

Basic Policy on Corporate Governance

Chapter 1 General Rule

Article 1 (Basic Views on Corporate Governance)

The Group strives to maximize its corporate value, with a determination to keep challenging itself to create new value, by making an all-out effort to enable its customers to live “the life that they always wanted” and aiming to become a “social impact developer” that offers solutions to various social issues while adapting to changes and innovating customers’ lifestyle through its business. To that end, we believe it is important to improve the Group’s mid- to long-term profitability and establish a highly transparent and efficient management system by meeting the expectations of our shareholders and all other stakeholders as well as addressing social issues through our business; and accordingly, we will endeavor to enhance corporate governance, compliance, and risk management, etc.

Chapter 2 Proper Cooperation with Stakeholders

Article 2 (Relationship with Stakeholders)

With the basic policy to ensure compliance with relevant laws and regulations and internal rules, including the Code of Conduct, in every aspect of corporate activities at all times, we ensure that all of our corporate activities and relationships with stakeholders comply with normal business practices and social ethics.

Article 3 (Securing Equal Treatment of Shareholders)

The Company equally treats all shareholders based on the class and number of shares they hold and discloses corporate information to shareholders in a timely and appropriate manner in accordance with relevant laws and regulations.

Article 4 (Annual Meeting of Shareholders)

As the annual meeting of shareholders is the highest decision-making body comprised of shareholders holding voting rights, the Company strives to operate the annual meeting of shareholders as follows with an aim to build trust relationships with shareholders.

- (1) We schedule the meeting avoiding the peak day to allow many shareholders to attend.
- (2) We disclose the Notice of Annual Meeting of Shareholders on the Company’s website before it is sent by mail to ensure shareholders have sufficient time to consider proposals.
- (3) We use the online voting right exercise system and the electronic voting platform for institutional investors to facilitate the exercise of voting rights by shareholders.
- (4) We provide the English translation of the reference materials for the annual meeting for the convenience of foreign shareholders.

Article 5 (Policy on Strategic Cross-Shareholdings)

1. Especially in light of the strategic importance in the Real Estate Development segment, the Company holds shares only if they contribute to the increase of the Group's mid-to long-term corporate value. When holding strategic shares, the Board of Directors verifies every year the appropriateness of holding such shares by conducting a review of the holding purpose and quantitative verification of returns, capital cost, and risk, etc. associated with the holding.

2. In general, the Company exercises its voting rights in respect of all strategic shares it holds. The Company appropriately exercises its voting rights if it contributes to the increase of the Group's shareholder value or it is deemed appropriate in light of the Company's holding purpose.

Article 6 (Related Party Transactions)

The status of related party transactions is reported to the Board of Directors on a regular basis, and important transactions shall require deliberation and approval by the Board of Directors. We also require directors to submit "Acknowledgement Letter Concerning Related Parties" in an effort to identify every single transaction with related parties including officers and their close relatives and bodies of which the officer is the representative and in which the officer owns a majority of voting rights.

Article 7 (Code of Conduct)

Recognizing that fulfilling the corporate social responsibility in the daily business operation as a member of society will lead to an increase in the Group's corporate value, the Company faithfully observes matters stipulated in the "Hoosiers Group Action Guidelines" developed to realize the Group's basic philosophy and management policy.

Article 8 (Management Plan)

Recognizing that it is important to build an organizational structure capable of responding flexibly to changing business environment and customer needs, the Company develops and announces the management plan at an appropriate time with an aim to increase the corporate value of the entire Group by enhancing the expertise of operating companies and providing customers with higher quality products.

Article 9 (Capital Policy, etc.)

1. The Company's basic capital policy is to aim at achieving stable earnings growth and maintaining financial soundness simultaneously with high profitability and efficient use of balance sheet.

2. Recognizing that returning profit to shareholders is one of the important management issues, the Company returns profits under the basic policy to distribute profits continuously

and stably based on profits, in overall consideration of business performance, the need to secure internal reserves for future business development and enhancement of financial base.

Article 10 (Initiatives for Sustainability and Diversity)

1. To conserve global environment and contribute to creation of a sustainable society, the Company ensures to comply with relevant laws and regulations and various other regulations as well as continues its efforts to reduce environmental impact in our daily business activities, with respect for biodiversity and sustainability.
2. To consider and promote sustainability initiatives on a group-wide basis, the Company holds the Sustainability Committee meetings, chaired by the Chairman and Representative Director, Executive Officer and comprised of executive directors and subsidiaries' presidents, on a regular basis to deliberate and decide on the basic policy and plan, the promotion activities of sustainability strategy, and establish and improve an internal promotion system for the sustainability strategy.

Article 11 (Internal Control, etc.)

The Company and its subsidiaries have the Compliance/Risk Management Rules to ensure that execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation. The Compliance/Risk Control Committee, chaired by the President and Representative Director, Executive Officer of the Company and comprised of executive directors and our subsidiaries' presidents, etc. holds meetings regularly and receives reports from division managers on respective businesses to understand issues and implement necessary measures.

The Compliance/Risk Control Committee holds meetings regularly and receives reports from division managers on respective risks, etc. of loss to understand issues and implement necessary measures.

Article 12 (Whistleblowing)

We also have the Whistleblower Rules and ensure any violation or potential violation by directors and employees of laws and regulations and the Articles of Incorporation will be reported to the whistleblower office.

Chapter 3 Ensuring Appropriate Information Disclosure and Transparency

Article 13 (Appropriate Information Disclosure)

The Company complies with the "Hoosiers Group Action Guidelines," which stipulate provisions to disclose corporate information to shareholders and investors in a timely and appropriate manner in accordance with relevant laws and regulations, in an effort to help them understand the Company's management strategy and financial condition, etc.

Chapter 4 Corporate Governance System

Article 14 (Business Execution and Audit System)

1. The Group has adopted a company with an Audit & Supervisory Committee with an aim to ensure thorough risk management and compliance as well as enhance internal control of the entire Group through supervision/audit of management decisions and its execution while securing a system that allows management to make decisions promptly.
2. To ensure efficient execution of duties by directors, the Company holds the Group Management Committee meetings regularly, where basic matters regarding business execution are reported and decisions on important matters related to business execution are made in a flexible manner.

Article 15 (Roles of Board of Directors)

1. The Board of Directors engages in constructive discussions on important management matters such as to resolve matters stipulated by laws and regulations or internal rules, establish the management philosophy, decide important management policies, and develop and review management plans. It shall also supervise the execution of duties by executive directors or executive officers by requiring them to report their status of execution of duties at the Board of Directors meetings.
2. The Company sets detailed and specific discussion/reporting standards according to the degree of importance for matters to be decided by a resolution of the Board of Directors or the Management Committee or by an approval of the Representative Director based on a request for approval. The Company also clarifies duties, authorities, and segregation of duties of the person in charge of business execution, etc. in the internal rules, and establishes a structure to always review them in case of changes in organization, etc.

Article 16 (Roles of Independent Outside Directors)

The major roles of independent outside directors are to contribute to a sustainable growth and an increase in the mid-to long-term corporate value of the Company and to supervise the management from an independent standpoint through the Board of Directors and the voluntary Nomination and Remuneration Advisory Committee, based on their abundant insight and experience on corporate management or deep insight and experience in the area of expertise.

Article 17 (Chairperson of the Board of Directors)

The chairperson of the Board of Directors shall endeavor to enhance quality of the discussion at the Board of Directors and facilitate smooth and effective discussions.

Article 18 (Composition of the Board of Directors)

1. The Board of Directors is comprised of directors having the intention and ability to contribute to a sustainable growth and an increase in the mid-to long-term corporate value of the Group and maintains a balance among various knowledge, experience, and abilities and diversity within the Board.
2. The number of directors (excluding those who are Audit & Supervisory Committee members) and directors who are Audit & Supervisory Committee members shall be no more than ten and five, respectively, as stipulated in the Articles of Incorporation, with two or more directors and one-third or more of the total directors to be independent outside directors.

Article 19 (Concurrent Holding of Officers' Position)

The Company discloses the status of concurrent positions of directors in the Notice of Annual Meeting of Shareholders and the Annual Securities Report every year. In addition, directors are required to understand the Company's business, etc., attend meetings of the Board of Directors, and secure sufficient time to prepare for such meetings. Accordingly, in the event that the Company's directors concurrently hold positions as officers (directors, audit & supervisory board members, or executive officers) of another listed companies, they may hold a concurrent position at one other listed company if they are engaged in the execution of business operations of such listed company and four other listed companies if they are not engaged in the execution of business operations of any of such listed companies, as a guideline, provided that they can secure sufficient time to properly fulfill their duties.

Article 20 (Independence Criteria for Independent Outside Officers)

The Company deems outsider directors to be independent when they do not fall under any of the items in the attached "Independence Criteria for Independent Officers" as well as the independence criteria set by the Financial Instruments Exchange.

Article 21 (Lead Independent Outside Director)

The Company selects one lead independent outside director from among independent outside directors at the Board of Directors. The lead independent outside director plays a key role in establishing a system to communicate and coordinate with the management and cooperate with directors who are Audit & Supervisory Committee members or Audit & Supervisory Committee and in promoting smooth dialogues with shareholders and other stakeholders.

Article 22 (Selection of Director Candidates)

The Company selects personnel having character, knowledge, insight, and judgement appropriate for director as director candidates based on the Company's selection criteria at the Board of Directors. Prior to such selection at the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates on the candidates, and the consent from the Audit & Supervisory Committee for the selection of directors who are Audit & Supervisory

Committee members.

Article 23 (Directors' Remuneration Plan)

(1) The remuneration of the Company's directors (excluding those who are Audit & Supervisory Committee members and outside directors) consists of fixed monthly base remuneration, annual performance bonus as short-term incentive remuneration, and stock compensation as medium- to long-term incentive remuneration. The composition ratio of remuneration shall be determined separately in the "Policy for determining the amount or calculation method of remuneration, etc." (Officers' remuneration policy), taking into consideration the scale and characteristics of the Group's business.

(2) The remuneration of Audit & Supervisory Committee members (excluding outside directors) and outside directors shall consist only of base remuneration to appropriately supervise executive persons.

Article 24 (Composition of the Audit & Supervisory Committee, etc.)

The Audit & Supervisory Committee is comprised of directors who are Audit & Supervisory Committee members, with a majority of them being outside directors meeting the Company's independence criteria, and secures a system which enables proper audits of the operational status of the Board of Directors and the status, etc. of execution of duties by directors.

Article 25 (Nomination and Remuneration Advisory Committee)

The Company has established the "Nomination and Remuneration Advisory Committee" as an advisory body to the Board of Directors with an aim to further enhance corporate governance through enhancement of independence and objectivity of the Board of Directors' functions related to nomination and remuneration, etc. of directors.

Article 26 (Responsibilities of Directors)

1. Directors shall collect information sufficient to execute their duties and proactively express opinions, offer advice and raise issues concerning management.
2. Directors shall demonstrate their expected abilities and take sufficient time to execute duties as directors.
3. Upon taking office, directors shall understand relevant laws and regulations, the Company's Articles of Incorporation, the Board of Directors Regulations and other internal rules, and endeavor to fully fulfill their responsibilities.
4. Directors who are Audit & Supervisory Committee members, as an independent body entrusted by shareholders, shall be responsible for establishing a corporate governance system enabling to realize sustainable growth and increase medium- to long-term corporate value of the Group and to meet the trust and expectations of society by auditing directors' execution of their duties in accordance with the relevant laws and regulations, the Articles of Incorporation, the Audit & Supervisory Committee Regulations, and other relevant rules.

Article 27 (Supporting System for Outsider Directors)

The secretariat of the Board of Directors provides information to outside directors to enable them to properly execute their duties. The Company may assign staff to assist with duties of outside directors as needed.

Article 28 (Training for Officers)

The Company provides directors with opportunities to acquire relevant knowledge on the Company's business, finance, and organization, etc., when they take office and on an ongoing basis, for them to be able to fully perform their functions. The Company also provides outside directors with opportunities to collect and exchange information outside the Board of Directors such as those to individually receive explanations from relevant personnel within the Company or to attend important internal meetings to promote their understanding of the Company's business, industry characteristics, market trends, and the Company's status, etc.

Article 29 (Assessment of the Effectiveness the Board of Directors)

The Company analyzes and assesses the effectiveness of the Board of Directors every year to improve its functions.

Article 30 (Accounting Auditor)

1. In selecting the accounting auditor, the Company ensures its independence based on the "Guidelines for Independence" specified by the Japanese Institute of Certified Public Accountants and also comprehensively evaluates whether it is capable of performing efficient audit by adequately responding to the business expansion of the Group, it has a review system, and the number of days required for audit, specific audit details and audit fees are reasonable and appropriate, as well as its audit experience.
2. The Company secures sufficient time for the accounting auditor to perform the audit and cooperates as much as possible in coordinating with bodies and divisions within the Company, outside directors and directors who are Audit & Supervisory Committee members.

Chapter 5 Dialogue with Shareholders

Article 31 (Dialogue with Shareholders)

The Company shall have a system to promote constructive dialogue with shareholders as described below:

1. System to promote dialogue

The business planning department is in charge of investor relations under the supervision of the executive officer in charge of the business planning division. While the manager of the business planning department and the executive officer in charge of the business planning division generally engage in dialogue with shareholders, the lead independent outside

director will actively join the dialogue if deemed especially necessary.

2. System to assist dialogue

To provide accurate information based on the interests of shareholders from a mid- to long-term perspective, the finance department and the legal department, in coordination with the business planning department, assist the dialogue.

3. Initiatives to enhance dialogue

The Company endeavors to enhance information disclosure to shareholders, etc. by, for example, setting up the IR information page on the website and posting the latest information as a way to have a constructive dialogue with shareholders, etc. and also provides opportunities to engage in direct dialogue by holding individual interviews, financial results briefings for institutional investors, and company briefings for individual investors on a regular basis.

4. System to provide feedback on dialogues

The business planning department provides feedback on opinions, requests, inquiries, and concerns, etc. learned from dialogues with shareholders, etc. in a timely and appropriate manner depending on the nature to the Board of Directors or the Management Committee to reflect them on the management.

[Supplementary Provisions]

1. Revisions and abolition of any provision in this Policy shall be resolved by the Board of Directors.

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