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# CORPORATE GOVERNANCE GUIDELINES

MARUBUN Corporation

## CHAPTER 1 GENERAL PROVISIONS

### **Article 1 Purpose**

The purpose of these Guidelines is to provide for a basic framework and policy regarding corporate governance at the Company, and to achieve sustainable growth and increase corporate value through the practice of corporate governance.

### **Article 2 Basic policy regarding corporate governance**

The Company recognizes the enhancement of corporate governance as an important management issue, and strives for transparency, fairness and efficiency in its management practices, to meet the expectations of its shareholders, business partners, employees, and other stakeholders, and to increase its corporate value.

## CHAPTER 2 ENSURING RIGHTS AND EQUALITY OF SHAREHOLDERS

### **Article 3 Respecting the rights of shareholders and ensuring equality**

The Company shall respect the rights of shareholders, including the right to vote at general meetings of shareholders, and implement appropriate measures for ensuring that all shareholders, including minority shareholders and foreign shareholders, can properly exercise their rights and are treated equitably.

### **Article 4 General meetings of shareholders**

- (1) Recognizing that the general meeting of shareholders is the Company's highest decision-making body consisting of shareholders who are entitled to vote and is a place for constructive dialogues with shareholders, the Company shall endeavor to develop an appropriate environment for shareholders to exercise their rights at general meetings of shareholders.
- (2) The Company shall endeavor to implement the earlier dispatch of notices of convocation of general meetings of shareholders, to ensure that shareholders can thoroughly examine proposals, and shall post them on the website of the Company and that of Tokyo Stock Exchange as soon as possible. In addition, the Company shall aim to increase shareholders' convenience in exercising their voting rights by participating in the electronic voting platform and by producing an English translation of notices of convocation of general meetings of shareholders.
- (3) In the event that there is a considerable number of negative votes regarding a proposal submitted to a general meeting of shareholders by the Company, the Company shall take appropriate measures by

analyzing the reasons and factors for the negative votes at meetings of the Board of Directors.

#### **Article 5 Protecting the rights of shareholders**

- (1) If the Company implements a capital policy that could affect the interests of shareholders such as a change in company ownership, the Company shall give due consideration to the need or reasons for the policy from the viewpoint of fulfilling its fiduciary duty to shareholders, and shall ensure that appropriate procedures are followed and explain to shareholders in a timely and appropriate manner.
- (2) If the Company's shares are targeted in a takeover bid, the Company shall carefully examine whether the proposed takeover will contribute to improvement in the Company's corporate value and explain its course of action to shareholders.

#### **Article 6 Basic capital policy**

- (1) The Company's basic capital policy is to strive for "enhancement of shareholder returns" and "appropriateness and sufficiency of equity capital", while seeking "improvement in capital efficiency."
- (2) With sustained shareholder returns as the basic policy, the Company shall distribute profits to shareholders based on business performance, with 30% or more on a consolidated basis as a benchmark for the payout ratio. The Company shall also endeavor to increase corporate value in the medium- to long-term by applying internal reserves to strategic investments to start up new businesses, strengthen partnerships, human resources and the development of logistics and information system infrastructure.

#### **Article 7 Basic policy with respect to cross-shareholdings**

- (1) The Company shall hold shares of business partners to maintain and strengthen enduring and stable relationships with business partners if it determines that said holdings contribute to the Company's sustained growth and the enhancement of its corporate value over the medium and long terms.
- (2) The Board of Directors shall verify the significance of each holding from the perspectives of economic rationale of the holding and whether or not said holding would contribute to the smooth progress of the Company's business on an annual basis. As a result, the Company may dispose of shares, with respect to which it finds insufficient grounds for the holding, by taking into account share prices and market trends as appropriate.
- (3) With respect to the exercise of voting rights for shares of holding, the Company carefully examines whether there are any proposals that might damage the management status or shareholder value of companies in which it holds shares before judging whether to vote for or against proposals.
- (4) If a company holding the Company's shares for holding indicates its intention to sell the shares, the Company will honor the company's intention.

#### **Article 8 Measures for responding to large-scale purchases of the Company's shares**

In the case in which a large-scale purchase of the Company's shares is to be introduced and implemented, the Board of Directors shall carefully examine the necessity and rationale of such purchase from the perspective of the Company's fiduciary duty owed to shareholders, ensure proper procedures and endeavor to provide sufficient explanations to shareholders.

#### **Article 9 Related party transactions**

- (1) The Company conducts an investigation of transactions between Directors and their near relatives and the Company and its subsidiaries on an annual basis to check whether there are any related party transactions.

- (2) If a Director intends to conduct competitive transactions and conflict-of-interest transactions, the Director shall obtain the prior approval of the Board of Directors.
- (3) The Company makes disclosures about the content and value of transactions appropriately, in accordance with the Companies Act and the Financial Instruments and Exchange Act.

## CHAPTER 3 APPROPRIATE COLLABORATION WITH STAKEHOLDERS

### **Article 10 Collaboration with various stakeholders**

- (1) The Company recognizes that collaboration with various stakeholders, including shareholders, customers, business partners, employees and local communities, is essential for achieving sustainable growth and increasing corporate value, and works to maintain and strengthen favorable and smooth relations.
- (2) The Company shall formulate and strive to instill a “Charter of Corporate Conduct” and a “Code of Conduct” as standards of behavior required for sound and transparent business practices to meet the expectations of stakeholders. The Company shall also monitor the status of their application on a regular basis.
- (3) The Company shall focus on business that contributes to preservation of the environment for the realization of a sustainable society.

### **Article 11 Initiatives for Sustainability**

- (1) The Board of Directors shall establish the "Basic Sustainability Policy" and work to resolve issues for the realization of a sustainable society.
- (2) The Company shall establish the Sustainability Committee, chaired by the President, which shall set sustainability policies and targets, monitor various measures, and periodically report the status of activities to the Board of Directors.
- (3) The Company shall disclose the status of its sustainability initiatives in a timely and appropriate manner, together with its approach to investment in human capital and intellectual property.

### **Article 12 Ensuring diversity**

- (1) The Company shall will respect human rights, individuality, and the diversity of employees, and work to create an environment in which each and every employee can work with delight, pride, and vitality, without distinction as to race, nationality, gender, age, new graduates, or mid-career hires.
- (2) With regard to the promotion of women's activities, we will set targets for appointing women to management positions, and develop and enhance an environment in which it is easy for women to work, including a system for changing job responsibilities, limited work locations, support for childcare and nursing care, and the use of maiden names in the workplace.

### **Article 13 Exercise of functions as asset owner of corporate pension plan**

In the management of corporate pension reserve, the Company shall endeavor to develop an environment in which the functions expected of an asset owner of corporate pension funds may be performed.

## CHAPTER 4 CORPORATE GOVERNANCE STRUCTURE

### **Article 14 Corporate structure**

To further strengthen the oversight function of the Board of Directors and to speed up decision-making through the separation of oversight and business execution, the Company shall choose “Company with Audit & Supervisory Committee” as its corporate structure and work to improve corporate governance.

### **Article 15 Board of Directors**

- (1) The Board of Directors shall formulate a corporate philosophy and hold constructive discussions to fully consider basic management policies, including medium-term management plans, from diversified standpoints, and shall also properly supervise the performance of duties by Directors, to achieve sustainable growth and increase corporate value.
- (2) The Board of Directors shall be composed of diverse individuals with different knowledge, experience and areas of expertise and the Company shall maintain a number of directors that allows free and open-minded discussions and efficient operation.
- (3) In order to utilize their rich experience outside the Company and to strengthen the supervisory function of the Board of Directors, independent outside directors shall include those with management experience at other companies. In principle, at least one-third of the Directors shall be independent outside Directors.
- (4) The Board of Directors shall deliberate on matters stipulated by laws and regulations and the Articles of Incorporation, matters delegated by resolution of the General Meeting of Shareholders, and other important management matters, and decisions on other matters related to business execution shall be delegated to less senior management, to speed up decision making and increase management efficiency.
- (5) The Board of Directors shall prepare a medium-term management plan based on a grasp of the Company’s cost of capital, make every effort to achieve the plan and take appropriate action according to the status of progress. In addition, the Board shall provide shareholders with easily comprehensible explanations about initiatives and progress in the medium-term management plan , basic policy regarding the business portfolio and the status of its review.
- (6) The Board of Directors shall implement appropriate supervision regarding a succession plan for the Company’s president and Directors.
- (7) Each year, the Board of Directors shall analyze and evaluate its effectiveness as a whole, taking into consideration the self-evaluations of each Director and the perspectives of Outside Directors. The Board of Directors shall then disclose an outline of the results.
- (8) For the smooth operation of the Board of Directors, the Company shall establish a Board of Directors’ Secretariat. The Board of Directors’ Secretariat shall determine the agenda and frequency of meetings and draw up an annual schedule for Board meetings to ensure time for deliberation that will allow sufficient discussion. The Secretariat shall also endeavor to distribute materials for Board meetings in advance of meetings and give advance explanations to Outside Directors as required.

### **Article 16 Directors**

- (1) Directors shall recognize their fiduciary duty owed to shareholders and perform their duties with a view to achieving sustained growth and increasing corporate value.
- (2) Directors shall ensure that they allocate sufficient time and effort to fulfil their responsibilities. In addition, the Company shall confirm the status of the concurrent holding of positions at other companies, etc. by Directors and publicly announce such information on an annual basis.

- (3) Directors shall independently gather information necessary to perform their duties and request the Company to provide additional information as necessary.
- (4) Directors may seek advice from outside specialists as required, and the cost of this shall be borne by the Company.
- (5) The Company shall provide information on legal revisions and management issues and hold training sessions, as appropriate, at the request of directors and as necessary. And the Company shall provide opportunities to newly appointed Directors to acquire the knowledge necessary to perform their duties as Directors on their taking office. The Company shall also provide information and hold training sessions about changes to the law and management issues as appropriate after their taking office. The Company shall create opportunities to explain its business to Outside Directors before their taking office to give them a better understanding of the Company.

#### **Article 17 Outside Directors**

- (1) Outside Directors shall be appointed from persons having extensive experience, achievements and knowledge who meet the criteria for independence of Outside Directors specified in the Attachment.
- (2) Outside Directors shall use their knowledge to supervise the performance of duties by Directors from a neutral and objective standpoint, and shall also give advice on management in general.
- (3) Outside Directors shall hold meetings composed solely of Outside Directors on a regular basis to provide information and exchange views on the corporate governance structure.
- (4) The Secretariat of the Board of Directors will liaise and coordinate with the management team to ensure that outside directors can fulfill their expected roles.

#### **Article 18 Audit & Supervisory Committee**

- (1) The Audit & Supervisory Committee shall conduct audits of the legality and validity of the performance of duties by Directors from an independent and objective standpoint, and shall also implement matters stipulated by laws and regulations such as the preparation of audit reports and the appointment and dismissal of the Accounting Auditor.
- (2) The Audit & Supervisory Committee and the President shall exchange views on a regular basis. The Audit & Supervisory Committee, the Internal Audit Office and the Accounting Auditor shall also hold meetings on a regular basis and as required, and seek to improve the effectiveness of audits.
- (3) The Company shall appoint one or more persons who have knowledge of financial affairs and accounting as members of the Audit & Supervisory Committee, to ensure the effectiveness of audits.
- (4) The Company shall have an Audit & Supervisory Committee Secretariat as an organization to assist with the duties of Audit & Supervisory Committee. The Secretariat of Audit & Supervisory Committee shall perform duties in accordance with the instructions of members of Audit & Supervisory Committee with respect to Audit & Supervisory Committee and matters necessary for the performance of duties by members of Audit & Supervisory Committee.

#### **Article 19 Management Committee**

- (1) The Company shall have a Management Committee composed of Executive Directors to promote management activities.
- (2) The Management Committee shall be chaired by the President, and shall examine basic management policies, management plans and other important management matters, and shall deliberate matters prior to resolution by the Board of Directors.

## **Article 20 Nomination and Remuneration Committee**

- (1) The Company shall have a Nomination and Remuneration Committee composed of all the Outside Directors, to ensure the transparency and fairness of personnel matters relating to Directors.
- (2) The members of the Nomination and Remuneration Committee shall consist of Outside Directors, the majority of whom shall be Independent Outside Directors. The Chairman of the Nomination and Remuneration Committee shall be elected from among the members who are independent outside directors.
- (3) The Nomination and Remuneration Committee shall give the necessary advice on the following matters:
  - (i) Matters relating to the appointment and removal of Directors and President
  - (ii) Matters relating to the identification of skills possessed by directors
  - (iii) Matters relating to the remuneration of Directors
  - (iv) Matters relating to a succession plan for the President and Directors

## **Article 21 Selection and removal of Directors and President**

- (1) The selection and removal of candidates for Directors and the President shall be determined by the Board of Directors in accordance with standards established by the Company upon obtaining the advice and consent of the Nomination and Remuneration Committee.
- (2) The Company shall select candidates for Directors who will contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term, taking into consideration their personality, insight, ability, experience, and performance.
- (3) The Company will consider the dismissal of the relevant director in the event of a serious violation of laws, regulations, or the Articles of Incorporation by the director, or in the event that it becomes clear that the director lacks the requirements of the criteria for the election of directors.
- (4) The reasons for the election of each director and the skills possessed by each director shall be disclosed in the notice of convocation of the general meeting of shareholders.

## **Article 22 Remuneration, etc. of Directors**

- (1) The Company shall set remuneration, etc. of Directors (excluding Directors who are members of Audit & Supervisory Committee) at a level that is commensurate with their duties and roles as Executive Directors so as to contribute to the enhancement of corporate value and performance not only in the short-term but also over the medium and long terms. The amount of Directors' remuneration shall be determined by the Board of Directors, within the total amount of remuneration approved by the general shareholder meeting, based on the calculation method confirmed at meetings of the Board of Directors along with the total amount of remuneration, remuneration structure and frameworks for the calculation method, by taking into account the position and job descriptions of each Director, his/her expected contributions during the applicable period, consolidated business performance and other factors upon obtaining the advice and consent of the Nomination and Remuneration Committee.
- (2) Individual remuneration for Directors (excluding Directors who are members of the Audit & Supervisory Committee) shall be determined by the President, who has received a discretionary decision by a resolution of the Board of Directors, after obtaining the advice and consent of the Nomination and Remuneration Committee.
- (3) Remuneration, etc. of Directors who are Audit & Supervisory Committee Members shall be determined by the Audit & Supervisory Committee within the overall limit approved by the General Meeting of Shareholders and taking into consideration factors such as their job descriptions from the perspective of

ensuring independence and neutrality.

### **Article 23 Accounting Auditor**

- (1) The Board of Directors and Audit & Supervisory Committee shall ensure a structure that enables audits to be conducted appropriately through consultation with the Accounting Auditor.
- (2) Audit & Supervisory Committee shall formulate standards for evaluation of the Accounting Auditor and assess independence and expertise in accordance with these standards,
- (3) The Board of Directors shall develop a structure for taking action in the event that the Accounting Auditor discovers misconduct and requests appropriate action or in the event that the Accounting Auditor identifies deficiencies or problems.

### **Article 24 Internal control systems**

- (1) The Company shall formulate and apply a “Basic Policy on Establishing Internal Control Systems” to maintain sound and efficient management.
- (2) The Company shall have an Internal Control Committee chaired by the President to manage and oversee internal control systems, and the Board of Directors shall monitor the status of development and operation of internal control systems on a regular basis.

### **Article 25 Whistleblowing**

- (1) The Company shall establish a whistleblowing hotline that employees, etc. may use to make reports or seek advice directly regarding misconduct or illegal or unethical behavior.
- (2) The Company shall set out internal regulations to ensure that persons who have made reports to the whistleblowing hotline will not be dismissed or receive any other adverse treatment for having done so, and shall ensure that these regulations are applied.

## **CHAPTER 5 INFORMATION DISCLOSURE AND COMMUNICATION**

### **Article 26 Timely and appropriate information disclosure**

- (1) The Company shall disclose its financial status, business results and other financial information as well as other useful information such as information about management strategies, management issues and management risks in a timely and appropriate manner to build good relations with all stakeholders including shareholders and investors and to earn their trust.
- (2) The Company shall endeavor to ensure that the information it discloses is easy for users to understand and shall disclose information in English within reason.

### **Article 27 Constructive dialogue with shareholders**

The Company shall formulate and implement a policy, as follows, to promote constructive dialogue with shareholders.

- (i) The President shall oversee the dialogue with shareholders in general, and Corporate Planning Department and General Affairs Department shall serve as points of contact with shareholders and respond appropriately to relevant matters.
- (ii) Corporate Planning Department and General Affairs Department shall seek collaboration as appropriate with Finance & Accounting Department and other relevant divisions.

- (iii) The Company shall hold briefings for institutional investors on a regular basis, and also work on enhancing shareholder communication and information provision on the Company's website.
- (iv) Opinions, etc. received from shareholders shall be compiled by the Corporate Planning Department and provided as feedback to the Board of Directors on a regular basis.
- (v) Insider information shall be strictly managed in accordance with the Company's policy on information disclosure and the Insider Information Management Regulations. The Company shall ensure fair disclosure of information by setting for its IR and SR activities a silent period of two weeks prior to the date of the financial results announcement.
- (vi) In order to enhance constructive dialogue with shareholders, the Company will monitor the distribution of shareholders in the shareholder register at the end of March and September each year, and conduct shareholder identification surveys as necessary.