

# Basic Policy on Corporate Governance

## Section 1: General Rules

Purpose:

Article 1: Concordia Financial Group Co., Ltd. (hereinafter referred to as "the Company") has established policies and frameworks for achieving effective corporate governance to promote sustainable growth and improve corporate value over the medium to long term of the Company, its consolidated subsidiaries, and equity-method affiliates (hereinafter referred to as "the Group").

Basic approach to corporate governance:

Article 2: The Company shall constantly review its philosophy of corporate governance and work to improve it.

2. Based on the Company's "Management Philosophy," the fairness, transparency, and speed of decision-making for various stakeholders such as shareholders, customers, employees, and local communities shall be ensured, and a corporate governance system shall be established appropriate to its standing as a regional financial group.

## Section 2: Ensuring Shareholder Rights and Equality

Securing the rights of shareholders:

Article 3: The Company shall send a notice of convocation of the Ordinary General Meeting of Shareholders at least three weeks before the date of the General Meeting of Shareholders, and announce it on the Company's website before sending the notice, so that shareholders can secure a sufficient period for reviewing the proposals for the General Meeting of Shareholders and exercise their voting rights appropriately.

2. The Company shall provide a method of exercising voting rights in writing and via the internet so that all shareholders, including shareholders who cannot attend the general meeting of shareholders, can exercise their voting rights appropriately.

Ensuring shareholder equality:

Article 4: The Company shall treat all shareholders equally according to their equity and disclose information in a timely and appropriate manner so that there is no information gap between shareholders.

Takeover defense measures:

Article 5: In principle, the Company's shares are freely transferable and actively traded by a large number of investors through the stock market.

2. The Company shall not introduce so-called takeover defense measures.
3. The Company shall not take any measures to unreasonably prevent shareholders from selling the Company's shares if there is a takeover bid.

Basic policy regarding capital:

Article 6: In the "Basic Regulations for Capital Management", the Company shall appropriately manage the Group's capital level to ensure the soundness of the Group's operations and enable steady implementation of management policies and plans. In the medium-term management plan, etc., the basic capital policy that balances positive shareholder returns and internal reserves for future growth investment, etc., shall be stipulated.

2. The Company shall not implement capital policies aimed at unreasonably harming the interests of shareholders.

Strategic investment stock:

Article 7: Efforts shall be made to reduce strategic investment stocks in the Group based on the "Strategic Stock Holding Policy" established by the Company, and based on the criteria stipulated in the policy, every year a judgment shall be made whether or not the holdings can be retained.

2. Regarding the exercise of voting rights for strategic investment stocks, appropriate measures shall be taken in the Group based on the "Standards for Exercising Voting Rights" established by the Company.
3. The Company shall not engage in transactions that would harm the common interests of the Company and shareholders, such as continuing transactions with strategic holding shareholders without fully verifying the economic rationality of the transactions.

Transactions between related parties:

Article 8: When conducting transactions with directors and major shareholders, etc., the Company shall establish and disclose procedures so as not to harm the interests of the Group and shareholders.

Asset owners:

Article 8-2: The Company shall make efforts in terms of personnel and management, and disclose the details of those efforts. For example, the Group shall systematically appoint and deploy human resources with appropriate operational qualifications so that the operational expertise of corporate pensions can be enhanced and the functions expected of asset owners are performed.

### Section 3: Appropriate cooperation with stakeholders and building cooperative relationships

Appropriate cooperation with stakeholders, building cooperative relationships:

Article 9: The Company shall establish a "Management Philosophy" in order to improve corporate value over the medium to long term by running the company with consideration given for the standpoint of various stakeholders.

2. The Company shall establish a code of conduct that each officer and employee of the Group should practice as part of the "Code of Ethics".
3. The Company shall contribute to the sustainable development of society by establishing a "Group Sustainability Policy", solving social issues through our core business, and engaging in community contribution activities as a member of the community.
4. The Company shall endeavor to create an environment in the Group in which a diverse range of human resources, including female employees, can play an active role.
5. The Company shall establish "management rules for reporting" and establish a system for whistleblowing so that officers and employees of the Group can directly report when they notice or have doubts about compliance problems.

### Section 4: Appropriate Information Disclosure and Ensuring Transparency

Basic approach for information provision:

Article 10: The Company shall disclose information in a timely and appropriate manner in accordance with the Companies Act, the Banking Act, the Financial Instruments and Exchange Act, other laws and regulations, and the timely disclosure rules of financial instruments exchanges.

2. In addition to the above, the Company shall voluntarily and proactively disclose information to contribute to the understanding of its customers, shareholders, investors, and local communities.
3. The Company shall endeavor to disclose important information in English.

External accounting audits:

Article 11: The Company recognizes that the Accounting Auditor is responsible for ensuring the reliability of corporate financial statements, etc., for the shareholders and investors through audits, and shall establish the following systems to ensure that audits function effectively.

- (1) The Company shall create an environment that enables high-quality audits, by setting up opportunities for accounting auditors to meet with representative directors, outside directors, corporate auditors, and departments necessary for audits, and ensuring sufficient audit time.
- (2) The Board of Corporate Auditors shall define in the "Rules of the Board of Corporate

Auditors" measures to be taken regarding the appointment, dismissal, and non-reappointment of an accounting auditor, or when an accounting auditor reports that matters have been discovered concerning improper acts in the execution of the duties of a director.

## Section 5: Responsibilities of the Board of Directors, etc.

Approach to the corporate governance system:

Article 12: The Company shall adopt the structure of a company with a board of corporate auditors for which the Board of Directors shall decide important management-related matters such as basic management policies, in accordance with the basic approach to corporate governance stipulated in Article 2.

2. The Company shall establish a discretionary remuneration / personnel committee consisting only of outside directors in order to ensure fairness and transparency regarding remuneration and personnel.

Roles and responsibilities of the Board of Directors:

Article 13: The Board of Directors of the Company shall have the following roles and responsibilities in order to realize efficient and effective corporate governance, based on the fiduciary responsibilities and accountability of the Board of Directors to shareholders.

- (1) The Board of Directors shall give direction to overall management. It shall establish a "Management Philosophy" and formulate a Basic Policy on Corporate Governance, a medium-term management plan, capital plans, management strategies, and other basic management policies.
- (2) The Board of Directors shall establish the "Basic Policy for Building an Internal Control System" and an associated risk management system, a compliance management system, an internal audit system, etc., and supervise them so that they function effectively.
- (3) The Board of Directors shall exert a supervisory function over management to ensure management fairness and transparency, from an objective standpoint independent of executive directors and executive officers (hereinafter referred to as the "management team"). The effectiveness of the supervisory function shall be enhanced by defining the scope of resolutions of the Board of Directors in accordance with the "Board of Directors Regulations" and clarifying the scope of delegation to the Management Committee and management team.
- (4) The Board of Directors shall establish a remuneration system that includes performance-linked stock remuneration for the practice of aggressive governance in order to promote the sustainable growth of the Group and improve corporate value over the medium to long term.

- (5) The Board of Directors shall establish an environment that supports agile and appropriate risk taking by establishing a risk management system.
- (6) The Board of Directors shall decide on the appointment, dismissal, evaluation, and remuneration of the President and other members of the management team utilizing discretionary remuneration or personnel committees.

#### Roles and responsibilities of auditors:

Article 14: As an independent organization directly entrusted by shareholders, auditors shall attend important meetings such as meetings of the Board of Directors, audit the status of business and assets, and view important approval documents based on the audit policy and audit plan established by the Audit & Supervisory Board. In addition, auditors shall audit the legality and appropriateness of the business execution of directors through communication with the internal audit department and group companies, information exchange with accounting auditors, etc.

#### Structure of Board of Directors:

Article 15: In order to ensure the independence of the Board of Directors and the fair and transparent exercise of its functions, the Company shall appoint two or more independent outside directors, and establish and disclose their approach to the structure of the Board of Directors.

#### Roles and responsibilities of directors:

Article 16: Based on the fiduciary responsibility of directors to shareholders, the roles and responsibilities of directors in the Company shall be as follows.

- (1) The Directors shall act for the common benefit of the Group and shareholders, while giving consideration for the standpoint of the stakeholders.
- (2) The Directors shall endeavor to collect information necessary for the execution of duties, and shall actively express their opinions and engage in discussions.
- (3) The Directors shall demonstrate their expected abilities, spend sufficient time on behalf of the Company, and execute their duties as Directors.
- (4) Outside directors shall supervise management from an objective standpoint, independent of the management team and controlling shareholders, and supervise conflicts of interest between the Company and the management team.
- (5) Outside directors shall act to appropriately reflect the opinions of outside stakeholders, including minority shareholders, in the Board of Directors.

#### Policies and procedures for selecting and dismissing directors and corporate auditors:

Article 17: The Company shall appoint candidates for directors and corporate auditors on

the Board of Directors, and decide on the submission of proposals for dismissal of directors or auditors at the general meeting of shareholders, based on the "Policy and Procedures for the Selection and Dismissal of Directors and Corporate Auditors" and the "Criteria for Determining the Independence of Outside Officers".

2. The Company shall disclose the individual reasons for appointment and dismissal.

Nomination of President:

Article 18: In order to ensure fairness and transparency regarding the selection of a successor to the President, the Company shall determine the nomination policy, selection process, etc., and shall make a decision at the Board of Directors' meeting after consulting with the Compensation and Personnel Committee.

Remuneration for directors:

Article 19: The Company shall establish and disclose their approach to remuneration for directors so directors other than outside directors can share interests with shareholders, and there is heightened motivation and more aggressive management to promote the sustainable growth of the Group and so corporate value is increased over the medium to long term.

Support system for directors and corporate auditors:

Article 20: The Company shall have the following support system so that directors and corporate auditors, including outside directors, can fulfill their roles and responsibilities.

- (1) A support system for directors and corporate auditors, including outside directors, shall be established.
- (2) Opportunities shall be provided for directors and corporate auditors to obtain knowledge, information, and the advice of outside experts.

Vitalization of deliberation at meetings of the Board of Directors:

Article 21: The Company shall work as follows to foster a spirit in which the Board of Directors respects open and constructive discussions and exchanges of opinions.

- (1) In order to vitalize deliberation at the Board of Directors, the relevant materials shall be distributed at least a certain number of days in advance in order to provide the time required to consider the items for deliberation, and appropriate prioritizations shall be made in terms of the items for deliberation and time required.
- (2) In order to contribute to the enhancement of the deliberations, the Company shall provide advance explanations of handouts to outside directors and outside corporate auditors, and provide opportunities for group companies to visit sales offices.
- (3) The Company shall ensure cooperation among directors, corporate auditors, internal

audit departments, and accounting auditors, and provide opportunities for interaction between outside directors and outside corporate auditors and the management teams of group companies.

Evaluation of effectiveness of Board of Directors meetings:

Article 22: The Company shall annually ask the Board of Directors to self-evaluate its effectiveness as to whether the important functions of the Board of Directors, such as promoting sustainable growth of the company and improving corporate value over the medium to long term, are being fulfilled, and shall make available a summary of the results.

## Section 6: Dialogue with Shareholders

Dialogue with shareholders:

Article 23: The Company shall positively engage in constructive dialogue with shareholders based on the "Policy on System Development and Efforts to Promote Constructive Dialogue with Shareholders".

2. In order to ensure the effectiveness of dialogue with shareholders, the Company will endeavor to identify substantial shareholders who have the authority to direct the decision to buy and sell shares and the authority to exercise voting rights.
3. The Company shall sufficiently explain to shareholders its management policies such as the management strategy, management plan, capital plan, and shareholder return policy.

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