/2 times)
Shigeru Asada Director, Audit & Supervisory Committee Member		○ 100% (10/10 times)	○ 100% (11/11 times)	○ 100% (1/1 time)	○ 100% (2/2 times)

◎ Denotes chair and ○ denotes members

Outside

Outside director

Independent

Independent director