

Last update: July 8, 2022

**Earth Corporation**Katsunori Kawabata; President & Representative Director,  
and Chairman of the Board of Directors at Group Companies

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<https://corp.earth.jp>

The status of corporate governance at Earth Corporation is as follows.

## I Basic approach to corporate governance, capital structure, company attributes, and other basic information

### 1. Basic approach

With the basic philosophy that “We act to live in harmony with the Earth,” and with the “customer perspective” as a starting point, Earth Corporation (“the Company”) undertakes an unwavering pursuit of solutions to customers’ inconveniences and discontent, and strives to create and energize markets by providing products and services that offer value for customers.

The Company positions the strengthening and enhancement of corporate governance as an important issue for management, and strives to earn the trust of stakeholders as a company that offers value, makes management decisions quickly, monitors and directs the execution of operations, ensures thorough compliance, and discloses information appropriately, at the appropriate times.

Earth Corporation has created Corporate Governance Guidelines (the “Guidelines”) stipulating basic approaches and basic policies related to corporate governance. These Guidelines can be viewed on the Company’s website.

Corporate Governance Guidelines

<https://corp.earth.jp/jp/company/governance/pdf/guideline.pdf>

### Reasons for not implementing principles laid out in the Corporate Governance Code Updated

#### Supplemental principle 3-1-3

Earth Corporation considers sustainability to be an important theme in the Medium-term Management Plan, and discloses various related activities in the CSR report issued by the Company. The Company’s sustainability policy is that “Based on the management philosophy that Earth Corporation will ‘Act to live in harmony with the Earth,’ we will collaborate with stakeholders to take on issues related to sustainability, and contribute to continuously increasing corporate value in building a sustainable society.” Based on this policy, the Company has identified material issues, and has set non-financial KPIs. Moving forward, we will continue to monitor non-financial KPIs, and we are currently moving forward with disclosure based on the Task Force on Climate-Related Financial Disclosures (TCFD) framework, with a plan to achieve disclosure during 2022.

(Earth Corporation’s material issues (on the Earth Corporation website))

<https://corp.earth.jp/jp/csr/outline/vision/pdf/sustainability-materiality.pdf>

#### Supplemental principle 4-1-3

Earth Corporation selected a successor to the President & Representative Director following sufficient studies based on the management environment at the time. At present, a concrete successor plan has not yet been established, but the Nomination and Compensation Committee will consider it in the future, and the training of successor candidates is ongoing through individual in-house training including decisions on important management issues.

#### Supplemental principle 4-2-1

Regarding compensation for Earth Corporation’s directors: Approaches to compensation structures, frameworks, and decision-making are disclosed in the “Decision policy on items related to compensation for individual directors.” Regarding procedures for compensation decisions, compensation is determined after consultation with the Nomination and Compensation Committee, in which independent outside directors comprise the majority, and we are confident that judgments are made objectively. Moving forward, we will consider re-examining the design of the compensation system as deemed necessary.

Principle 1-4

Disclosure is in accordance with the Guidelines, Chapter 2: Ensuring shareholders' rights and equality, (4) Policy regarding cross-shareholdings.

Principle 1-7

Disclosure is in accordance with the Guidelines, Chapter 2: Ensuring shareholders' rights and equality, (5) Transactions with related parties.

Supplemental principle 2-4-1

Earth Corporation has created the "Earth HR Philosophy" and the "Earth HR Management Policy" to clearly document HR initiatives aimed at realizing the corporate philosophy and management goals. To ensure that diverse manpower can demonstrate their full capabilities, we promote activities aimed at reflecting this philosophy and policy in various HR initiatives, and at increasing employee motivation.

(Earth HR Philosophy)

Growing together with employees

=Challenge to Grow=

WE VALUE ALL OF OUR COLLEAGUES, AND TAKE ON CHALLENGES TOGETHER

(Earth HR Management Policy)

1. Recruit people suited to Earth Policy
2. Foster independent people who can carry through on Earth Policy
3. Provide people who are willing to take on challenges with meaningful work and opportunities
4. Richly reward people who achieve results
5. Create workplaces where people can work with peace of mind
6. Achieve diverse workstyles

Following is an outline of the status of various initiatives in line with the HR Management Policy.

■ Recruit diverse individuals, and provide education and training (Policies 1, 2, and 6)

Recruiting activities in recent years include online company explanation meetings and interviews. The Company also collaborates in overseas internships as part of projects involving collaborations between industry and academia, to support the training of people who will be active in the global arena. Education/training includes three months of new employee training for new graduates who are only just entering the workforce; level-specific training for division managers, section managers, leaders, and young employees, and periodic training sessions that take advantage of both real and online venues for training targeting specific purposes, such as English conversation, skill building for sales staff, and learning to prevent workplace harassment.

- Promoting participation by female employees

Approximately 40% of Earth Corporation's employees are women, and we are working to put in place an environment where women can continue working with a high level of motivation even amid changes in life stages. In terms of numerical targets for the ratio of female managers, we have set action plan targets at 10% or more by 2023, 18% or more by 2026, and 30% or more by 2030, based on the Women's Advancement Promotion Law.

- Mid-career hires

Employees joining the Company mid-career already account for more than 35% of all management positions. We will maintain this approximate level for the time being, while at the same time appointing outstanding employees who have achieved notable results to important posts regardless of whether they were hired as new graduates or during mid-career, and encouraging these employees to take on challenges.

- Recruiting non-Japanese employees

There are currently only about 10 non-Japanese employees working with the Company, none of whom have held management positions. In the Medium-term Management Plan, however, we have set expanding the profit base in Asia as one important strategy, so moving forward, in order to promote the acceptance of diverse manpower and increase the number of non-Japanese employees, we have set aside slots for recruitment of non-Japanese employees (both new graduates and mid-career hires), and we have set targets for recruiting non-Japanese employees at the managerial level as well.

■ Personnel transfers and salary/evaluation systems (Policies 3 and 4)

In addition to regular personnel transfers, starting from 2019, we have put out in-house calls for positions in keeping with manpower demand, to promote HR management that places the appropriate parties in the most appropriate positions. In the evaluation system, we are increasing the transparency of the HR system by clarifying the roles required at each level, and by clearly defining the various systems that govern levels and goals, compensation, and evaluations, and ensuring a clear understanding among employees. In addition, we are striving to increase motivation for all employees by improving incentives to work at Earth Corporation, through initiatives that include: Employee satisfaction surveys, employee awards, awards for long years of service, improving the visibility of contributions by expanding the scope of awards presented upon retirement, and the introduction of a framework designed to create an organizational culture of praise and encouraging active communications across divisions by having employees give points to one another while sending messages of gratitude and recognition.

■ Workstyle reforms (Policy 5)

To achieve flexible workstyles, we continue to practice new workstyles that enable employees to work independently, for example through working from home, flextime systems, "no overtime" days, and encouraging employees to take appropriate vacations. We are also incorporating IT infrastructures into back-office operations, for example through the digitalization of various application documents and processing for expense calculations and invoicing (paperless operations), as well as approvals using electronic seals. We are building environments that accommodate flexible workstyles through which employees can work regardless of location, and we are striving to improve work efficiency and increase productivity in Company operations.

Based on our awareness of employee health as an important management theme, we created the "Earth Health Declaration," and in 2020, we were certified as a Health & Productivity Management Outstanding Organization 2021 ("White 500" company). We continue our efforts in this area, for example by hiring Occupational Health Physicians, enhancing the health management organizational structure, promoting employee health management, and making corrections to prevent long working hours.

■ Promoting diversity (Policy 6)

- Promoting work-life balance

To ensure that employees are able to allocate time as required to both work and personal responsibilities, including child rearing and caring for elderly family members, we have put in place flextime systems and short working hours systems that can be adjusted in increments of 10 minutes, as well as a Work From Home system that only requires employees to come to the office once each month, and we continue our efforts to enhance these systems. As a result of these various activities, such as increasing the number of male employees taking childcare leave, in 2021, we received the Ministry of Health, Labour and Welfare "Kurumin" certification for the third time. To prevent employees from leaving the Company due to long-

term care responsibilities, we have further expanded systems for supporting these employees; for example, in 2019, we expanded the leave period to 366 days and shifted the burden of social insurance premiums during leave from the employee to the Company, and in 2020, Earth Corporation joined a group insurance program that enables employees to receive income compensation while on leave.

- Employment of persons with disabilities

At the Sakoshi Plant and the Ako Plant, both located in Ako City, Hyogo Prefecture, we outsource some manufacturing operations to a local facility for persons with disabilities, to support these individuals' desire to work. We have also leased farmland in Miyazaki to provide disabled persons with a place to work, from the perspective of regional revitalization, in terms of creating employment opportunities in regions with few workplaces. Earth Corporation complies with the statutory requirement of 2.54% for the employment of disabled persons.

- LGBTQ initiatives

Earth Corporation provides e-learning for all employees to promote an understanding of LGBTQ issues, and has also put in place related in-house regulations.

Principle 2-6

Earth Corporation operates a corporate pension through the Otsuka Pharmaceutical Group Pension Fund. This fund accepts the "Principles for Responsible Institutional Investors: Japan's Stewardship Code."

The Otsuka Pharmaceutical Group Pension Fund comprises the Delegation Committee, the Board of Directors, and the Asset Management Committee, and participants from Earth Corporation have knowledge of either finances or human resources.

These parties regularly monitor the status of pension asset operations jointly with other companies participating in the Otsuka Pharmaceutical Group Pension Fund, and review the pension asset configuration as deemed necessary.

Principle 3-1

(1) The Company's goals (including the management philosophy), management strategies, and management plans

Earth Corporation's basic philosophy and management policies are disclosed in the Guidelines, Chapter 1: General provisions (1) Corporate philosophy and (2) Management policy.

Management strategies and management plans are disclosed in performance explanation materials in the Medium-term Management Plan.

Relevant materials are also posted on the Company's website.

(Medium-term Management Plan on Earth Corporation's website)

<https://corp.earth.jp/jp/ir/management-policy/management-plan/index.html>

(2) Basic approaches and basic policies related to corporate governance

These are disclosed in the Guidelines, Chapter 1: General provisions (3) Basic approach to corporate governance.

(3) Policies and procedures in the Board of Directors' decisions on compensation for top management and directors

These are disclosed in the Guidelines, Chapter 5: Responsibilities of the Board of Directors, (1) Configuration, roles, and responsibilities of the Board of Directors, 2. Roles and responsibilities and (3) Roles and responsibilities of independent outside directors.

(4) Policies and procedures in the Board of Directors' selection of top management and nomination of director and auditor candidates

These are disclosed in the Guidelines, Chapter 5: Responsibilities of the Board of Directors, (6) Director/auditor candidate nomination policies, executive officer nomination and dismissal policies and procedures.

(5) Explanations of selection of top management and nomination of director and auditor candidates by the Board of Directors

The reasons for nominating director and auditor candidates are disclosed in the Convocation Notice for the General Meeting of Shareholders.

Supplemental principle 4-1-1

Disclosed in the Guidelines, Chapter 5: Responsibilities of the Board of Directors, (1) Configuration, roles, and responsibilities of the Board of Directors 2. Roles and responsibilities.

Principle 4-9

Disclosed in the Guidelines, Chapter 5: Responsibilities of the Board of Directors, (6) Director/auditor candidate nomination policies, executive officer nomination and dismissal policies and procedures, 3. Securing the independence of outside officers. Standards for judgments on the independence of outside directors are disclosed in the Convocation Notice for the General Meeting of Shareholders.

Supplemental principle 4-10-1

Earth Corporation is a company with an Audit & Supervisory Board, and independent outside directors do not account for more than half of the Board of Directors. Although issues related to director nomination and compensation are subject to consultation by the Nomination and Compensation Committee, in which independent outside directors constitute the majority, we strive to ensure transparency and objectivity so that accountability is fulfilled in the consideration of important issues.

The configuration, authority and role of the Nomination and Compensation Committee are disclosed in the Guidelines, Chapter 5:

Responsibilities of the Board of Directors, (6) Director/auditor candidate nomination policies, executive officer nomination and dismissal policies and procedures, 5. Configuration, Authority, and Role of the Nomination and Compensation Committee.

#### Supplemental principle 4-11-1

To ensure the vitality and effectiveness of discussions and meetings of the Board of Directors, Earth Corporation has set an upper limit of 10 directors. Furthermore, to ensure independence and objectivity in discussions and meetings of the Board of Directors, we have appointed several independent outside directors, establishing a structure in which independent outside directors account for one third of all directors.

With the premise of achieving continuous growth for the Company and increasing corporate value in the medium and long term, we have identified the skills required of Earth Corporation's Board of Directors, and have created the following skill matrix to give a visual presentation of the knowledge and skills demonstrated by the various directors and auditors. Essential skills will be reviewed regularly.

Name	Management experience	Product development	Sales / marketing	Production / procurement	Global	ESG / Sustainability	HR / Manpower development	Legal affairs / Risk management	Finance / Accounting
Chairman Tatsuya Otsuka	○	○	○						
Representative Director & President Katsunori Kawabata	○	○	○			○			
Director Yoshiyuki Furuya			○						
Director Yoshinori Kawamura			○		○				
Director Hisaaki Karataki				○	○		○	○	
Director Takeshi Shakata			○		○				
Outside Director Hideyuki Tamura	○			○		○			
Outside Director H.G. Meij	○	○	○		○	○			
Outside Director Naoko Mikami	○	○			○				
Fulltime Auditor Yasuhiko Murayama							○	○	
Outside Auditor Shoji Kono									○
Outside Auditor Yukako Ikukawa									○

When nominating director candidates, candidate proposals are created by the President & Representative Director taking into account past performance, experience, and capabilities, and the Nomination and Compensation Committee, in which independent outside directors constitute the majority, is consulted, and decisions are made by the Board of Directors after a sufficient review period.

#### Supplemental principle 4-11-2

The status of concurrent duties of directors and auditors is disclosed in the Convocation Notice for the General Meeting of Shareholders and in securities reports. The status of concurrent executive officer duties among Earth Corporation's current directors and auditors is as follows.

- Outside director: Harold George Meij: Kewpie Corporation, Management Advisory Board  
Alinamin Pharmaceutical Co., Ltd., outside director  
COLOPL, Inc., outside director
  - Outside director: Naoko Mikami, Showa Sangyo Co., Ltd., outside director
  - Outside auditor: Shoji Kono, InfoNet Inc., outside auditor
  - Outside auditor: Yukako Ikukawa, TVE Co., Ltd., outside director (Audit & Supervisory Committee member)
- Earth Corporation's director and auditor duties are undertaken appropriately. Other directors and auditors have no concurrent duties as executive officers at listed companies other than Earth Group companies.

#### Supplemental principle 4-11-3

An outline of evaluation results on the effectiveness of the Board of Directors can be found on Earth Corporation's website. (Earth Corporation website, Corporate Governance, Evaluation of the Board of Director's effectiveness)

<https://corp.earth.jp/en/company/governance/pdf/jikkousei.pdf>

#### Supplemental principle 4-14-2

Disclosed in the Guidelines, Chapter 5: Responsibilities of the Board of Directors, (7) Training.

#### Principle 5-1

Disclosed in the Guidelines, Chapter 6: Dialogues with shareholders, etc.

## 2. Capital structure

Ratio held by non-Japanese shareholders	10% or more, and less than 20%
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## Status of major shareholders

Name	Shares held	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,341,500	10.62
Otsuka Pharmaceutical Co., Ltd.	2,200,000	9.98
Otsuka Pharmaceutical Factory, Inc.	1,948,500	8.84
Earth Corporation Employee Shareholding Association	1,054,400	4.78
Taiho Pharmaceutical Co., Ltd.	600,000	2.72
Custody Bank of Japan, Ltd. (Trust Account)	532,900	2.42
HSBC BANK PLC A/C M AND G(ACS)	409,200	1.86
Otsuka Chemical Co., Ltd.	400,000	1.81
The Chugoku Bank, Ltd.	340,600	1.55
SMBC Nikko Securities Inc.	254,300	1.15

Controlling shareholders  
(excluding the parent company)

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Parent company

None

Supplementary explanations

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## 3. Company attributes

Listed stock exchange and market segment	Tokyo Stock Exchange Prime Market
Fiscal year-end	December
Industry	Chemicals
Number of employees (consolidated) at end of most recent business year	1,000 or more
(Consolidated) sales in most recent business year	JPY 100 billion or more, and less than JPY 1 trillion
Number of consolidated subsidiaries at end of most recent business year	10 or more, and less than 50

## 4. Policies regarding the protection of minority shareholders in the event of transactions involving controlling shareholders

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## 5. Other special conditions with significant impact on corporate governance

Otsuka Holdings Co., Ltd., which has under its umbrella major shareholders in Earth Corporation including Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., and Taiho Pharmaceutical Co., Ltd., indirectly owns 24.4% of voting rights in Earth Corporation.

Otsuka Holdings Co., Ltd.'s corporate Group (the "Otsuka Group") undertakes business activities related to healthcare, "Nutraceuticals\*," consumer goods, and other business (e.g., warehouse/transport operations, liquid crystal and spectrometry business, and chemical products).

Earth Corporation is involved in the household products business, which includes the manufacture and sales of insecticides and daily sundries, as well as the General Sanitary Management Business, which includes the design and development of quality assurance systems and related comprehensive consulting services, and the Earth Group is the only entity undertaking these businesses within the Otsuka Group.

The Earth Group undertakes transactions with the Otsuka Group, including the mutual leasing of real estate, logistics outsourcing contracts, the purchase of raw materials, and the provision of environmental sanitation management services. To protect minority shareholders, decisions on whether these transactions can be undertaken are made fairly and appropriately, for example ensuring that the need for the transactions and the transaction conditions do not differ substantially from regular transactions with third parties.

Business operations are executed based on independent decisions made mainly by the Board of Directors, and are not affected by transaction relationships, capital relationships, or human relationships with the Otsuka Group.

\* “Nutraceuticals” is a portmanteau of “Nutrition” and “Pharmaceuticals,” and refers to business handling functional foods and nutritional supplements developed based on scientific evidence.

## II Status of corporate management organizations and other corporate governance structures related to management decision-making, execution, and direction

### 1. Organizational Composition and Operation

Organization Form	Company with corporate auditors
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#### Directors

Maximum number of directors stipulated in Articles of Incorporation	10
Term of office stipulated in Articles of Incorporation	1 year
Chairman of the Board	Company President
Number of directors	9
Appointment of outside directors	Appointed
Number of outside directors	3
Number of outside directors designated as independent directors	3

#### Relationship with the company (1)

Name	Attribute	Relationship with the Company*										
		A	b	c	d	e	f	g	h	i	j	k
Hideyuki Tamura	From another company								△			
Harold George Meij	From another company											
Naoko Mikami	From another company											

\* Categories for “relationship with the Company”

\* “○” when the director currently falls or has recently fallen under the category; “△” when the director fell under the category in the past

\* “●” when a close relative of the director currently falls or has recently fallen under the category; “▲” when the director fell under the category in the past

a Executive of a listed company or its subsidiaries

b Executive or non-Executive Director of the parent company of a listed company

c Executive of a fellow subsidiary company of a listed company

d A party whose major client or supplier is a listed company, or an executive thereof

e Major client for supplier of a listed company, or an executive thereof

f Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company aside from executive compensation

g Major shareholder of a listed company (or an executive of the said major shareholder when the shareholder is a corporate entity)

h Executive of a client or supplier company of a listed company (which does not correspond to any of d, e, or f)

i Executive of a company between which and external directors are mutually appointed (the said individual only)

j Executive of a company or organization that receives a donation from a listed company (the said individual only)

k Other

Relationship with the company (2)

Name	Independent officer	Supplementary explanation of the applicable item	Reasons for appointment
Hideyuki Tamura	○	An independent officer of Earth Corporation Mr. Tamura has held important positions, including President & Representative Director at Hokkaican Co., Ltd.	Mr. Hideyuki Tamura will appropriately execute his role in deciding important management items and directing the execution of operations from a fair and independent perspective as an outside director. He has extensive experience and a broad range of knowledge in the manufacturing field as a manager, and is expected to contribute to strengthening supervisory functions in the execution of operations and to provide advice and opinions from abroad management perspective. Mr. Tamura has held the position of President & Representative Director at Hokkaican Co., Ltd. Transactions between Earth Corporation and Hokkaican Co., Ltd. account for less than 2% of annual consolidated sales, which is the level that the Company judges as "lacking independence." Furthermore, Mr. Tamura has no special interest in Earth Corporation, and is deemed to be subject to no conflicts of interests with regular shareholders, and so has been designated as an independent officer.
Harold George Meij	○	An independent officer of Earth Corporation	Mr. Meij has extensive experience and diverse managerial knowledge as a manager of an international company, and is expected to work to strengthen the governance structure by providing various opinions and advice to management in achieving medium and long-term corporate growth at Earth Corporation. Furthermore, Mr. Meij has no special interest in Earth Corporation, and is deemed to be at no risk of conflicts of interests with regular shareholders; as this independence is deemed to be guaranteed, he has been designated as an independent officer.
Naoko Mikami	○	An independent officer of Earth Corporation	By leveraging her extensive experience and knowledge in a broad range of fields, including production, quality assurance, and management in Japan over many years, she is expected to provide advice and opinions on strengthening management supervisory functions and appropriate decision-making by the Board of Directors. Furthermore, Ms. Mikami has no special interest in Earth Corporation, and is deemed to be at no risk of conflicts of interests with regular shareholders; as this independence is deemed to be guaranteed, she has been designated as an independent officer.

Voluntary establishment of committee(s) corresponding to nominating committee or compensation committee	None
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### Auditors

Establishment of an Audit & Supervisory Board	Established
Maximum number of auditors stipulated in Articles of Incorporation	5
Number of auditors	3

Status of collaborations with auditors, accounting auditors, and the internal auditing division

The Audit & Supervisory Board comprises three members (two of which are outside auditors). Based on auditing policies and annual auditing plans, it conducts operational audits through visits to Earth Corporation's main workplaces and internal/external subsidiaries, and also monitors organizational operation structures by attending regular meetings of the Board of Directors and other important meetings. It exchanges opinions on important issues arising during audits with directors, including the President & Representative Director. Shoji Kono, an outside auditor, is qualified as a certified public accountant, and Yukako Ikukawa, an outside auditor, is qualified as a tax accountant, and so both have a substantial degree of knowledge regarding finances and accounting.



Internal audits are conducted by the Auditing Division, with the staff comprising six persons, including the division manager. The Auditing Division conducts operational audits for the Earth Group based on annual audit plans, and has established a structure to conduct internal audits from the perspective of enhancing appropriate operations and internal management and strengthening risk management. The results of internal audits are reported to the President & Representative Director and at management meetings.

The Audit & Supervisory Board and the Auditing Division collaborate with one another, and regular meetings are held with accounting auditors to increase the effectiveness of audits through close collaborations, including active exchanges of information.

Appointment of outside auditors	Appointed
Number of outside auditors	2
Number of outside auditors designated as independent directors	2

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shoji Kono	Certified public accountant								△					
Yukako Ikukawa	Tax accountant													

\* Categories for "relationship with the Company"

\* "○" when the director currently falls or has recently fallen under the category; "△" when the director fell under the category in the past

\* "●" when a close relative of the director currently falls or has recently fallen under the category; "▲" when the director fell under the category in the past

- a Executive of a listed company or its subsidiaries
- b Non-Executive Director or accounting advisor for a listed company or its subsidiaries
- c Executive or non-Executive Director of the parent company of a listed company
- d Auditor of the parent company of a listed company
- e Executive of a fellow subsidiary company of a listed company
- f A party whose major client or supplier is a listed company, or an executive thereof
- g Major client for supplier of a listed company, or an executive thereof
- h Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company aside from executive compensation
- i Major shareholder of a listed company (or an executive of the said major shareholder when the shareholder is a corporate entity)
- j Executive of a client or supplier company of a listed company (which does not correspond to any of f, g, or h)
- k Executive of a company between which and external directors are mutually appointed (the said individual only)
- l Executive of a company or organization that receives a donation from a listed company (the said individual only)
- m Other



## Relationship with the Company (2)

Name	Independent officer	Supplementary explanation of the applicable item	Reasons for appointment
Shoji Kono	○	An independent officer of Earth Corporation Mr. Kono was involved in the execution of operations at Ernst & Young ShinNihon LLC, but has not been involved in the execution of these operation since leaving that firm in 2016.	Mr. Shoji Kono demonstrates outstanding character as well as extensive specialized knowledge and experience in finance and accounting as a certified public accountant. He makes substantial contributions to strengthening auditing functions at Earth Corporation. Moving forward, we believe that he will be able to make suggestions and comments to further strengthen the Company's auditing structure, and to execute his duties from a fair and objective perspective.  The value of transactions between Earth Corporation and Ernst & Young ShinNihon LLC account for less than 2% of annual consolidated sales, which is the level that the Company judges as "lacking independence." Furthermore, Mr. Kono has no special interest in Earth Corporation, and is deemed to be subject to no conflicts of interests with regular shareholders, and so has been designated as an independent officer.
Yukako Ikukawa	○	An independent officer of Earth Corporation	Ms. Yukako Ikukawa has a detailed knowledge of corporate taxation based on specialized knowledge as a tax accountant, and we have made the judgment that she will be able to provide suggestions and advice and to supervise directors from a fair and neutral perspective.

## Independent officers

Number of independent officers

5

## Other items related to independent officers

Earth Corporation designates all persons who fulfill the requirements of an independent officer as an independent officer.

## Incentives

Status of measures related to incentives provided to directors

Introduction of performance-linked compensation system, etc.

## Supplementary explanation of the items in question

Earth Corporation's director compensation structure comprises basic compensation in keeping with the position and its responsibilities, a performance-linked bonus as a short-term incentive tied into performance, and a restricted stock compensation plan as a long-term incentive tied into shareholder benefits.

Persons receiving stock options

## Supplementary explanation of the items in question

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## Director compensation

Status of disclosure (of individual directors' compensation)

Individual disclosure for specified parties only

### Supplementary explanation of the items in question

Individual disclosure of Earth Corporation's director compensation is limited to persons for whom compensation exceeds JPY 100 million. As of FY12/21, there were two directors whose compensation exceeded JPY 100 million; Chairman Tatsuya Otsuka and President & Representative Director Katsunori Kawabata.

Policy on determining compensation amounts and calculation methods  
**Updated**

Established

### Disclosure of policy on determining compensation amounts and calculation methods

The total amount of director compensation at Earth Corporation was approved within a scope of JPY 1 billion per year of compensation for directors at the 97th regular General Meeting of Shareholders held on March 26, 2021 (nine directors at the end of the General Meeting of Shareholders in question), and within the scope of JPY 40 million in compensation for auditors at the 81st regular General Meeting of Shareholders held on March 30, 2005 (four auditors at the end of the General Meeting of Shareholders in question). Furthermore, at the 94th regular General Meetings of Shareholders held on March 23, 2018, approval was received for a share-based compensation system with a 3-5 year restriction on transfer within the scope of JPY 150 million per year of total monetary compensation credit as investment assets for directors excluding outside directors (nine directors at the end of the General Meeting of Shareholders in question). After that, at the 98th regular General Meetings of Shareholders held on March 25, 2022, approval was received for a change in the period of restrictions on transfer from the record date to the date of loss of position as director at Earth Corporation or its subsidiary, or other position as stipulated at a meeting of Earth Corporation's Board of Directors.

The Board of Directors has the authority to determine compensation amounts and calculation methods for Earth Corporation's officers.

Policies for deciding the details of individual compensation for directors were stipulated as follows at the meeting of the Board of Directors held on February 14, 2022.

1. Policy for determining officers' compensation

Individual compensation for Earth Corporation's directors is set at an appropriate level based on the responsibilities of each position. To continually increase corporate value and maintain compensation levels appropriate to securing outstanding members, the compensation structure incorporates a performance-linked bonus as a short-term incentive tied into performance and a restricted stock compensation plan as a medium- to long-term incentive tied into shareholder benefits.

2. Policies regarding decisions on the amount of compensation, etc. by individual for basic compensation (including policies regarding decisions on the timing or conditions of granting compensation, etc.)

Basic compensation for Earth Corporation's directors is decided as an annual amount and is paid on a monthly basis, in keeping with the individual's position and responsibilities. The amounts in question are considered comprehensively, taking into account the Company's performance and employee salary levels. Compensation for outside directors is limited to basic compensation alone.

3. Policies regarding the determination of the amount of performance-based compensation by individual (including policies regarding decisions on the timing or conditions of granting compensation and the ratio of such compensation to the amount of compensation by individual).

In order to raise awareness of the need to improve business performance in each fiscal year, performance-linked compensation (performance-linked bonus) are paid to directors, excluding outside directors. The amount (not to exceed a total of 300 million yen) is calculated after the performance index for each business year is determined according to the degree of achievement of the numerical target for consolidated operating income for that year, and is paid on a monetary basis at a certain time each year. Performance-linked bonuses are not paid, however, in the event that consolidated operating income and net income attributable to owners of the parent are at 50% or less of a target value. The amount of performance-linked bonuses paid to each director is set within the scope of approximately 0-30% of basic compensation, taking into consideration the degree of achievement for both Company performance and the directors' individual performance targets.

Target values for each performance index shall be set at the time of formulating the management plan for each business year, and shall be reviewed in consultation with the outside directors in response to significant changes in the environment, such as business transfers or acquisition of subsidiaries through share buy-backs.

4. Policies regarding the determination of the amount of compensation, etc. for each individual with respect to non-monetary compensation (including policies regarding the decisions on the timing or conditions of granting compensation and the ratio of such compensation to the amount of compensation, by individual).

In order to raise awareness of the need to enhance corporate value over the medium to long term, treasury stock compensation is offered to directors other than outside directors in the form of stocks with restrictions on transfer, with an upper limit of 20,000 shares per business year (equivalent to JPY 150 million/year). As a rule, in order to promote continued sharing of value as shareholders, it is recommended that during their tenure, the directors in question continue ownership of the Company's shares equivalent to the standard amount in keeping with their position, based on current market value. The general target for the "standard amount" in question is twice the basic compensation for representative directors and basic compensation for other directors receiving this compensation. The ratio of the company's treasury stock compensation to the amount of compensation shall be determined so that the President and Representative Director shall receive the largest amount, up to a maximum of approximately 35% of base compensation depending on position, and the Board of Directors shall resolve the number of shares to be allocated with transfer restrictions for each director.

A contract on the allocation of shares with restrictions on transfer, including the following items, shall be completed between the Company and directors receiving allocation of common shares.

i. The period of restrictions on transfer shall be from the record date to the date of loss of position as director at Earth Corporation or its subsidiary, or other position as stipulated at a meeting of Earth Corporation's Board of Directors (hereinafter "Director, etc."), and as a rule, the Lumada and transfer shall be removed when the period of the restriction on transfer is complete.

ii. In the event that a director receiving treasury stock compensation loses a position as a director at Earth Corporation or its subsidiary before the completion of the regular General Meeting of Shareholders for the business year during which the shares were all located, the Company shall naturally acquire the shares with restrictions on transfer in question, obviously at no charge, assuming that there are no reasons deemed fair by the Board of Directors.

#### 5. Delegation of decisions on individual compensation for directors

Decisions on specific details of individual compensation for directors shall be delegated to the representative director based on a resolution by the Board of Directors, and the specific items delegated shall be the evaluation and distribution of bonuses based on the amounts of basic compensation for each director and the performance of the respective duties of each director. To demonstrate that the authority in question is being executed appropriately, the President & Representative Director shall report to the Board of Directors on the results of joint deliberations with outside directors.

As indicated in the policies of, the index for performance-linked compensation shall be the degree of achievement of numerical targets for consolidated operating income. This is because Earth Corporation places a high emphasis on "earning power" in the context of continuous growth, and because consolidated operating income is considered the most important management index.

In the process for deciding the amounts of Earth Corporation's officers' compensation in FY2021, compensation proposals were brought to independent outside directors for consultation and individual compensation amounts were decided following the resolution at the meeting of the Board of Directors held on March 26, 2021. Bonuses were brought to independent outside directors for consultations and were reported at a meeting of the Board of Directors held on January 26, 2022; payments totaling JPY 100 million were made following comprehensive consideration of the status of achievement of plans and the amounts of net income attributable to owners of the parent for the business year in question.

The amount of auditors' compensations were decided following deliberations by auditors in keeping with the details of those auditors' duties and responsibilities.

The system of officers' retirement benefits was eliminated with the completion of the 85<sup>th</sup> regular General Meeting of Shareholders held on March 25, 2009.

### Support system for outside directors (and outside auditors)

When deemed necessary, the Audit & Supervisory Board or an auditor may request that directors assist in auditing operations for a limited period of time. The employee responsible for this support shall follow the directions and orders of the auditor.

## 2. Items related to functions of business execution, auditing, oversight, nomination, and compensation decisions (overview of current corporate governance system)

The Board of Directors comprises nine members, including three independent outside directors. As a rule, in addition to regular meetings of the Board of Directors held once each month, provisional meetings of the Board of Directors are held as deemed necessary, to decide items stipulated by law and important management items, and to appropriately supervise the execution of operations. The three independent outside directors have extensive experience and a broad range of knowledge based on managerial experience with the Company, and contribute to increasing corporate value in the medium to long-term by providing appropriate advice and opinions regarding management strategies and other matters at meetings of the Board of Directors and other important meetings, and also by monitoring potential conflicts of interest based on objective judgments.

Chairman: President & Representative Director Katsunori Kawabata

Members: Chairman Tatsuya Otsuka, Director Yoshiyuki Furuya, Director Yoshinori Kawamura, Director Hisaaki Karataki, Director Takeshi Shakata, Outside Director Hideyuki Tamura, Outside Director Harold George Meij, Outside Director Naoko Mikami

Earth Corporation has adopted an executive officer structure to clarify management roles and responsibilities and increase the speed with which plans are executed. At "strategy deliberation meetings" led by President & Representative Director Katsunori Kawabata and comprising executive officers designated by the President, members conduct prior discussions about items to be raised at meetings of the Board of Directors, and deliberate on particularly important management items among those to be approved by the President.

The Audit & Supervisory Board comprises three members, two of which are outside auditors, and meetings of the Board are held once each month. In keeping with auditing policies and annual audit plans stipulated at meetings of the Audit & Supervisory Board, auditors undertake operational audits emphasizing shareholder benefits and from a perspective of legal compliance, and monitor organizational operation structures by attending meetings of the Board of Directors and other important meetings.

Chairman: Fulltime Auditor Yasuhiko Murayama

Members: Outside Auditor Shoji Kono, Outside Auditor Yukako Iukawa

Earth Corporation's accounting auditor is Ernst & Young ShinNihon LLC. There are no special interests between Earth Corporation and its corporate auditor, or the employees executing operations at the corporate auditor handling Earth Corporation's accounting audits. Ernst & Young ShinNihon LLC has already independently taken steps to ensure that employees executing these operations are not involved in Earth's accounting audits for more than a specified period of time. The names of the two certified public accountants securing operations during the current fiscal year (Designated Limited Liability Partners, Engagement Partners) are Takahiro Morita and Atsushi Yuasa; assistance involved in accounting audit operations comprise 10 certified public accountants and 28 other members. Ernst & Young ShinNihon LLC witnesses interregnum and year-end inventories, and accounting auditor's exchange information and opinion at meetings held to report on and explain interim audits and audits of financial statements, to increase the effectiveness of auditing.

Policies and procedures related to the nomination of director candidates in auditor candidates and decisions and directors' compensation are disclosed in the Guidelines, Chapter 5: Responsibilities of the Board of Directors (1) Configuration, roles, and responsibilities of the Board of Directors; (2) Roles and responsibilities of directors; (3) Roles and responsibilities of independent outside directors; and (6) Director/auditor candidate nomination policies, executive officer nomination and dismissal policies and procedures.

## 3. Reasons for selecting the current corporate governance system Updated

In addition to making rapid and appropriate management decisions at management meetings of the Board of Directors and the Strategic Council, which is organized by the President and Representative Director and consists of executive officers appointed by the President and Representative Director, the Company strives to strengthen the supervision and direction structure, for example by having outside directors and auditors offer appropriate advice and opinions from a third-party perspective at meetings of the Board of Directors and other important meetings.

Earth Corporation has appointed three independent outside directors, to form a structure in which these outside directors account for one third or more of all directors. These directors have extensive experience and a broad range of knowledge from their respective independent perspectives, and contribute to increasing corporate value in the medium to long term by providing appropriate advice (e.g., with regard to management strategies), directing management through important decision-making processes at meetings of the Board of Directors, and monitoring potential conflicts of

interest based on objective judgments.

The current structure was adopted to fully guarantee the effectiveness of corporate governance, taking into account a variety of factors, including detailed conditions in relation to accounting in the execution of operations, through close collaborations among the Audit & Supervisory Board, the Auditing Division (an internal auditing division), and accounting auditors.

### III Implementation of measures involving shareholders and other stakeholders

#### 1. Measures to energize General Meetings of Shareholders and promote smooth exercise of voting rights

	Supplementary explanations
Scheduling of General Meeting of Shareholders to avoid overlap with other companies	The regular General Meeting of Shareholders for FY12/21 was held on March 25, 2022, to avoid overlap on the day that many other Japanese companies hold these meetings (on March 30, 2022).
Exercise of voting rights by electromagnetic means	A designated website has been established by Earth Corporation to enable the exercise of voting rights via the Internet.
Measures to improve the voting environment for institutional investors, including participation in electronic voting platforms	Earth Corporation has been participating in electronic voting platforms since the 98 <sup>th</sup> regular General Meeting of Shareholders.
Providing the Convocation Notice (summary) in English	To increase convenience for overseas institutional investors, summaries of the Convocation Notice for the General Meeting of Shareholders and proposals are translated into English for disclosure.

#### 2. IR activities

	Supplementary explanations	Explanation by representative
Creation and publication of disclosure policy	The Basic IR Policy, which clearly documents policies related to Earth Corporation's IR structures and activities, is disclosed on the Company's website.	
Regular briefings for analysts and institutional investors	Briefings for analysts and institutional investors are held twice each year. The financial results briefing for FY12/21 was held on February 16, 2022 (Wednesday), and was accessed by 43 lines. At these briefings, the President & Representative Director provides explanations on items including the Company's performance and future outlook. Individual meetings with investors and analysts are also held appropriately, in an effort to build relationships with these parties.	Provided
Posting of IR materials on the website	IR materials posted on the website include brief reports on financial results, securities reports, performance reports, financial results briefing materials, and press releases.	
Establishment of IR division (staff)	Earth Corporation's IR operations are handled within the Group Business Management Department of the Group Management Headquarters. IR operations are administered by the Senior Executive Officer and General Manager of the Group Management Headquarters.	

### 3. Measures to ensure due respect for stakeholders

	Supplementary explanations
Stipulation of internal rules for respecting the position of stakeholders	Earth Corporation established “Earth Corporation Conduct Guidelines” as a standard of conduct to promote fair activities in accordance with corporate ethics. These Guidelines stipulate the ideal approach to be taken with regard to various stakeholders, including shareholders and investors, customers, society, transaction partner and competitor companies, and employees.
Environmental protection, CSR, and related activities	<p>Earth’s basic sustainability policy is that “Based on the management philosophy that Earth Corporation will ‘Act to live in harmony with the Earth,’ we will collaborate with stakeholders to take on issues related to sustainability, and contribute to continuously increasing corporate value and to building a sustainable society.” Based on this policy, we have identified the following five material issues, and will work toward responding to them appropriately.</p> <ul style="list-style-type: none"> <li>- Provide products and services that contribute to safe and comfortable living</li> <li>- Respond to climate change</li> <li>- Pay attention to global environmental problems</li> <li>- Promote sustainable procurement</li> <li>- Create workplaces that support activities by diverse individuals</li> </ul> <p>In keeping with the “Basic Environmental Policy,” Earth undertakes companywide environmental protection activities, including compliance with various environmental laws, reducing waste, and promoting recycling. The entire company has been certified and registered with the Ministry of the Environment’s EcoAction 21 environmental management system. The Company has issued CRS reports since 2017, publishing its activities targeting sustainability issues.</p>
Policies related to the provision of information to stakeholders	Earth Corporation’s “Timely Disclosure Manual” defines the basic policy on timely disclosure as an effort to promote understanding of the Company’s management policies by always actively disclosing information from the perspective of shareholders and investors, based on the belief that timely and appropriate disclosure of information to shareholders and investors is an important duty of the Company.
Other	As a contact point for consultations from consumers, Earth has established a contact division for making use of items noticed by customers, to respond sincerely to inquiries, complaints, and requests from customers.

## IV Items related to internal control systems

### 1. Basic approaches to internal control systems and the status of system implementation Updated

Earth Corporation decided on a “Basic Policy on Internal Control Systems” at meetings of the Board of Directors, and has put in place systems as required to ensure that the execution of directors’ duties are in compliance with laws and the Articles of Incorporation, and to ensure the appropriateness of other operations at Earth Corporation.

The text of the “Basic Policy on Internal Control Systems” is as follows:

1. Systems to ensure that the Company’s directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation

(1) Earth Corporation created and complies with “Earth Corporation Conduct Guidelines,” and strives to be a “viable company” by providing products from a customer perspective and fulfilling its social responsibilities as a company.

(2) Earth Corporation has established a contact point for internal reporting, which is operated by a Compliance Committee that includes directors and auditors.

(3) The Audit Division, which is governed directly by representative directors, reports on the results of operational audits to representative directors and management meetings.

(4) Earth Corporation has absolutely no relationships with antisocial forces or related organizations, and when inappropriate requests are received, the Company responds with a resolute attitude in collaboration with the police, lawyers, and other outside agencies.

2. System for storage and management of information related to the execution of duties of the Company’s directors

In accordance with Document Management Regulations, Earth Corporation records, on paper or in electronic media, important meeting minutes, circulars, contracts, and copies of important documents submitted to government agencies, and the divisions with jurisdiction take responsibility for the storage and management of those documents.

3. Regulations and other systems related to the management of risks of losses at Earth Corporation

(1) At Earth Corporation, the Crisis Management Committee leads studies on the status of risk management and response methods, in accordance with basic regulations on crisis management.

(2) To ensure continuity in business even in the event of natural disasters or cases of inappropriate execution of operations, the Company’s Crisis Management Committee has created a Business Continuity Plan (BCP), and has constructed a Business Continuity Management (BCM) system. The status of the Crisis Management Committee’s activities is reported appropriately to the Board of Directors.

(3) Earth Corporation has created “Information Security Management Regulations” and a manual for the management of information assets. The ISMS Committee leads activities aimed at preventing information leaks and system failures, and responding when such incidents occur.

4. Systems to ensure the efficient execution of the duties of the Company’s directors

(1) As a rule, Earth Corporation holds meetings of the Board of Directors once each month, to deliberate and decide on important management items, in accordance with the “Board of Directors Regulations.” Furthermore, a Strategy Council attended by executive officers, the president, and executive officers appointed by the president is held once a month in principle to discuss important matters such as the strategies of each division and business unit, in addition to preliminary discussions on matters to be brought up at the Board of Directors meetings. In addition, the Nomination and Compensation Committee shall be established as an advisory body to the Board of Directors to ensure the transparency and objectivity of procedures related to the nomination and compensation of directors.

(2) Earth Corporation creates comprehensive budgets for each business year and Medium-term Management Plans in accordance with the



budget management regulations, and following approval by the Board of Directors, shares these budgets and plans with directors and employees.

(3) The Company has introduced an executive officer system, and separates management decision-making and supervisory functions from operational execution functions, to enable rapid management decision-making, strengthen supervision by the Board of Directors, and enable the efficient execution of operations.

(4) The Company holds business monitoring meetings attended by the President, executive officers, and persons nominated by the President. Business monitoring meetings reports on the progress of business budgets and shares the status of business execution in each area of responsibility.

(5) The Company has set the term of directors at one year, and clarifies the management responsibilities of directors during each business year, establishing management systems to enable rapid response to changes in the management environment. Mobility of the Board of Directors is ensured by setting the number of directors between three and 10.

5. System to ensure appropriate operations by a corporate group comprising Earth Corporation and its subsidiaries

(1) Subsidiaries create regulations related to compliance and risk management, and provide education and training to ensure that behavior is in compliance with laws and regulations, while at the same time putting in place measures to prevent management risks in advance, and to respond when such risks materialize.

(2) Each subsidiary establishes its own contact point for internal reporting, and operates an internal reporting system.

(3) In accordance with the Group Company Management Regulations, subsidiaries submit information on their own management performance, financial status, and other important information to the Group Management Headquarters, which is under the direct jurisdiction of Earth Corporation's representative director.

(4) Subsidiaries submit budget-related documents to Earth Corporation's Group Management Headquarters, and receive approval from Earth's Board of Directors on budget decisions.

(5) Subsidiaries submit monthly performance and related information to Earth Corporation's Group Management Headquarters.

(6) The Company analyzes differences between the subsidiaries' budgets and performance, and submits monthly reports to Earth's Board of Directors.

(7) The Audit Division conducts internal audits of subsidiaries as deemed necessary, and subsidiaries cooperate in these audits.

(8) To systematically manage risks affecting the Earth Group, the Company has established a Crisis Management Committee, which deliberates on issues and responses related to the promotion of risk management for the Group as a whole.

(9) To respond appropriately to internal control reporting systems related to financial reporting in the Earth Group, the Company has established an Internal Control Promotion Committee, and strives to ensure fairness in financial reporting for the Group as a whole.

(10) The Company's auditors may request opinions or information from the Earth Group's directors, auditors, or key employees.

6. In cases where the Company's auditors request the appointment of an employee to assist in auditing operations: Items related to the employees in question, the independence of those employees from the Company's directors, and ensuring the effectiveness of auditors' instructions to those employees

(1) When deemed necessary, the Audit & Supervisory Board or an auditor may request that directors select an employee to assist in auditing operations for a limited period of time.

(2) The employee responsible for the support described in (1) above shall follow all directions and orders of the auditor during this period.

(3) When an employee is selected for the support described in (1) above, personnel transfers, discipline, and HR evaluations for the employee in question during the required period shall be reported in advance to the Audit & Supervisory Board, and independence shall be secured by obtaining the opinions of the Board.

7. Items related to the prepayment of costs arising from the execution of the Company's auditors' operations, costs arising from reimbursement procedures or the execution of other duties, and policies involving the processing of debt

(1) Based on budget requests from the Company's auditors or the Audit & Supervisory Board in relation to the execution of operations, a budget for the invoice amount in question shall be created, and payment shall be made accordingly.

(2) The Administration Headquarters, General Affairs Department, shall assist in pre-payment of expenses related to the execution of duties from auditors, and in reimbursement procedures or other required operations.

8. Systems for reporting to Earth Corporation's auditors by the Company's directors or employees or subsidiaries' directors, etc., other systems related to reporting to auditors, and systems for confirming that reporting parties are not subject to disadvantageous treatment as a result of submitting such a report

(1) When deemed necessary, auditors shall attend strategy execution meetings, business execution meetings, branch manager meetings, and other important meetings, to monitor the status of execution for operations by directors and employees.

(2) In the event that a director or employee at Earth Corporation discovers a fact that could potentially result in substantial damage to the Company, that fact shall be reported to an auditor immediately.

(3) As members of the Compliance Committee, the Company's auditors shall monitor the Company's internal reporting system to ensure that the system is functioning.

(4) Earth Corporation prohibits the disadvantageous treatment of a director or employee of Earth Corporation or its subsidiary as a result of that party submitting a report to the Company's auditors, and all directors and employees of Earth Corporation and its subsidiaries shall be made fully aware of this prohibition.

9. Systems to ensure that other audits by the Company's auditors are undertaken effectively

(1) The Company's auditors may request an audit of the Audit Division as deemed necessary.

(2) The Company's auditors shall attend meetings of the Board of Directors, important meetings, and committee meetings to monitor important decision-making processes and the status of execution of operations, and shall express opinions as deemed necessary.

(3) The Company's Audit & Supervisory Board may appoint a lawyer, certified public accountant, consultant, or other outside advisor as deemed necessary.

## 2. Basic approaches to eliminating antisocial forces, and status of related measures

The "Basic Policy on Internal Control Systems" and "Earth Corporation Conduct Guidelines" clearly stipulate that as a member of society, Earth Corporation shall have absolutely no relationships with antisocial forces or related organizations that could threaten the safety or order of civil society, and all Earth Group Members are made fully aware of this stance. The Administration Headquarters, General Affairs Department, is designated as the division responsible for supervising responses, and persons responsible for preventing inappropriate requests shall be assigned to the Head Office and branches; in addition, the Company shall make efforts to prevent involvement by antisocial forces in management activities and to prevent damages from such forces, for example by meeting regularly with local police to gather relevant information.

**1. Adoption of anti-takeover measures**

Adoption of anti-takeover measures	None
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Supplementary explanation of the items in question

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**2. Other items related to corporate governance systems**

As an issue for the future, the Company shall further strengthen compliance systems and corporate governance systems at consolidated subsidiaries, and shall enhance the direction of nomination and compensation decision processes.

**Outline of timely disclosure system**

As the person responsible for handling information, the Senior Executive Officer and General Manager of the Group Management Headquarters shall receive reports on all information subject to timely disclosure, and shall bear responsibility for managing the effectiveness of timely disclosure systems, for example by making judgments on the need for timely disclosure and giving instructions on appropriate disclosure procedures.

The Group Business Management Department of the Group Management Headquarters shall be the division responsible for timely disclosure. At present, this division comprises five persons, including the division manager.

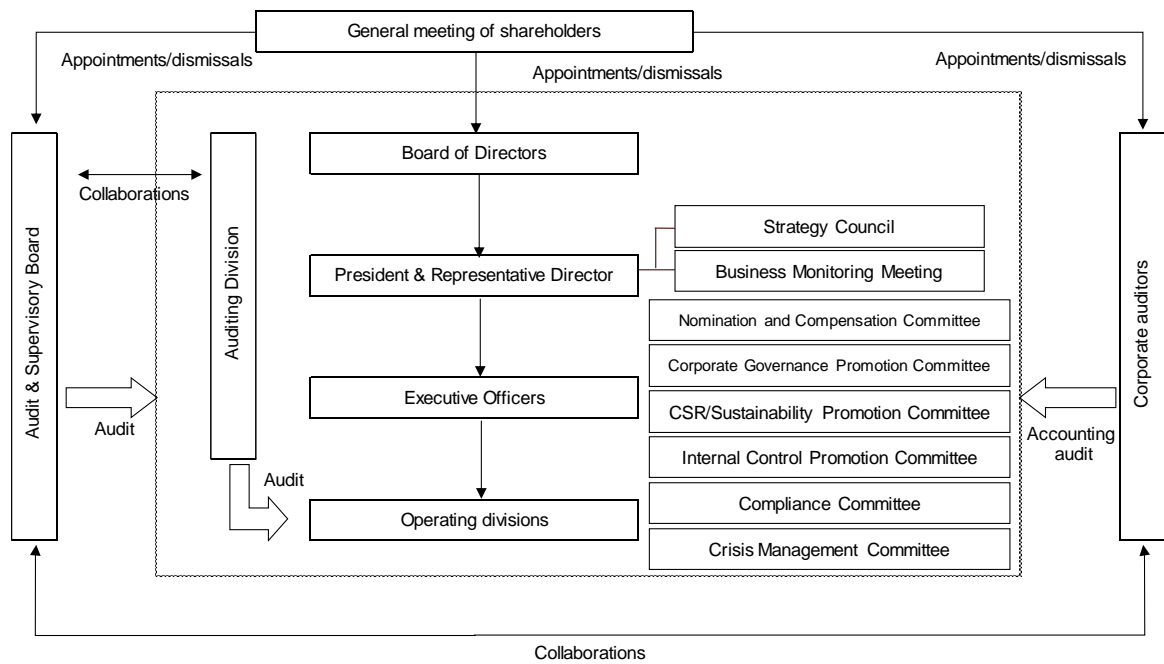
In the flow of the administration for timely disclosure, all information, regardless of its type (e.g., regarding decisions, occurrences, financial results, information related to adjustments to performance forecasts and dividend forecasts, and other information), shall be aggregated by the person responsible for handling information, where judgments will be made regarding the need for timely disclosure. Regarding information for which timely disclosure of is deemed necessary, the Board of Directors shall approve disclosure for facts regarding decisions and information on financial results, and the President & Representative Director shall approve disclosure of information related to occurrences and information on adjustments to performance forecasts and dividend forecasts and other related information. After these approvals, the party responsible for handling information shall receive a report, and the division in charge of timely disclosure shall immediately disclose the information through TDnet, in accordance with the Timely Disclosure Regulations. (Refer to the diagram below.) This system is clearly documented in the Company's IR Operation Regulations.

Procedures closely related to the above system have been put in place to prevent insider trading before it occurs. The Company has established insider information management regulations, and has appointed a person responsible for information management and a person in charge of information management as the parties who manage important information. Given the nature of the information in question, the person responsible for information management is closely involved with timely disclosure information, so this person shall be the Senior Executive Officer and General Manager of the Group Management Headquarters, and the persons in charge of information management shall be the general managers of each relevant division. Based on this system, important information shall be quickly centralized with the person responsible for information handling (the person responsible for information management), and we believe that this system ensures the effectiveness of the timely disclosure system and the information management system.



## System diagrams

### 1. Corporate Governance System Updated



### 2. Flow of timely disclosure administration

