

## Basic Policy on Corporate Governance

### Basic Views

With the objective of the promotion of sustainable growth and increasing corporate value over the medium to long term of the Group, the Company defines the “Basic Policy on Corporate Governance,” which defines policies and a framework to achieve effective corporate governance.

## **Chapter 1: General Provisions**

(Objective)

Article 1 Concordia Financial Group Ltd. (the “Company”) defines policies and a framework to achieve effective corporate governance with the objective of the promotion of sustainable growth and increasing corporate value over the medium to long term of the Concordia Financial Group, consisting of the Company, its consolidated subsidiaries and equity-method affiliates (the “group companies”; collectively the “Group”).

(Basic Views on Corporate Governance)

Article 2 The Company shall continuously review the ideals of corporate governance, and work toward its enrichment.

2. Based on its “management philosophy,” the Company shall secure fairness, transparency and speed for decision-making for various stakeholders, including shareholders, customers, employees and local communities, creating a corporate governance structure appropriate for a regional financial group.

## **Chapter 2: Securing Rights and Fairness for Shareholders**

(Securing Rights for Shareholders)

Article 3 To ensure that shareholders have adequate time for deliberation on proposals at the General Meeting of Shareholders and can appropriately exercise voting rights, the Company shall dispatch notices for the Ordinary General Meeting of Shareholders at least three weeks prior to the day of the meeting, while also disclosing the notice on the Company’s website prior to dispatch.

2. To ensure that all shareholders, including those who cannot attend the General Meeting of Shareholders, can appropriately exercise voting rights, the Company shall provide methods to exercise voting rights not only in writing, but also via the Internet.

(Securing Fairness for Shareholders)

Article 4 The Company shall treat all shareholders fairly in proportion to holdings and conduct timely and appropriate information disclosure to ensure that information gaps do not arise among shareholders.

(Anti-Takeover Measures)

Article 5 The Company considers the freedom of transfer of the Company shares in free and vibrant trade by many investors on the stock market to be a fundamental principle.

2. The Company shall not introduce anti-takeover measures.
3. If the Company share is subject to a tender offer, the Company shall not implement measures to unfairly hinder shareholders from selling the Company share.

(Basic Views on Capital Policy)

Article 6 In the “Basic Regulations on Capital Management,” the Company defines appropriate management of the Group’s equity levels to secure the soundness of the Group’s management and enable steady execution of management policies and management plans, while in the Medium-term Management Plan, the Company defines basic views on capital policy that strike a balance between active return to shareholders and the holding of internal reserves in preparation for growth investment and other expenditure for the future.

2. The Company shall not conduct capital policy with the intent of unfairly hindering shareholder’s interest.

(Cross-Holding of Shares)

Article 7 The Group works to reduce the cross-holding of shares based on the “Policy on Cross-Holding of Shares” defined by the Company, while the holdings are evaluated annually based on standards defined in the policy.

2. Voting rights for cross-holding of shares are managed appropriately within the Group based on the “Voting Rights Exercise Standards” defined by the Company.
3. The Company shall not conduct transactions with cross-shareholders that may harm the interests of the Company and common interests of shareholders, such as continuing transactions without sufficiently evaluating the economic rationale.

(Related Party Transactions)

Article 8 When conducting transactions with related parties such as Directors and major shareholders, in order to ensure that such transactions do not harm the interests of the Group and common interests of shareholders, the Company defines and discloses relevant procedures.

(Asset Owners)

Article 8-2 At the Group, to increase our expertise in the management of corporate pensions and exercise the functions expected of us as an asset owner, we engage in both personnel-side and operational-side initiatives such as appointing and assigning personnel with the appropriate qualities required for management in a planned manner, and disclosing the details of those initiatives.

### **Chapter 3: Creating Appropriate Relationships of Cooperation and Coordination with Stakeholders**

(Creating Appropriate Relationships of Cooperation and Coordination with Stakeholders)

Article 9 The Company shall define “management philosophy” to increase corporate value over the medium to long term through conducting management from the standpoint of various stakeholders.

2. In the “Code of Ethics,” the Company defines a code of conduct in which each of officers and employees of the Group shall be engaged.

3. The Company shall define the “Policy on Group CSR” to work toward increasing corporate value while contributing to society and helping to promote the growth of the region.
4. The Company shall work to create an environment where a diverse field of personnel, including female employees, can prosper within the Group.
5. To ensure that direct reporting is possible, if officers and employees of the Group discover or are concerned about compliance issues, the Company defines “Regulations on Reporting Management” to establish a structure for internal reporting.

#### **Chapter 4: Securing Appropriate Information Disclosure and Transparency**

##### (Basic Views on Provision of Information)

Article 10 In line with the Companies Act, Banking Act, Financial Instruments and Exchange Act, other laws and regulations, and timely disclosure regulations of financial instrument exchanges, the Company shall conduct timely and appropriate information disclosure.

2. Separately from the preceding paragraph, the Company shall conduct voluntary and active information disclosure to contribute to the understanding of customers, shareholders, investors and local communities.
3. The Company shall work to provide English versions for disclosure of key information.

##### (External Accounting Audits)

Article 11 The Company recognizes that through audits, the Accounting Auditors are responsible for securing trustworthiness of financial and other corporate documents toward shareholders and investors, and shall secure the structures to ensure that these audits function effectively as follows.

- (1) The Company shall establish an environment that enables high-quality audits via measures such as scheduling meetings with Representative Directors, Outside Directors, Audit & Supervisory Board Members and divisions required for audits, and securing adequate time for audits.
- (2) In the “Regulations on Audit & Supervisory Board,” the Audit & Supervisory Board shall define matters related to the election, dismissal, and non-reelection of the Accounting Auditors, and measures to be taken if reports are received from the Accounting Auditors on matters such as inappropriate conduct regarding the execution of duties by Directors.

## **Chapter 5: Responsibilities of the Board of Directors, etc.**

(Views on the Corporate Governance Structure)

Article 12 Based on the basic views on corporate governance defined in Article 2, the Company shall adopt the structure of a company with Audit & Supervisory Board, in which significant matters regarding management, such as basic management policies, are determined by the Board of Directors.

2. To secure fairness and transparency for compensation and personnel matters, the Company shall establish an optional Compensation & Nomination Committee, comprised only of Outside Directors.

(Roles and Responsibilities of the Board of Directors)

Article 13 Given its fiduciary responsibility and accountability to shareholders, the roles and responsibilities of the Board of Directors shall be defined as follows to ensure the efficiency and effectiveness of corporate governance.

- (1) The Board of Directors shall determine the direction of overall management. Upon defining “management philosophy,” basic management policies such as the Basic Policy on Corporate Governance, Medium-term Management Plan, capital plans and management strategy shall be formulated.
- (2) The Board of Directors shall define a “Basic Policy on Establishment of Internal Control Systems,” and while establishing systems such as a risk management system, compliance management system, and internal audit system based on the above policy, conduct supervision to ensure that these are functioning effectively.
- (3) The Board of Directors shall secure fairness and transparency in management from an objective standpoint independent of Executive Directors and executive officers (collectively the “management team”) through utilizing their supervisory functions on overall management. By defining the range of matters to be resolved in the Board of Directors via rules such as the “Regulations on Board of Directors” and explicitly defining the range of duties entrusted to Management Conference and the management team, the Board of Directors shall increase effectiveness of its supervisory functions.
- (4) With the intent of promoting the sustainable growth and increasing corporate value over the medium to long term for the Group, the Board of Directors shall establish a compensation structure that includes performance-linked stock compensation toward realization of aggressive governance.
- (5) By establishing a risk management system, the Board of Directors shall establish an environment that supports agile and appropriate risk-taking.
- (6) The Board of Directors shall utilize an optional Compensation & Nomination Committee to determine election, dismissal, evaluation and compensation for the President and other management team members.

(Roles and Responsibilities of Audit & Supervisory Board Members)

Article 14 As a single-person organ under direct entrustment from shareholders, Audit & Supervisory Board Members shall attend important meetings such as Board of Directors meetings, investigate the status of operations and assets, and review documents relating to important resolutions based on audit policies and audit plans defined by the Audit &

Supervisory Board. Additionally, Audit & Supervisory Board Members shall implement audits on the legality and validity of Directors' business execution through communication with bodies such as internal audit department and group companies, as well as through information exchange with parties such as the Accounting Auditors.

(Composition of the Board of Directors)

Article 15 To secure independence of the Board of Directors and fulfil its functions fairly and transparently, the Company shall select at least two Independent Outside Directors, while defining and disclosing views on the composition of the Board of Directors.

(Roles and Responsibilities of Directors)

Article 16 Given fiduciary responsibility of Directors to shareholders, the Company defines the roles and responsibilities of Directors as follows.

- (1) In view from the standpoint of stakeholders, Directors shall act for the Group and common interests of shareholders.
- (2) While working to collect information required to execute duties, Directors shall actively express their views and hold full discussions.
- (3) Directors shall exhibit their expected abilities, devote adequate time to the Company, and execute duties befitting of a Director.
- (4) Outside Directors shall supervise management from an objective standpoint independent of the management team and controlling shareholders, while also supervising conflicts of interest between the Company and parties such as the management team.
- (5) Outside Directors shall act to appropriately reflect the views of external stakeholders, such as minority shareholders in the Board of Directors.

(Election or Dismissal Policies and Procedures for Director and Audit & Supervisory Board Member)

Article 17 Based on the "Election or Dismissal Policies and Procedures for Director and Audit & Supervisory Board Member" and "the Criteria for Independence of Outside Officers of the Company," the Company shall decide on the submission of proposals for the election of candidates for Director and Audit & Supervisory Board Member as well as proposals for the dismissal of Directors and Audit & Supervisory Board Members to the General Meeting of Shareholders in the Board of Directors.

2. The Company shall disclose reasons for individual election or dismissal.

(Designation of President)

Article 18 To secure fairness and transparency for the election of the successor to the President, the Company shall define matters such as a nomination policy and an election process, making a decision in the Board of Directors upon consultation with the Compensation & Nomination Committee.

(Director Compensation)

Article 19 To ensure that Directors (excluding Outside Directors) share interests with shareholders and engage in aggressive management with a high motivation for promoting the sustainable growth and increasing the corporate value of the Group over the medium to long term, the Company shall define and disclose views on Director compensation.

(Support Structure for Directors and Audit & Supervisory Board Members)

Article 20 To ensure that Directors (including Outside Directors) and Audit & Supervisory Board Members can fulfill their roles and responsibilities, the Company shall have a support structure as follows.

- (1) A support structure shall be defined for Directors (including Outside Directors) and Audit & Supervisory Board Members.
- (2) Opportunities shall be provided for Directors and Audit & Supervisory Board Members to acquire knowledge and information, as well as to receive advice from external experts.

(Active Deliberation in Board of Directors Meetings)

Article 21 To nurture an environment where free, open and constructive discussions and exchanges of views take place in Board of Directors meetings, the Company shall implement the measures as follows.

- (1) To promote liveliness of deliberations in Board of Directors meetings, the Company implements measures for the documentation necessary to deliberate on agenda items to be distributed a certain number of days in advance to ensure there is sufficient time to examine the materials, and for the setting of agenda items and deliberation time based on appropriateness and importance.
- (2) To contribute to enrichment of deliberation, advance explanations regarding meeting documents shall be made to Outside Directors and Outside Audit & Supervisory Board Members, the Company provides opportunities such as on-site inspection of sales branches at group companies.
- (3) While securing cooperation between Directors, Audit & Supervisory Board Members, internal audit department and the Accounting Auditors, the Company shall provide opportunities for exchanges among Outside Directors, Outside Audit & Supervisory Board Members and the management teams of group companies.

(Evaluation of Effectiveness of the Board of Directors)

Article 22 On an annual basis, the Company instructs the Board of Directors to perform a self-evaluation on whether it is fulfilling its important function of promoting the sustainable corporate growth and increasing corporate value over the medium to long term, and discloses a summary of the evaluation.

## **Chapter 6: Dialogue with Shareholders**

(Dialogue with Shareholders)

Article 23 Based on the “Policy on Measures and Maintenance of Structures to Promote Constructive Dialogue with Shareholders,” the Company shall positively work toward constructive dialogue with shareholders.

2. To secure effectiveness of dialogue with shareholders, the Company shall work to identify the substantial shareholders who possess authority to direct the buying or selling of stock and authority to exercise voting rights.
3. The Company shall adequately explain to shareholders its management policies such as management strategy, management plans, capital plans and policies on return to shareholders.

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