

## Practical Matters to Note on Securing Independent Directors/Auditors

### I. Practical Matters to Note on Securing ID/As

#### 1. Purpose of the ID/A System – What is an ID/A?

Listed companies are required to secure at least one independent director or company auditor\* (hereinafter referred to as "ID/A") to protect the interests of general shareholders. This requirement is stated in the "Matters to be Observed" section of the Code of Corporate Conduct, set out in the Securities Listing Regulations (Chapter 4, Section 4), which contains matters subject to measures to ensure compliance. An ID/A is an outside director or outside company auditor who is unlikely to have conflicts of interest with general shareholders.

\* The term "*kansayaku*" in Japanese can be translated into English as "Audit and Supervisory Board Member", "company auditor," "statutory auditor" or simply "auditor." In this document, to prevent any potential confusion with other phrases, the term "company auditor" will be used when referring to "*kansayaku*." Additionally, the term "independent director/auditor" or "ID/A" will be used for the Japanese term "*dokuritsu-yakuin*," which encompasses both independent directors and independent company auditors.

The ID/A rules mandate listed companies to appoint one or more directors or company auditors who are independent of management. This requirement aims to safeguard the rights and interests of general shareholders.

- The "Matters to be Observed" section of the Code of Corporate Conduct stipulates that listed companies must secure at least one outside director (Securities Listing Regulations, Rule 437-2). Moreover, Japan's Corporate Governance Code (Principle 4.8) stipulates that companies listed on the Prime Market should appoint at least one-third of their directors as independent directors, while companies listed on other market segments should appoint at least two independent directors. However, it should be noted that this stipulation does not constitute a mandate for these ratios or numbers, as under the "comply-or-explain" approach, listed companies have the flexibility to choose not to comply with each Principle as long as they provide explanations for their non-compliance. For instance, if a company listed on the Prime Market does not appoint at least one-third of independent directors, or a company listed in another market segment does not appoint at least two independent directors, they are required to provide reasons for this.
- The legal status and scope of responsibility of ID/As do not differ from those of outside directors and outside corporate auditors as defined by the Companies Act. Their scopes of authority, responsibilities, appointment methods, and terms of office are still limited to within the confines of those specified by the Act.

#### 2. Code of Corporate Conduct for Securing ID/As

For the protection of general shareholders, listed companies are obliged to secure at least one ID/A (meaning an outside director<sup>1</sup> or outside company auditor<sup>2</sup> who is unlikely to have conflicts of interest with general shareholders; hereinafter the same).

<sup>1</sup> A person who is an "outside director" as prescribed in Article 2, Item 15 of the Companies Act and satisfies the requirements for "outside officer" as prescribed in Article 2, Paragraph 3, Item 5 of the Regulations for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006).

<sup>2</sup> A person who is an "outside company auditor" as prescribed in Article 2, Item 16 of the Companies Act and satisfies the requirements for "outside officer" as prescribed in Article 2, Paragraph 3, Item 5 of the Regulations for Enforcement of the Companies Act.

Rule 436-2 of the Securities Listing Regulations

Listed companies must make efforts to secure at least one ID/A as a member of its board of directors.

Rule 445-4 of the Securities Listing Regulations

Listed companies are obliged to submit the "ID/A Notification Form" prescribed by TSE to TSE, providing information and details about the ID/A(s) designated by the company.

If any modifications are made to the information provided in the "ID/A Notification Form," the company is obliged to submit an updated "ID/A Notification Form" to TSE reflecting the changes. This submission should be made at least two weeks prior to the effective date of the change, as a general rule.

Rule 436-2 of the Enforcement Rules for Securities Listing Regulations

Listed companies are obliged to secure at least one ID/A who is unlikely to have conflicts of interest with general shareholders. Moreover, listed companies must make efforts to secure at least one ID/A as a member of its board of directors.

Furthermore, for TSE to confirm compliance with the Code of Corporate Conduct regarding securing an ID/A, companies are required to submit an "ID/A Notification Form." The submitted Form will be made accessible for public inspection. For details regarding the notification process, please refer to "II. Matters to be Noted upon the Submission of the ID/A Notification Form."

Additionally, the status of whether or not ID/As are secured should be disclosed in the Corporate Governance Report. For detailed guidelines on this reporting, please refer to the "Corporate Governance Reporting Guidelines."

- If there are multiple outside officers who meet the requirements of an ID/A

The Code of Corporate Conduct requires listed companies to secure one or more ID/As. Even if there are multiple outside officers who meet the requirements of an ID/A, it is not necessary to report all of them as ID/As.

If there are multiple outside officers who meet the requirements of an ID/A and not all of them have been reported as ID/As, the ID/A Notification Form must still include attribute information (affiliations) for all the outside officers. For further details, please refer to "5. Disclosure Regarding Outside Officers."

- Procedures for designating an ID/A

The methods by which an ID/A can be designated are not limited to a resolution of the board of directors but can be determined at the discretion of the listed company. When designating an ID/A, the company should obtain written consent from the candidate regarding their appointment as an ID/A, or use other means to confirm their agreement, and ensure that the candidate confirms the content of the "ID/A Notification Form."

If one or more ID/As are not secured and/or the ID/A Notification Form is not appropriately submitted, it may be considered a violation of the Code of Corporate Conduct. In such cases TSE may implement prescribed measures to ensure compliance, including public announcement, the imposition of penalties for violating the listing agreement, requesting improvement reports or improvement status reports, and designation as Securities on Special Alert. The decision whether or not to apply these measures will be made on a case-by-case basis, considering factors such as the circumstances surrounding the absence of the ID/A, plans for the future, and other relevant factors. For instance, if an ID/A has become absent due to sudden illness or other unavoidable circumstances, this temporary lack of an ID/A would not typically warrant immediate measures such as a public announcement.

### 3. Judgment Regarding Independence

#### (1) Outline

While the assessment of whether a person is considered "unlikely to have conflicts of interest with general shareholders" is effectively conducted by the listed company, it is important to note that if the person to be reported as an ID/A can be significantly controlled by or can exert significant control over the management, there is considered to be a chance of a conflict of interest arising with general shareholders, and therefore it is highly likely that they would not meet this definition.

- In Section III 5. (3)-2 of the "Guidelines Concerning Listed Company Compliance, etc.," as described in (2) below, TSE stipulates several types of cases in which there is a likelihood of conflicts of interest with general shareholders (these are referred to as the "Independence Tests"). However, even if a candidate passes the Independence Tests, if a realistic assessment by the listed company concludes that said candidate does not meet the definition of "unlikely to have conflicts of interest with general shareholders," the requirements for an ID/A would not be considered fulfilled.

#### (2) Independence Tests

TSE specifies the Independence Tests in its "Guidelines Concerning Listed Company Compliance, etc." and uses them to identify situations where conflicts of interest with general shareholders may arise. If a candidate fails any of these Independence Tests, the company is not allowed to submit that candidate as an ID/A.

If a person who has already been designated as an ID/A subsequently fails any of the Independence Tests, the company is required to promptly resubmit the ID/A Notification Form, removing the individual's designation as an ID/A.

- Listed companies are allowed to assess independence in line with the Independence Tests on a non-consolidated basis. However, it should be noted that even if the candidate passes all the Independence Tests, the requirements for an ID/A are only fulfilled if the candidate meets the definition of "unlikely to have conflicts of interest with general shareholders." For instance, in cases where the listed company operates as a holding company and the outside director or outside company auditor it wants to designate as an ID/A holds an executive position in a "major client" of a significant subsidiary, while said individual may not fail any of the Independence Tests, it is still necessary to conduct a separate evaluation to determine whether they can be classified as "unlikely to have conflicts of interest with general shareholders."
- According to Japan's Corporate Governance Code (Principle 4.9), *"Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges."* Listed companies that comply with this principle should develop their own (or their corporate group's) criteria for assessing independence based on the Independence Tests and disclose these criteria in the ID/A Notification Forms and Corporate Governance Reports.

Details of the Independence Tests, which are prescribed in III 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, etc., are as follows.

- A. A person for which the listed company is a major client or an executive of an entity for which the listed company is a major client
- B. A person who is a major client of the listed company or an executive of an entity which is a major client of the listed company

- The listed company is responsible for assessing who is classified as a “major client” in accordance with the definition of “important counterparties of the stock company (including organizations other than corporations)” as outlined in Article 2, Paragraph 3, Item 19 (b) of the Regulations for Enforcement of the Companies Act.

A 'major client' refers to a counterparty with whom the listed company has a business relationship that holds a similar degree of influence on business decisions as its parent company, subsidiaries, or affiliates. Specifically, this could be a counterparty whose transactions account for a significant portion of the listed company's sales, a counterparty providing goods or services that are indispensable to the listed company's business activities, or a financial institution from or with which the listed company has a significant amount of borrowings or other transactions.

Given the above, the listed company should assess whether a person or entity is classified as a "major client" based on current circumstances such as the ratio of transactions with that person or entity to total sales and the ratio of borrowings from that person or entity to total assets. At this point, listed companies are encouraged to disclose their own (or their group's) criteria for assessing independence, which have been established based on the unique circumstances of each company, via the ID/A Notification Form or other relevant materials.

- When assessing classification as an “entity for which the listed company is a major client,” it is expected that the company will confirm this, within reason, such as by directly inquiring with the entity for which the candidate for ID/A concurrently serves as an executive. A typical example of an “entity for which the listed company is a major client” would be a subcontractor where the sales generated from transactions with the listed company constitute a significant portion of the subcontractor’s overall sales.
- Please note that there should be no discrepancies with the reference materials for annual general meetings. For example, it is important to avoid situations where a candidate for ID/A is labeled as a "major client" in the reference materials, but not classified as a "major client" in the ID/A Notification Form.
- The term "executive" refers to an "executive" as defined in Article 2, Paragraph 3, Item 6 of the Regulations for Enforcement of the Companies Act, which includes not only executive directors but also employees. Company auditors are not included.

Since there is no general legal or regulatory definition of the terms for persons holding advisory positions, “*komon*” and “*sōdanyaku*,” companies must assess whether individuals holding such positions can be classified as an “executive director or employee” based on their actual role and status within the organization. (Since this involves interpretation of the Regulations for Enforcement of the Companies Act, it is advisable to consult legal experts in order to make an appropriate determination.) It should also be noted that depending on their previous roles, *komon* and *sōdanyaku* may potentially be classified as a “former executive,” requiring disclosure of their attribute information (affiliations).

- C. A consultant, accounting professional, or legal professional who receives a large amount of money or other assets from the company, in addition to their remuneration as a director or company auditor

(if the entity receiving said assets is a corporation, partnership, or other organization, a person who belongs to said entity).

- The listed company will assess whether an amount falls under the category of "a large amount of money or other assets" in accordance with the phrase "a large amount of money or other assets (excluding remuneration as their director, accounting advisor, company auditor, executive officer, or other corporation similar thereto)" as outlined in Article 74, Paragraph 4, Item 7(d) or Article 76, Paragraph 4, Item 6(d) of the Regulations for Enforcement of the Companies Act.
- Advisory lawyers are one type that could be likely to fall under this category, but note that advisory lawyers cannot always be considered to receive a "large amount of money or other assets from the company."
- When assessing whether audit fees for accounting auditors under the Financial Instruments and Exchange Act (FIEA) fall under the category of "a large amount of money or other assets," it is advisable to refer to their status in light of the "Guidelines Concerning Independence" issued by the Japanese Institute of Certified Public Accountants, which states that a high degree of dependence on fees from the client may pose a threat to the auditor's independence (from Paragraph 220).

D. A person who recently fell under A, B or C.

- The term "who recently fell under A, B, or C" refers to situations where a person does not currently fall under category A, B, or C, but can be considered to do so in substance. For example, if the candidate for ID/A fell under A, B, or C at the time the nominations for outside directors or outside company auditors for submission to the annual general meeting were determined, they would be included in this definition. On the other hand, if the candidate has not fallen under category A, B, or C for the past year, they would not typically be considered as falling under this category.

E. A person who fell under any of the following categories (a) through (c) at any time within the ten years prior to their ID/A designation.

- (a) An executive, or a non-executive director, of the listed company's parent company
- (b) A company auditor of the listed company's parent company (limited to outside company auditors to be designated as an ID/A)
- (c) An executive of a sister company of the listed company

- The term "parent company" refers to a parent company as defined in Article 8, Paragraph 3 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements.
- The term "sister company" refers to any company that shares the same parent company as the listed company.

F. A close relative of the persons (excluding unimportant persons) listed in any of the following categories (a) through (h)

- (a) A person falling under any of the above A through E
- (b) An accounting advisor of the listed company (including employees designated to perform the accounting advisor's duties if the accounting advisor is a corporation. The same applies hereinafter); limited to outside company auditors to be designated as an ID/A
- (c) An executive of a subsidiary of the listed company
- (d) A director or accounting advisor of a subsidiary of the listed company who is not an executive of the subsidiary (limited to outside company auditors to be designated as an ID/A)
- (e) An executive, or a non-executive director, of the listed company's parent company
- (f) A company auditor of the listed company's parent company (limited to outside company auditors

to be designated as an ID/A)

(g) An executive of a sister company of the listed company

(h) A person who recently fell under (b) through (d) above or was recently an executive of the listed company (including non-executive directors if the designated ID/A is an outside company auditor)

- Listed companies should assess whether a person falls under the category of "unimportant person" in accordance with Article 74, Paragraph 4, Item 7(e) of the Regulations for Enforcement of the Companies Act. Specifically, for executives as in A and B, individuals with the rank of *yakuin* or *buchō* (roughly equivalent to officers and general managers, respectively) within each company or counterparty, and for those falling under C, certified public accountants affiliated with each audit company and attorneys (including associates) affiliated with each law firm are considered as "important persons" for the purpose of this assessment.
- The term "close relative" refers to a relative within the second degree of kinship. If a family relationship has been terminated due to divorce, separation, or similar, said person is not considered as a close relative for these criteria.

#### 4. Provision of Attribute Information (Affiliations)

If a candidate for ID/A falls under any of the following categories a. through l., the listed company is required to disclose each said fact and provide details.

- a. A person who has previously been an executive of the listed company or a subsidiary of the listed company
- b. A person who has previously been a non-executive director or an accounting advisor of the listed company or a subsidiary of the listed company (limited to outside company auditors to be designated as an ID/A)
- c. A person who has previously been an executive or non-executive director of the listed company's parent company
- d. A person who has previously been a company auditor of the listed company's parent company (limited to outside company auditors to be designated as an ID/A)
- e. A person who has previously been an executive of a sister company of the listed company
- f. A person who has previously been an executive of an entity for which the listed company is a major client
- g. A person who has previously been an executive of a major client of the listed company
- h. A person who has previously been affiliated with a consulting firm, accounting firm, or legal firm which receives a large amount of money or other assets from the company, in addition to their remuneration as a director or company auditor
- i. A major shareholder of the listed company (if the major shareholder is a corporation, a current/former executive of said corporation)
- j. A client of the listed company or a current/former executive of that client (excluding cases falling under f., g. or h.)
- k. A current/former executive of a company that holds cross-outside directorships/auditorships with the listed company
- l. An entity receiving donations from the listed company or current/former executive of that entity

Note: The same criteria apply to close relatives of persons (excluding unimportant persons) listed in categories a through l.

Rule 415, Paragraph 1, Item 6 of the Enforcement Rules for Securities Listing Regulations

This section simply requires the facts of the ID/A's affiliations. Unlike the "Independence Tests," even if an outside officer falls under one of items a. through l., that alone does not immediately negate their independence.

This "attribute information" is required not only in the ID/A Notification Form but also in the Corporate Governance Report. For details, please refer to "Corporate Governance Reporting Guidelines."

##### **(1) Attribute information: categories a. through l.**

(i) Assessment of applicability to categories a. through l.

- For the interpretation of words such as "parent company," "sister company," "executive," "major client," "entity for which the listed company is a major client," "a large amount of money or other assets," "unimportant," and "close relative," please refer to "3. (2) Independence Tests."
- Please note that "previously" is not limited to the past ten years.

- Companies are expected to make efforts, within reason, to confirm past affiliations, providing as much information as can be ascertained from an investigation carried out for the purpose of filling in the ID/A Notification Form.

For instance, there is no need to confirm information on previous major shareholders or previous major clients; companies are expected to disclose if the candidate for ID/A has previously been associated with a company that currently holds major shareholder status or is currently a major client, for example.

- Regarding categories a. and b., a person who had served as an executive of the listed company or a subsidiary within the past ten years cannot be appointed as an ID/A because they do not meet the externality requirements for outside directors or outside auditors under the Companies Act. Therefore, this attribute information is assumed to be necessary only in cases where the affiliation existed prior to the past ten years.

In addition, a person (or a close relative of a person) who has served as an executive within the past ten years (for c. through e.) and a person (or a close relative of a person) who was recently an executive (for f. through h.) cannot be designated as an ID/A because they would fail the Independence Tests (for a. and b., the externality requirements).

(ii) Notes on the provision of attribute information for categories a. through i.

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| <ul style="list-style-type: none"><li>a. A person who has previously been an executive of the listed company or a subsidiary of the listed company</li><li>b. A person who has previously been a non-executive director or an accounting advisor of the listed company or a subsidiary of the listed company (limited to outside company auditors to be designated as an ID/A)</li><li>c. A person who has previously been an executive or non-executive director of the listed company's parent company</li><li>d. A person who has previously been a company auditor of the listed company's parent company (limited to outside company auditors to be designated as an ID/A)</li><li>e. A person who has previously been an executive of a sister company of the listed company</li></ul> |
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Details to be provided:

- The description should be enough to allow shareholders and investors to accurately understand the candidate's past business execution role. For example, details could include the timing and length of the candidate's tenure, their specific position and business responsibilities, and, if any relationship has been maintained after resignation, a summary of that ongoing relationship (e.g. that they are employed in a non-executive advisory position such as *komon*).

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| <ul style="list-style-type: none"><li>f. A person who has previously been an executive of an entity for which the listed company is a major client</li><li>g. A person who has previously been an executive of a major client of the listed company</li><li>h. A person who has previously been affiliated with a consulting firm, accounting firm, or legal firm which receives a large amount of money or other assets from the company, in addition to their remuneration as a director or company auditor</li></ul> |
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Details to be provided:

- The description should be enough to allow shareholders and investors to accurately understand the candidate's past business execution (or associate) role. For example, details could include the counterparty company's (or organization's) name, the nature and scale of the business relationship (or receipt of money, etc.), an evaluation of the impact of the business relationship (or receipt of



money, etc.) on the listed company or its counterparty, as well as the timing and length of the candidate's tenure, their specific position and business responsibilities, and, if any relationship has been maintained after resignation, a summary of that ongoing relationship (e.g., that they are employed in a non-executive advisory position such as *komon*). Please note that disclosing specific amounts of money is not necessary as long as the information provided enables readers to accurately assess the independence of the individual in question.

i. A major shareholder of the listed company (if the major shareholder is a corporation, a current/former executive of said corporation)

Details to be provided:

- The description should be enough to allow shareholders and investors to accurately understand the relationship of the candidate to the company as a major shareholder. For example, details could include the percentage of voting rights held, whether there are any other facts that affect the management of the listed company (such as deployment of officers), and, if the candidate is an executive of the major shareholder, a summary of their relationship to the company (such as their position within the major shareholder and their business role).

## **(2) Attribute information: categories j. through l.**

(i) Assessment of applicability to categories j. through l.

- Companies are expected to make efforts, within reason, to obtain the information related to "clients," "cross-outside directorships/auditorships," and "donations," providing as much information as can be ascertained from an investigation carried out for the purpose of filling in the ID/A Notification Form. For example, when confirming whether the candidate falls under "current/former executive" or not, it is usually sufficient to confirm past affiliations to the extent that they would be stated in the candidate's biography in the "Directors (And Other Officers)" section of an Annual Securities Report.
- Companies are required to provide information on relationships between the listed company, its ID/As, and said ID/As' previous companies or organizations, as of the present time. The term "present time" in this case refers to the period starting from the beginning of the current fiscal year until the submission of the ID/A Notification Form for the current fiscal year. However, while it is acceptable to provide information on only relationships during that period, this does not preclude the inclusion of previous periods as well.
- Companies are required to provide information on relationships on a non-consolidated basis, and it is acceptable to confirm relationships only on this basis. When assessing clients, counterparties which hold cross-outside directorships/auditorships, and entities receiving donations, it is acceptable to confirm on a non-consolidated basis. However, this does not preclude additional assessments on a consolidated basis.
- The term "current/former executive" refers to situations where the candidate is an executive at the present time or has been within the past ten years (counting back from the candidate's appointment as an outside officer at the annual general meeting). It is acceptable to confirm only the companies to which the candidate for ID/A has been affiliated during the most recent ten years. However, this does not preclude the possibility of including the candidate's career history prior to the most recent ten years.

(ii) A general note on providing attribute information for categories j. through l.

- If the listed company determines that the independence of the candidate is not at risk and therefore deems it unnecessary to provide attribute information, it is acceptable to state the reason for not providing the attribute information instead.

Note: It is at the discretion of the listed company to decide whether to include attribute information or to

state the reasons for not providing it. The reasons could include, but are not limited to: (1) the individual is a client only in an ordinary general consumer sense; (2) the cross-outside directorships/auditorships are an unintended consequence of a merger or other restructuring; and (3) the donation received was small. In such cases, it is still necessary to check the box for existence of a relationship that falls under attribute information.

- If the listed company has established criteria (e.g., a transaction volume below JPY XXX) to define "minor" transactions or donations that will not impact shareholders' voting decisions, and a summary of these criteria is included in the attribute information, information relating to transactions or donations that meet the criteria may be omitted from disclosure.

Such criteria for "minor" transactions or donations should enable a company to judge at what point there is no impact on independence, rather than whether the impact is small (i.e., the degree of impact). Therefore, please note that they will differ from, for example, the criteria for level of transactions used to determine a "major client."

(iii) Notes on the provision of attribute information for categories j. through l.

j. A client of the listed company or a current/former executive of that client (excluding cases falling under f., g. or h.)

- Information must be provided for all clients except for those falling under f., g., or h.
- Please note that part-time *komon* and advisory board members who receive remuneration from the company, along with auditing firms which receive audit fees from the company, are also considered "clients."

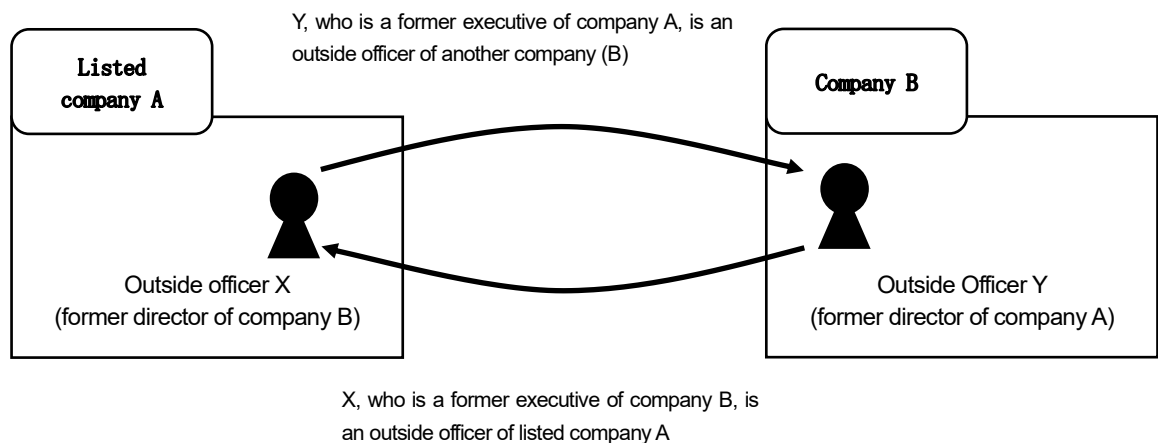
Details to be provided:

- It is not necessary to provide an exhaustive list of all transactions between the client and the listed company.
- The description should be enough to allow shareholders and investors to accurately understand the business relationship. For instance, it may include details such as the type, value, and timing of the transactions involved. Please note that disclosing specific amounts of money is not necessary as long as the information provided enables readers to accurately assess the independence of the individual in question.

k. A current/former executive of a company that holds cross-outside directorships/auditorships with the listed company

- "Cross-outside directorships/auditorships" refers to situations in which a current/former executive of a listed company serves as an outside officer in another corporation, while a current/former executive from the other corporation serves as an outside officer in the listed company. Please refer to the chart below for a visual representation of this concept.

(Example falling under cross-outside directorships/auditorship)



Details to be provided:

- The description should be enough to allow shareholders and investors to accurately understand the cross-outside directorships/auditorships. For instance, it may include details such as the name of the company with which cross-outside directorships/auditorships are held, the sequence of events and background behind the appointments, the nature of the relationship between the companies, and, if their predecessors in those roles also originate from the same company, a statement to that effect.

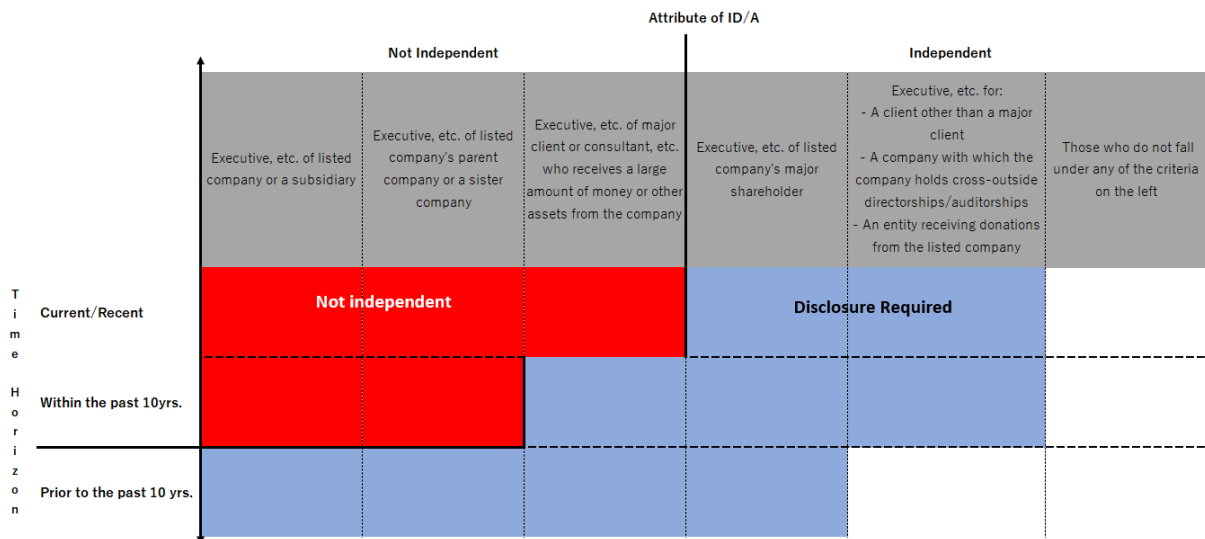
I. An entity receiving donations from the listed company or current/former executive of that entity

- Information must be provided for all recipients irrespective of the donation amount.

Details to be provided:

- It is not necessary to provide an exhaustive list of all donations made by the listed company.
- The description should be enough to allow shareholders and investors to accurately understand information regarding the donation. For instance, it may include details such as the amount, purpose, and timing of the donation. Please note that disclosing specific amounts of money is not necessary as long as the information provided enables readers to accurately assess the independence of the individual in question.

(Reference) Diagram of Independence Under Independence Tests and Attribute Information Disclosure Requirements (Revised February 2020)



## 5. Disclosure Regarding Outside Officers

Listed companies are required to disclose the applicability of the Independence Tests to and attribute information about outside officers who are not designated as ID/As in the same manner as those designated as ID/As.

All outside officers, whether designated as ID/As or not, must have their information included. The names of all outside officers should be clearly indicated, and those designated as ID/As marked as such. Specifically, companies are required to fill in the check boxes for applicability of the Independence Tests and attribute information, then provide explanations of said applicability.

For detailed instructions on how to fill in the ID/A Notification Form, please refer to "II. Matters to be Noted upon the Submission of the ID/A Notification Form."

If it is explicitly stated that all outside officers of the listed company who meet the qualifications for ID/A have been designated as ID/As, then the information regarding the applicability of the Independence Tests and attribute information for outside officers not designated as ID/As may be omitted.

In the ID/A Notification Form, there is a check box available that states, "All persons who satisfy the qualifications for ID/A are designated as ID/As." If this check box is selected, it indicates that the listed company has determined that the outside officers not designated as ID/As do not meet the qualifications for ID/A. Therefore, there is no need to provide information in the "Attributes" column for such outside officers.

If, for example, the listed company has five outside officers, of which three qualify as ID/As, and the company designates only the three qualifying officers as ID/As, indicating this using the check box, then it is not necessary to provide information regarding the applicability of the Independence Tests or attributes for the other two outside officers.

## 6. Updating the ID/A Notification Form

The process for updating the ID/A Notification Form is as follows.

Submission prior to annual general meeting:

If there are scheduled changes in the composition of the ID/As or changes to the provided attribute information<sup>1</sup> scheduled to be made at the annual general meeting, companies are required to submit the ID/A Notification Form at least two weeks prior to said meeting. In practical terms, the form could be attached when submitting an electronic file of materials for an annual general meeting to TSE via TDnet, as stipulated in Article 420, Paragraph 1 of the Enforcement Rules for Securities Listing Regulations, or when submitting an electronic file of the convocation notice to TSE via TDnet prior to sending that notice to shareholders, as stipulated in Supplementary Principle 1.2.2 of Japan's Corporate Governance Code.

Submission during fiscal year:

If any changes occur to the contents of the ID/A Notification Form during the fiscal year<sup>2,3</sup>, as a general rule, companies are required to submit an updated ID/A Notification Form at least two weeks prior to the date of the change.

<sup>1</sup> Even in the case of reappointments, it is necessary to confirm whether the information on business relationships and the like needs to be updated prior to the annual general meeting. If there are any changes, an updated ID/A Notification Form should be submitted.

<sup>2</sup> In the following cases, it is necessary to resubmit an updated ID/A Notification Form during the fiscal year (although listed companies may voluntarily review the contents even if neither of these situations apply). In such cases, only information for individuals falling under these categories is required to be updated, and information for others may be left unchanged.

- When designating a new ID/A
- When removing an ID/A designation, including not just cases where an outside officer resigns, but also cases where only the ID/A designation is removed and there is no change in the position as outside officer

<sup>3</sup> In the following cases, it is not necessary to submit an updated ID/A Notification Form immediately. However, it is expected that the changes will be reflected when submitting the form in connection with the proposal for appointment, including reappointment, of outside officer(s) to be submitted at the subsequent annual general meeting.

- When there is a change to the existence of attribute information, such as when the original form indicated the absence of a business relationship but a business relationship arises during the fiscal year, or when the ID/A assumes an executive role in a company that maintains a business relationship with the listed company.
- When there are changes to the details of the attributes, such as a change in the transaction amount initially stated in the ID/A Notification Form during the fiscal year.
- When an outside officer who has not been designated as an ID/A becomes eligible based on the Independence Tests.

## II. Matters to be Noted upon the Submission of the ID/A Notification Form

### 1. Notes on the ID/A Notification Form

The format of the ID/A Notification Form is as follows.

## Independent Directors/Auditors (ID/A) Notification Form

#### 1. Basic information

Company Name		Code	
Submission Date		(Scheduled) Revision Date	
Reason for Submitting ID/A Notification			
<input type="checkbox"/> All persons who satisfy the qualifications of ID/A are designated as ID/As (※ 1)			

#### 2. Information on Independence of ID/As and Outside Officers

#	Name	Outside Director/ Company Auditor	ID/A	Attributes (※ 2・3)													Details of Change	Consent of the Officer
				a	b	c	d	e	f	g	h	i	j	k	l	N/A		
1																		
2																		
3																		
4																		
5																		

#### 3. Explanation of the Attributes of the ID/As and the Reasons for their Appointment

番号	Explanation of the Attributes (※ 4)	Reasons for Appointment (※ 5)
1		
2		
3		
4		
5		

#### 4. Supplementary Explanation

<sup>1</sup> Check this box if all of the outside officers who meet the qualifications for ID/A have been reported as ID/As.

<sup>2</sup> Checklist of officer attributes:

- a. An executive of the listed company or a subsidiary
- b. A non-executive director or accounting advisor of the listed company or a subsidiary (limited to outside company auditors)
- c. An executive or a non-executive director of the listed company's parent company
- d. A company auditor of the listed company's parent company (limited to outside company auditors)
- e. An executive of a sister company of the listed company
- f. An entity or an executive of an entity for which the listed company is a major client
- g. A major client or an executive of a major client of the listed company
- h. A consulting firm, accounting firm, or legal firm which receives a large amount of money or other assets from the company, in addition to remuneration as an officer
- i. A major shareholder of the listed company (if the major shareholder is a corporation, an executive of said corporation)
- j. An executive of a client of the listed company (excluding cases falling under f., g. or h.) (applies to outside officer themselves only)
- k. An executive of a company that holds cross-outside directorships/auditorships with the listed company (applies to outside officer themselves only)
- l. An executive of an entity receiving donations from the listed company (applies to outside officer themselves only)

Please note that the above items a. through l. are simplified versions of the items specified in TSE's regulations.

<sup>3</sup> Please use "○" when the outside officer presently falls or has recently fallen under the category; and "△" when they fell under the category in the past.

Please use "●" when a close relative of the outside officer presently falls or has recently fallen under the category; and "▲" when a close relative of them fell under the category in the past.

<sup>4</sup> If any of the items a. through l. apply, please state to that effect and give details.

<sup>5</sup> Please state the reasons for the appointment of the ID/A.

The guidance for each item is as follows.

### 1. Basic Information

Item	Guidance
(1) Company Name	<ul style="list-style-type: none"> <li>Please fill in the name of the company.</li> </ul>
(2) Code	<ul style="list-style-type: none"> <li>Please enter the 4-digit company code in single-byte numerals.</li> </ul>
(3) Submission Date	<ul style="list-style-type: none"> <li>Please enter the date you are submitting the ID/A Notification Form using the "yyyy/mm/dd" format with single-byte numerals. For example, if the submission is to be made on May 20, 2015, enter "2015/5/20."</li> </ul>
(4) (Scheduled) Revision Date	<ul style="list-style-type: none"> <li>Please enter the date of the change in ID/As or outside officers using the "yyyy/mm/dd" format. For example, you would enter "2015/6/20" when designating a newly appointed outside officer as an ID/A at the annual general meeting June 20, 2015.</li> </ul>
(5) Reason for Submitting ID/A Notification	<ul style="list-style-type: none"> <li>Please state the reason for submitting the ID/A Notification Form.</li> <li>All the latest outside officers as of the (scheduled) revision date should be included. The information from item (7) below is not required for retired outside officers. When submitting an ID/A Notification Form due to the resignation of an outside officer, the name of the resigning officer should be entered in this field.</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p>(Examples)</p> <ul style="list-style-type: none"> <li>The appointment of outside officers will be proposed at the annual general meeting.</li> <li>Mr. A is to be designated as a new ID/A due to the resignation of current ID/A Mr. B as an outside director (/outside company auditor) before the end of his term of office (effective date yyyy/mm/dd).</li> <li>ID/A Ms. C has newly failed the Independence Tests.</li> </ul> </div>
(6) Check box "All persons who satisfy the qualifications for ID/A are designated as ID/As"	<ul style="list-style-type: none"> <li>Please check the box if all persons who satisfy the qualifications for ID/A are designated as ID/As. If it is checked, the information in (10) and (13) is not required for outside officers who are not designated as ID/As.</li> <li>Even in cases where all persons who satisfy the qualifications for ID/A are designated as ID/As, (7) Name, (8) Outside Director/Company Auditor, and (11) Details of Change (if any) must be entered for all outside officers.</li> </ul>

### 2. Information on Independence of ID/As and Outside Officers

Item	Guidance
(7) Name	<ul style="list-style-type: none"> <li>Please provide the names of all outside officers.</li> <li>The list should include all the latest outside officers as of the (scheduled) revision date. Please do not include outside officers who are scheduled to retire as of the same date.</li> <li>In the "<u>3. Explanation of the Attributes of the ID/As and Reasons for their Appointment</u>" section, please list the names in the same order as listed in this section.</li> <li>If there are more than five outside officers, please list the names of all outside officers by "unhiding" the rows that are hidden on the Excel file, if necessary.</li> </ul>



Item	Guidance
(8) Outside Director/Company Auditor (drop-down list)	<ul style="list-style-type: none"> <li>• Please select either "社外取締役(Outside Director)" or "社外監査役(Outside Company Auditor)" from the drop-down list.</li> </ul>
(9) ID/A (drop-down list)	<ul style="list-style-type: none"> <li>• If the outside officer is designated as an ID/A, please select "○" from the drop-down list.</li> <li>• If the outside officer is not designated as an ID/A, leave it blank.</li> </ul>
(10) Attributes (drop-down list)	<ul style="list-style-type: none"> <li>• If the relevant outside officer falls under any of the attributes listed in categories a. through l. as shown in footnote 2 at the bottom of the Form, please check the applicable box in these columns. Please note that the items in footnote 2 are simplified versions of the items specified in the Enforcement Rules for Securities Listing Regulations.</li> <li>• Please refer to "l. 3. (2) Independence Tests" and "l. 4. Provision of Attribute Information (Affiliations)" for guidance on the interpretation of the categories a. through l.</li> <li>• Please select "○" from the drop-down list when the outside officer presently falls or has recently fallen under the category, and "△" when they previously fell under the category.</li> <li>• Please select "●" from the drop-down list when a close relative of the outside officer presently falls or has recently fallen under the category (excluding items j. through l.), and "▲" when a close relative previously fell under the category.</li> <li>• If more than one item applies, select all of the applicable items.</li> <li>• The term "previously" here means, for example, "a case in which the employee <u>previously</u> worked for the <u>current</u> parent company." Cases in which the employee is, for instance, <u>currently</u> working for a <u>previous</u> parent company or <u>previously</u> worked for a <u>previous</u> parent company are not applicable.</li> <li>• If the relevant outside officers do not fall under any of the categories a. through l., please select "○" from the drop-down list in the "N/A" column.</li> <li>• If "All persons who satisfy the qualifications for ID/A are designated as ID/As" is checked, those columns do not need to be filled for outside officers who do not meet the qualifications for ID/A.</li> <li>• If criteria to define "minor" for categories j. and l. have been established to identify transactions that will not impact shareholders' voting decisions, and these criteria are outlined in section (15), then a check is not necessary regarding items for which said criteria are satisfied.</li> </ul>
(11) Details of Change (drop-down list)	<ul style="list-style-type: none"> <li>• If the outside officer is subject to change as of the (scheduled) revision date, please select the relevant item in this column.</li> <li>• Please leave this column blank if there is no change in the position of the outside officer or ID/A, such as where they are in the middle of their term of office or are being reappointed.</li> <li>• If a person is to be newly appointed as an outside officer on the (scheduled) revision date, please select "新任(New appointment)" regardless of whether the person is designated as an ID/A or not.</li> <li>• If a person who is already an outside officer is to be additionally</li> </ul>

Item	Guidance
	<p>designated as an ID/A, please select "指定(Designation)."</p> <ul style="list-style-type: none"> <li>• If an ID/A is having their ID/A designation removed but is not resigning as outside officer, please select "指定解除(Removal of Designation)".</li> <li>• Please select "訂正・変更(Correction/Change)" if there are corrections to the information or updates to the check boxes related to individual outside officers.</li> <li>• It is not necessary to provide information about outside officers who will retire on the date of the change, as the list should encompass all the current outside officers as of the (scheduled) revision date.</li> </ul>
(12) Consent of the Officer (drop-down list)	<ul style="list-style-type: none"> <li>• Please choose "有(Yes)" from the drop-down list to confirm that the outside officer being designated as an ID/A agrees to their notification as an ID/A in accordance with the Securities Listing Regulations and the Enforcement Rules for Securities Listing Regulations, and that they have reviewed and verified the contents of the Form.</li> <li>• This column is not required for outside officers who are not designated as an ID/A.</li> <li>• If a person who is already designated as an ID/A is having their ID/A designation removed but is not resigning as outside officer (i.e. in the case of "Removal of Designation"), this column is not required to be filled in.</li> </ul>

### 3. Explanation of the Attributes of the ID/A and the Reasons for their Appointment

Item	Guidance
(13) Explanation of the Attributes	<p>Explanation of applicable attributes of outside officers:</p> <ul style="list-style-type: none"> <li>• If the outside officer falls under any of the categories a. through l. in "Attributes," please provide details. For more information, please refer to the explanation provided in section "I. 4. Provision of Attribute Information (Affiliations)."</li> </ul> <div style="border: 1px dashed black; padding: 10px; margin-top: 10px;"> <p>(Examples)</p> <ul style="list-style-type: none"> <li>• Ms. A, an outside director, worked for Z Corporation from yyyy to yyyy as a general manager of the General Affairs Department. Our company has been purchasing product B, which is used to make one of our products, from Z Corporation on an ongoing basis, and the transaction amount is JPY xxx million per year (actual results for the fiscal year ending mm yyyy). The transaction amount is equivalent to xx% of the annual sales of Z Corporation (for the fiscal year ending mm yyyy), and in light of our published criteria for assessing independence, Z Corporation is deemed to be an entity for which we are a major client.</li> <li>• Ms. A, an outside director, is a former employee of the Company's product vendor, Z Corporation. There is an annual transaction of JPY xxx million (actual amount for the fiscal year ending mm yyyy) between Z Corporation and the Company.</li> <li>• Ms. A, an outside company auditor, is a professor at Z University. The Company has made a donation of JPY xxx million (for the</li> </ul> </div>

	<p>fiscal year ended mm yyyy) to the ZZ Department of Engineering at Z University with the aim of supporting research.</p> <ul style="list-style-type: none"> <li>• Please list the names in the same order as listed in the "(7) Name" column.</li> <li>• This item is required not only for ID/As but also for other outside officers. However, if you have checked the box "All persons who satisfy the qualifications for ID/A are designated as ID/As," information regarding outside officers who do not meet the qualifications for ID/A is not required.</li> <li>• Regarding categories j. through l., if you are providing an explanation for why you have deemed it not necessary to provide details instead of providing details, please include that explanation in this column.</li> </ul>
(14) Reason for Appointment	<p>For persons designated as an ID/A:</p> <ul style="list-style-type: none"> <li>• Please provide the reason for designating the relevant outside officer as an ID/A; in other words, the basis for the listed company's assessment that the candidate "is unlikely to have conflicts of interest with general shareholders." This could be the same as the information related to the "Reason for appointment - Reasons for designation as independent director (or outside company auditor)" that is required in the Corporate Governance Report.</li> <li>• It is important to provide an explanation based on facts such as that the candidate "does not possess any interests that would lead to conflicts of interest with general shareholders."</li> </ul> <p>For persons not designated as an ID/A:</p> <ul style="list-style-type: none"> <li>• It is not mandatory to provide information for individuals who are not designated as ID/As. However, companies could enter the "reason for appointment" stated in the Corporate Governance Report, which serves as the rationale for appointing specific outside officers. Also, if the role expected of the relevant outside officer is not reliant on independence, companies could provide information on this role here.</li> </ul>

#### 4. Supplementary Explanation

Item	Guidance
(15) Supplementary Explanation	<ul style="list-style-type: none"> <li>• Companies could utilize this field to make disclosures under Principle 4.9 of Japan's Corporate Governance Code.</li> <li>• In addition to directly stating the contents of the listed company's criteria for assessing independence in this column, if the relevant contents are disclosed in an annual securities report, annual report, or on the company's website or other widely publicized means, it is also acceptable to reference these contents and include a method of access, such as the URL of the website.</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Japan's Corporate Governance Code [Principle 4.9]</p> <p><i>Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive</i></p> </div>

	<p><i>discussions at board meetings.</i></p> <ul style="list-style-type: none"> <li>• If a listed company has established criteria for "minor" transactions or donations that will not impact shareholders' voting decisions, please state these criteria in this field.</li> <li>• If an ID/A has not been secured, please describe your future policy for securing ID/A(s).</li> <li>• If you have any other information to supplement that provided in the ID/A Notification Form, please use this field.</li> </ul>
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## (2) Preparation, submission and public inspection of ID/A Notification Form

### (1) Downloading the ID/A Notification Form

The format of the ID/A Notification Form (in Japanese) is available on the website of Japan Exchange Group (<https://www.jpx.co.jp/rules-participants/rules/doc/domestic-stock/index.html>). Please download the "独立役員届出書" from "提出書類フォーマット集" - "その他の提出書類" under "内国株式関係提出書類" on the link.

### (2) Inputting to an Excel file

Please use the downloaded format of the ID/A Notification Form and enter the necessary information with reference to "1 Notes on the ID/A Notification Form."

Notes: 1. The number of rows needed for "2. Information on Independence of ID/As and Outside Officers" and "3. Explanation of the Attributes of the ID/As and the Reasons for Appointment" in the form may vary based on the number of outside officers of each listed company. To accommodate this, please adjust the number of rows accordingly by unhiding hidden rows in the Excel file. If the increased number of rows means that the form exceeds one page, it is acceptable to utilize multiple pages.

2. Since the final submission of the ID/A Notification Form will be in PDF format, please adjust the "line height" and other settings in the Excel file accordingly. This will ensure that the text you have entered is displayed properly when converted to a PDF file.

### (3) Converting the Excel file to a PDF file

Please use your preferred software to convert the Excel file of the ID/A Notification Form, containing all the required information, into a PDF file (this can be more than one page). Each listed company should make necessary adjustments so that the PDF file maintains readability and a balanced layout.

### (4) Submitting the ID/A Notification Form

Please submit the PDF file of the ID/A Notification Form by selecting the "独立役員届出書 (ID/A Notification Form)" tab from "縦覧書類を作成・提出する(Create and submit documents for public inspection)" on the "TDnet オンライン登録サイト(TDnet Online Registration Site)". When submitting the form, please use the following information for the title, disclosure items, and designated disclosure date and time.

Title	独立役員届出書 (ID/A Notification Form)
Disclosure Item	独立役員届出書 ID/A Notification Form
Designated disclosure date and time	Weekdays from 9:00 a.m. to 5:00 p.m.

Notes: 1. Due to system processing limitations, documents submitted during nighttime or holidays may not be processed and may require resubmission. Therefore, we kindly request that you refrain from submission during these periods. (Please note that this policy differs from other documents being submitted through TDnet such as Articles of Incorporation or Notices of Annual General Meetings.)

2. Once the documents are submitted, a representative from TSE will review the contents and may

reach out to you if necessary. This means that the actual submission time may be earlier or later than the specified time.

3. The ID/A Notification Form submitted on TDnet will be published on the Listed Company DBS (TDnet Database Service) at the designated time after it has been processed and approved by the TSE staff. Additionally, it will be published in the "Listed company details (basic information)" section of the "TSE Listed Company Search " on the Japan Exchange Group website at approximately 1:00 a.m. on the day following the submission date, which is the same as the notice of annual general meeting.