

(TRANSLATION FOR REFERENCE ONLY)



# **Corporate Governance Guidelines**

December 24, 2021

**GLORY LTD.**

The numbers in brackets [ ] in these Guidelines correspond to the numbers of the relevant principles in the Corporate Governance Code established by the Tokyo Stock Exchange.

## **I. General provisions**

### **1. Purpose of establishing these Guidelines**

- (1) GLORY LTD. (“GLORY” or the “Company”) hereby sets out in these Guidelines its basic views and policies in relation to corporate governance in order for GLORY and its subsidiaries (collectively, the “Group”) to realize its corporate philosophy through business operations and contribute to sustainable growth and increased corporate value over the mid- to long-term. [3.1(ii)]
- (2) GLORY has established its “Corporate Philosophy,” “Managerial Creed,” and “Corporate Action Guidelines,” to be observed by the directors, executive officers and employees of the Group. [2.1, 2.2, 3.1(i)]

### **Corporate Philosophy**

We will contribute to the development of a more secure society through a striving spirit and co-operative efforts.

### **Managerial Creed**

- Through a spirit of continuous development, we will provide products and services our customers can rely on.
- We will build a vigorous corporate group through respect for the individual and teamwork.
- We will endeavor to act as a responsible corporate citizen and co-exist harmoniously with the society.

### **Corporate Action Guidelines**

#### **Business continuity, securing profit and profit redistribution**

We will maintain profit stability by developing businesses based on the corporate philosophy and contribute towards building a sustainable society.

#### **Quality, safety and customer satisfaction**

We will provide products and services that build customer confidence and satisfaction in a timely manner.

#### **Information management**

We will protect information such as personal data and Company information.

#### **Respect for individuals, talent development and workplace safety**

We will respect the diversity, personality, and individuality of each employee and strive to create a safe, enriching, and pleasant work environment.

#### **Implementation initiative and publicity**

Under the strong leadership of the management, we will disseminate the Corporate Action Guidelines within the Company and to our business partners to achieve our goals.

### **Legal compliance, fair competition and prevention of anti-social forces**

We will comply with all relevant laws and regulations, respect social ethical standards, and engage in transparent and fair business activities, and we will not have relationships with anti-social forces.

### **Information disclosure and communication and cooperation with stakeholders**

We will continue to communicate with stakeholders and strive for appropriate information disclosure.

### **Contribution to society**

We will harmonize and advance the interests of the Company and society and will actively participate in social action programs as a “good corporate citizen.”

### **Environmental protection**

We will contribute to realizing sustainable society by engaging in earth-friendly activities and providing environmentally friendly products and services.

### **International cooperation**

We will engage in business activities in an internationally harmonized manner from a global perspective. We will respect the cultures and customs of the countries and regions where we conduct our business.

### **Risk management**

We will strive to prevent and avoid business risks and to reduce disaster loss. We will also strive to ensure the security of stakeholders.

## **2. Our basic view on corporate governance**

- (1) The following is the “Basic Policy on Corporate Governance” of the Group. [3.1(ii)]

Based on our “Corporate Philosophy,” which embodies our determination to achieve growth as a sustainable enterprise by contributing to a prosperous society through our uncompromising approach to product development, the Group aims to improve its corporate value by striving to exist in harmony with society and earn the trust and support of all stakeholders. To this end, we will strive to improve corporate governance by strengthening supervisory and executive functions of management, ensuring expedited, transparent and objective decision-making, and enhancing compliance management, thereby further improving corporate value.

- (2) Status of understanding of and compliance with the policy set out in the preceding paragraph will be checked by the Board of Directors on a regular basis. [2.2, 2.2.1]

## **II. Securing the rights and equal treatment of shareholders**

### **1. Securing the rights and equal treatment of shareholders**

GLORY will take appropriate measures to secure the rights of all shareholders (including minority shareholders and foreign shareholders) equally according to the number of shares they hold. [1, 1.1.3]

## **2. General Meetings of Shareholders [1.2]**

- (1) GLORY recognizes that the general meeting of shareholders (“Shareholders Meeting”) is the supreme decision-making body of the Company consisting of shareholders with voting rights, and is a venue for constructive dialogue with shareholders. GLORY will operate Shareholders Meetings lawfully and take appropriate measures to ensure that shareholder rights are properly exercised at these meetings. [1, 1.2]
- (2) GLORY will set an appropriate time, date, and place for Shareholders Meetings, taking into consideration the time needed for shareholders to review resolution proposals, the external accounting auditor’s auditing schedule, and other related factors. [1.1, 1.2.3, 3.2.2]
- (3) GLORY will take the following measures to allow all shareholders to adequately consider resolution proposals and properly exercise their voting rights:
  - (i) GLORY will endeavor to provide necessary information for shareholders to adequately consider resolution proposals for Shareholders Meetings and properly exercise their voting rights, and will strive to gain better understanding of such information by using easy-to-understand explanations or graphs. [1.2.1]
  - (ii) GLORY will send convocation notices for Shareholders Meetings around three weeks before the date of Shareholders Meetings. Prior to the day the notices are sent, GLORY will disclose in electromagnetic form the information to be included in the notices (including English translations) through the stock exchange, GLORY’s website and the Electronic Voting Platform. [1.2.2, 1.2.4, 3.1.2]
- (4) If beneficial shareholders who hold shares in the name of a trust bank or the like express in advance their desire to exercise voting rights themselves instead of through the nominee shareholder at Shareholders Meetings, GLORY will discuss and consider the matter with trust bank, etc. [1.2.5]
- (5) Voting results for resolution proposals of Shareholders Meetings will be analyzed by the Board of Directors and dialogue with shareholders will be conducted, as necessary. [1.1.1]

## **3. Basic view regarding capital policy, etc.**

Because our capital policy may have a significant effect on shareholder interest, GLORY will handle each issue according to the following policies:

- (1) Capital policy
  - (i) GLORY will promote more efficient management of the Company with ROE (return on equity) as one management benchmark. [1.3]
  - (ii) GLORY believes that the return of profits to shareholders is an important management task. Accordingly, GLORY has the basic policy to continue stable dividends while striving to maintain and enhance sound financial standing in preparation for future business growth, and has set the target of attaining a dividend payout ratio before goodwill amortization of 30% or higher on a consolidated basis (three years average during the "2023 Medium-Term Management Plan" period). [1.3]
  - (iii) GLORY may acquire treasury shares after comprehensively considering future business development, investment plans, levels of internal reserves, performance trends and other related factors. GLORY will leverage the acquired treasury shares for investment in future growth, such as M&As, and for flexible capital policy. [1.3]

- (iv) Before implementing a measure that results in the change of control or in significant dilution (including equity finance and management buyouts), the necessity and rationale of such measure will be reviewed by the Board of Directors, taking into consideration independent outside directors' opinions, and sufficient explanation will be provided to shareholders and investors. [1.6]
- (2) Cross-shareholdings<sup>1</sup> [1.4, 1.4.1, 1.4.2]
- (i) GLORY may engage in cross-shareholdings if, based on a broad consideration of factors such as the business strategies and transaction status of any investee company, we determine that the corporate value of the Group will increase by maintaining or enhancing our relationship with that company. When GLORY engages in cross-shareholdings, it will pay attention to the soundness of investee companies, consider the market value of shares and the returns (including dividends) of such companies, and ensure the economic rationale of such holdings.
  - (ii) The Board of Directors will examine the mid- to long-term economic rationale of each individual cross-shareholding on an annual basis and reconsider such holding if it is not found to be suitable.
  - (iii) With respect to the exercise of voting rights on shares that are subject to cross-shareholdings, GLORY will exercise such voting rights after deciding how to vote, taking into consideration various circumstances including the investee company's condition in addition to criteria such as whether exercising the voting rights will improve the corporate value of that company and GLORY.
  - (iv) If any cross-shareholder who holds GLORY's shares indicates its intention to sell the shares, GLORY will not attempt to hinder any such sale of the cross-held shares such as by implying a possible reduction of business transactions.
  - (v) Regardless of whether the counterparty to any business transaction is a cross-shareholder or not, GLORY will engage in all transactions after fully examining the economic rationale thereof and will not conduct any transaction that may harm the Company or the common interests of its shareholders.
- (3) Related party transactions [1.7, 4.3]
- (i) GLORY's directors may not engage in any self-dealing transactions, competing transactions or any other transactions that would involve a conflict of interest with GLORY without obtaining approval of the Board of Directors.
  - (ii) Any transactions with related parties such as directors and officers or major shareholders must be submitted to and approved by the Board of Directors, unless the terms of the transaction are equivalent to other general transactions.
  - (iii) Transactions with related parties will be disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act and other applicable laws and regulations.

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<sup>1</sup> Translation note: Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

### **III. Appropriate cooperation with stakeholders**

#### **1. Sustainability [2]**

- (1) GLORY recognizes that in order to attain sustainable growth and the mid- to long-term improvement of corporate value, it is indispensable to appropriately cooperate with a range of stakeholders, including employees, customers, business partners, creditors, and local communities. Therefore, GLORY will endeavor to proactively deal with sustainability challenges including social and environmental issues. [2, 2.1, 2.2, 2.3, 2.3.1, 3.1.3]
- (2) Since its founding, the Group's goal has been: "We aim to achieve growth as a sustainable enterprise through our money handling business by contributing to a prosperous society through our uncompromising approach to product development." This view is incorporated into our corporate philosophy: "We will contribute to the development of a more secure society through a striving spirit and co-operative efforts." The Group will develop its business activities based on the idea that realizing our corporate philosophy will lead to the realization of a sustainable society. [2.3.1]

#### **2. Ensuring diversity [2.4, 2.4.1]**

GLORY has prescribed in our Corporate Action Guidelines that we will respect diversity, personality, and individuality of employees. Based on the guidelines, GLORY will develop a corporate culture in which all employees can maximize their abilities regardless of age, gender, nationality and career background, while aiming to achieve sustainable growth and increase our corporate value over the medium- to long-term.

#### **3. Whistleblowing [2.5, 2.5.1]**

- (1) GLORY has established a whistleblowing system with the goal of detecting at an early stage and rectifying any situation or act that violates or may violate laws and regulations or the internal regulations.
- (2) GLORY has established points of contact for whistleblowers both inside and outside the Company and instituted internal regulations regarding the related matters such as securing the confidentiality of the information provided and the identity of the whistleblower and appropriately utilizing the information. Additionally, GLORY prohibits any disadvantageous treatment against whistleblowers.

#### **4. Measures as asset owners [2.6]**

With regard to the management of the pension fund reserves, GLORY will cultivate and assign personnel who have appropriate qualities in order for the pension fund to perform its role as an asset owner, and at the same time will establish a system for the sound operation of the pension assets, utilizing outside professionals as necessary. The status of the management of pension fund reserves and other such matters will be reported to the Board regularly.

## **IV. Roles and responsibilities of the Board of Directors, etc.**

### **1. Organizational structure**

- (1) GLORY believes that it is effective for its corporate management to have a structure under which the speeding-up and streamlining of decision making on important management issues and the strengthening of the supervisory functions can be achieved. Under such belief, GLORY has adopted a “Company with Audit & Supervisory Committee” as a form of corporate organization under the Companies Act.
- (2) The Board of Directors has adopted a system in which decisions regarding the execution of important operations are flexibly delegated to directors, thereby enabling expedited and flexible decision making.
- (3) GLORY has adopted the executive officer system and will endeavor to further strengthen the supervisory function of the Board and to increase the speed and efficiency of business management by promoting delegation of the business execution function of management to executive officers.

### **2. Fiduciary responsibilities of directors**

With recognition that the shareholders have entrusted them with a responsibility to promote sustainable growth and increased corporate value over the mid- to long-term, directors and other management members will fulfill their roles and responsibilities by ensuring proper cooperation with stakeholders and striving to realize the Long-Range Vision and to achieve the Medium-Term Management Plan. [4, 4.5]

### **3. Composition of the Board of Directors**

- (1) In order to expedite the decision-making process and promote active deliberation at its meetings, the Board will consist of no more than ten (10) directors who are not Audit & Supervisory Committee members and no more than five (5) directors who are Audit & Supervisory Committee members. The Board also includes such number of independent outside directors as exceeds one thirds of the directors, having credentials to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, aiming to achieve the appropriate supervisory functions of the management. [4.9, 4.11, 4.11.1]
- (2) In the belief that it is important to ensure a balance and diversity of knowledge, experience, skills and abilities of the Board as a whole , the Board will consist of (a) executive directors who have extensive knowledge of the businesses or corporate operations of the Group, (b) outside directors who are qualified to provide valuable recommendations and advice to the management from a broad perspective and (c) directors who are Audit & Supervisory Committee members that are responsible for the auditing and supervising of the business execution by directors, etc. Further, independent outside directors shall include individuals who have management experiences at other companies. [3.1(iv), 4.8, 4.11, 4.11.1]
- (3) In order to secure transparency and objectivity in appointing, and determining the compensation of directors, the Board has established, as advisory committees of the Board, the Nomination Advisory Committee and the Compensation Advisory Committee, each with the majority of members and the chairperson being independent outside directors. [3.1(iii)(iv), 4.6, 4.8.1, 4.10, 4.10.1]



#### **4. Appointment and dismissal of directors, etc.**

- (1) When appointing director candidates and executive officers or selecting senior management from among the directors, GLORY will examine individuals based on such criteria as extensive experience in and out of Japan, depth of insight, skills and expertise suitable for the expected role, personality, and other factors that are necessary to achieve the corporate governance system for which the Company should strive and to contribute to the continuing increase of the Group's corporate value. Executive director candidates will be appointed from among individuals who have extensive knowledge of the domestic and overseas businesses or corporate operations of the Group. Outside director candidates will be appointed from among individuals who have expertise in such areas as corporate management, law, finance and accounting and who are qualified to provide proper recommendations and advice on management from a broad perspective. Candidates for directors who are Audit & Supervisory Committee members will be appointed also based on the criteria stated in 8.1 below.
- (2) From the perspective of securing transparency and objectivity in deciding on director candidates and executive officers and in selecting senior management from among the directors, the Board of Directors will (i) decide on the director candidates, executive officers and senior management after taking into consideration the results of deliberations by the Nomination Advisory Committee and (ii) decide on the candidates for directors who are Audit & Supervisory Committee members after obtaining the consent of the Audit & Supervisory Committee. The reasons for selecting the director candidates will be stated on the convocation notices for the General Meeting of Shareholders. [3.1(v), 4.3, 4.3.1, 4.6, 4.10.1]
- (3) In the event that any member of the senior management is deemed to no longer meet the criteria in (1) above, the Board of Directors will determine, after deliberation by the Nomination Advisory Committee, his or her dismissal or removal from the position or the submission of a proposal for dismissal to a Shareholders Meeting. Disclosure will be made regarding such information in accordance with the timely disclosure rules, etc. based on the regulations set forth by the stock exchange. [3.1(iv), (v), 4.3.1, 4.3.2, 4.3.3, 4.10.1]

#### **5. Roles and responsibilities of the Board of Directors**

- (1) Bearing responsibility for GLORY's sustainable growth and the increase of its corporate value over the mid- to long-term, the Board recognizes the importance of increasing social value as well as financial value through enhancing profitability and capital efficiency, and is strongly aware that securing proper cooperation with various stakeholders to achieve the goal of realizing the Long-Range Vision and the Medium-Term Management Plan will lead to the realization of the corporate philosophy. [4, 4.1.2]
- (2) In accordance with relevant laws and regulations, the Articles of Incorporation and "Regulations of the Board of Directors," the Board makes decisions on the matters stipulated in the laws and regulations, the Articles of Incorporation, the basic policy of management and other important operational matters of GLORY and the Group, and delegates decisions regarding the execution of important operations to directors.
- (3) Decisions regarding the execution of certain kinds of operations are delegated to the representative directors, executive officers or heads of business divisions in order for the Board of Directors to make expedited and flexible decisions on execution of operations, details of which will be stipulated in the "Regulations on Approval Authority." [4.1.1]

- (4) The Board of Directors supervises the execution of duties by the directors in terms of whether each of them is performing the expected role. [4.1.1]
- (5) Recognizing that the establishment of an environment that supports appropriate risk-taking by the management is one of its responsibilities, the Board welcomes proposals from the management (including executive officers) as well as free, open and constructive discussions with them and will fully examine such matters at Board of Directors meetings that include independent outside directors. In addition, the Board has established and organized the internal control system and risk management structure so that the senior management can make prompt and decisive decisions. [4, 4.2, 4.3.4, 4.12]
- (6) Recognizing that a medium-term management plan is a commitment to shareholders, the Board will do its best to achieve the plan and, as appropriate, will monitor and analyze the progress of the plan and make amendment or take other necessary measures. Medium-term management plans for ensuing years will be drafted based on the results or challenges of preceding plans. When drafting or amending the plan or if there is a significant gap between plans and actual results, the Board will adequately explain the content thereof to the shareholders and investors. [3.1(i), 4.1.2, 5.2]
- (7) Recognizing the importance of developing a business portfolio that supports optimum allocation of management resources, such as investment in human capital and intellectual property, for the Group's sustainable growth, the Board formulates and discloses a basic policy regarding business portfolio management, establishes a system to promote it, and supervise its effectiveness. As appropriate, the Company provides its shareholders and investors with sufficient explanation on the progress of its business portfolio management. [4.2.2, 5.2, 5.2.1]
- (8) Considering that it is the Group's mission to address social issues with advanced technologies to realize a sustainable society, the Board formulates and discloses a basic policy and initiatives regarding the Group's sustainability. [3.1.3, 4.2.2]
- (9) The Board will establish corporate goals (such as corporate philosophy) of GLORY and allot sufficient amount of time on drawing up Corporate Management Strategy and Medium-Term Management Plan that are concrete measures to achieve those goals. [4.1, 4.1.2]
- (10) Recognizing that developing succession planning for the position of the president is an important management issue, the Board will determine a successor after having the Nomination Advisory Committee fully deliberate on the criteria for selecting successor candidates and the system for training and evaluating candidates, and other matters. Additionally, the Board will share and supervise succession planning by having the Committee report the results of its deliberations to the Board. [4.1.3, 4.3.2, 4.6, 4.10.1]
- (11) The Board has set the "Basic Policy on the Internal Control System" and will supervise whether or not that system is operating effectively within the Group, in cooperation with internal audit department as necessary. Individual incidents involving risk or compliance issues will be reviewed and handled by the Risk Management Committee or the Compliance Committee, summary of which will be reported to the Board on a regular basis. [2.5, 4.3, 4.3.4, 4.13.3]
- (12) Directors of GLORY will devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities and may hold other positions concurrently only within the reasonable extent. [4.11.2]

- (13) In order to strengthen the function of the Board as a whole, the Board will regularly have each director perform a self-evaluation and, based thereon, will analyze and evaluate the effectiveness of the Board. [4.11.3]

## **6. Roles and responsibilities of independent outside directors**

- (1) Independent outside directors are required to satisfy the independence criteria described in Attachment 1 hereof in addition to the requirements for outside directors set forth in the Companies Act and the independence criteria set forth in the Tokyo Stock Exchange. [4.9]
- (2) In order to actively contribute to discussions at Board meetings, independent outside directors will hold meetings comprising of independent outside directors only to exchange and share information from an objective point of view. In addition, in order to collect information on or understand the current situation of the Group, independent outside directors will ask executive directors, the management or other internal personnel of the Company to participate in such meetings or provide explanations as appropriate. [4.7, 4.8.1]
- (3) Independent outside directors will establish a framework for communicating and coordinating with the management and for cooperating with the Audit & Supervisory Committee members by appointing a director from among themselves to handle such matters. [4.8.2]

## **7. Information gathering and support structure**

- (1) In order to promote active deliberations at Board meetings, the Company will ensure that directors have sufficient time for examination in advance, endeavor to provide well-organized and analyzed materials for the Board and, as necessary, provide additional information. The yearly schedule of the Board of Directors meetings will be decided well in advance and, as necessary, the frequency and resolution items of the Board of Directors meetings will be adjusted to allow each resolution item to be examined in a timely and appropriate manner. [4.12.1]
- (2) In order to effectively fulfill their roles and responsibilities, directors will make efforts to proactively collect information, and the secretariats of the Board of Directors and Audit & Supervisory Committee will promptly respond to any requests they make in this respect. [4.13, 4.13.1]
- (3) Directors may seek advice of outside experts (such as attorneys or certified public accountants) at the expense of the Company when necessary to pursue their duties. [4.13.2]
- (4) Prompt coordination will be made in the event that directors wish to interview with or receive reports from the internal audit department in pursuing their duties. Additionally, in the event that the outside directors request for information from the Company, the secretariat of the Board of Directors or Audit & Supervisory Committee, as the case may be, will take charge of internal communication and coordination and endeavor to appropriately provide necessary information. [4.13.3]
- (5) The Company will provide directors with the training opportunities necessary for each of them to fulfill their roles and responsibilities, and directors will endeavor to acquire, update and deepen necessary knowledge through participation in such training. The Board will regularly review the provision and arrangement of these training opportunities at the Board of Directors meetings. [4.14, 4.14.1, 4.14.2]

## **8. Roles and responsibilities of Audit & Supervisory Committee Members and Audit & Supervisory Committee**

- (1) The Audit & Supervisory Committee will consist of no more than five (5) members and, in accordance with the Companies Act., majority of the Audit & Supervisory Committee will be independent outside directors who satisfy Independence Standards for Independent Outside Directors described in the appendix (1), and have rich experience and deep knowledge in areas such as law, finance, accounting or corporate management. Further, in order for Audit & Supervisory Committee members to conduct audits and supervision regarding the domestic and overseas businesses of the Group, Audit & Supervisory Committee members will be appointed from among individuals who have appropriate experience and skills as well as necessary knowledge regarding finance, accounting and legal matters. In particular, the Audit & Supervisory Committee members will include at least one (1) person who has sufficient knowledge of finance and accounting. [3.1(iv), 4.4.1, 4.11, 4.11.1]
- (2) The Company will assign employees dedicated to assist in the performance of Audit & Supervisory Committee's duties, who will not take any instructions or orders from the management or directors who are not Audit & Supervisory Committee members. [4.4, 4.4.1, 4.13.3]
- (3) The Company shall arrange that Audit & Supervisory Committee has its full-time member and chairperson to ensure the effectiveness of the committee, and such full-time member will, leveraging on such full time member's capabilities to gather information as a full-time member, proactively endeavor to establish the auditing and supervising environment and collect internal information. In addition, such full time member will routinely review the development and implementation status of the internal control system and secure effective auditing and supervising by the Audit & Supervisory Committee by combining objective auditing and opinions of outside directors who are Audit & Supervisory Committee members from a more neutral standpoint. In order to ensure more effective and appropriate monitoring and auditing of the entire group for consolidated management, the internal audit department is positioned under the direct control of the Audit & Supervisory Committee, thereby building an organization structure of direct reporting to the committee. Also, the Audit & Supervisory Committee shall work closely with the accounting auditor. [4.4.1, 4.13.3]
- (4) The Audit & Supervisory Committee recognizes the importance of information gathering by outside directors without having their independence jeopardized, and will endeavor to exchange information and secure cooperation with outside directors who are not Audit & Supervisory Committee members. [4.4.1]
- (5) Audit & Supervisory Committee members and the Audit & Supervisory Committee will, recognizing that they have fiduciary responsibilities to shareholders in performing their duties, proactively exercise their authority from the perspective of both compliance and efficiency, and express their views to the management, including the members of the Board of Directors and representative directors, from an independent and objective standpoint. [4.2, 4.4]
- (6) The Audit & Supervisory Committee will decide its opinion regarding the appointment, etc., and compensation of directors who are not Audit & Supervisory Committee members, including matters to be stated at the general meeting of shareholders, based on the examination at the Nomination Advisory Committee and the Compensation Advisory Committee.

## 9. Remuneration of directors, etc. [3.1(iii)]

- (1) The remuneration of directors and executive officers of the Company will be designed in such a manner that the value can be shared with the shareholders, the level is appropriate for their duties, and due consideration is given to incentives for continued improvement of corporate performance and securing of talented human resources. [4.2, 4.2.1]
- (2) In order to secure transparency and objectivity, the remuneration of directors who are not Audit & Supervisory Committee members will be determined by resolution of the Board of Directors, and for directors who are Audit & Supervisory Committee members, by consultation among the Audit & Supervisory Committee members, respectively, in line with a review by the Compensation Advisory Committee and within the ranges approved by the General Meeting of Shareholders. The remuneration of executive officers will be determined by resolution of the Board of Directors based on a review by the Compensation Advisory Committee. [3.1(iii), 4.3, 4.6, 4.10.1]
- (3) The remuneration of directors who are not Audit & Supervisory Committee members will consist of fixed compensation (“Fixed Compensation”), bonuses linked to short-term business performance (“Bonuses”) and stock compensation linked to medium- to long-term business performance (“Stock Compensation”) as follows:
  - Fixed Compensation is determined according to the position and responsibilities of the person concerned;
  - The ratio between the base amount of cash compensation (Fixed Compensation and Bonuses) and that of Stock Compensation is set approximately at 80% and 20% respectively;
  - The ratio between the base amount of Fixed Compensation and that of performance-based compensation (Bonuses and Stock Compensation) for the president is set approximately at 50% for each. For other directors, the ratios are determined proportionately to that for the president, according to the factors such as their responsibilities and the general level of compensation;
  - The target indicators for Bonuses are consolidated net sales and operating income set in the performance targets in the 2023 Medium-Term Management Plan. Bonuses are paid at a certain fixed time every year in the amount determined according to the base amount predetermined based on the degree of achievement towards those targets;
  - The target indicators for Stock Compensation are the consolidated ROE, the operating income (both before goodwill amortization) and the net sales of new business domains set in the performance targets in the 2023 Medium-Term Management Plan. The number of shares of the Company to be allotted is determined according to the degree of achievement toward the cumulative amount of those targets set for each of the three fiscal years concerned; and
  - Retirement benefits for directors will not be paid.

Executive Directors who also serve as executive directors of subsidiaries may not be paid Bonuses or Stock Compensation, considering the remuneration paid by subsidiaries and their duties in the Company. Compensation of outside directors and directors who are Audit & Supervisory Committee members who mainly fulfill management supervision function consists of monthly Fixed Compensation only. [3.1(iii), 4.2, 4.2.1]

## **10. Accounting auditor [3.2, 3.2.1, 3.2.2]**

- (1) In order to secure the proper execution of audits by the external accounting auditor, the Company will give adequate time for them to perform audits, as well as the time to interview the senior management, such as representative directors or officers in charge of accounting/finance, and provide them with opportunities to exchange opinions or coordinate with outside directors, Audit & Supervisory Committee members, the accounting/financial department and the internal audit department.

In case the external accounting auditor has identified inadequacies or concerns and sought appropriate responses, either a member(s) of the senior management, full-time Audit & Supervisory Committee members or heads of each relevant department, depending on the importance of the issue, will respond thereto by endeavoring to correct inadequacies and implementing other appropriate measures. [3.2.2]

- (2) When appointing and evaluating an external accounting auditor, the Audit & Supervisory Committee will verify whether it has independence and expertise, after taking into account various evaluation criterion in a comprehensive manner, such as whether (a) its independence is secured, (b) it has expertise and an abundant track record of audits, (c) it has the size and global network to efficiently conduct the auditing of the Group which develops business within and outside Japan, (d) its auditing structure is well-organized, (e) its audit guidelines and auditing fee are reasonable, and (f) with respect to the current external accounting auditor, its auditing methods and results are appropriate. [3.2.1]

## **V. Dialogue with shareholders and investors**

### **1. Policies concerning Disclosure of Information and Constructive Dialogue with Shareholders and Investors**

- (1) In order to attain sustainable growth and the increase of corporate value over the mid- to long-term, GLORY believes that it is important to engage in proactive dialogue with shareholders, listen to shareholders' opinions and reflect them in management. Under such belief, the Company has established the "Policies concerning Disclosure of Information and Constructive Dialogue with Shareholders and Investors" (Attachment 2). Considering shareholder composition and other related factors, the Company will establish an English version of our website to provide corporate information, convocation notices of shareholder meetings, materials related to financial results, release letters and annual reports to foreign shareholders and investors. [3, 3.1, 3.1.1, 3.1.2, 5, 5.1.1, 5.1.2]
- (2) In order to promote dialogue with shareholders, the Company will conduct a survey every year to identify the beneficial shareholders that are not identifiable from the shareholder registry and endeavor to keep track of our shareholder composition. [5.1.3]

## **VI. Amendment or abolition of these Guidelines**

### **1. Amendment or abolition of these Guidelines**

Any amendment or abolition of these Guidelines requires a resolution of the Board of Directors. However, minor amendments may be made upon approval of the president. With respect to the revision or abolition of matters related to the Audit & Supervisory Committee, the consent of the Audit & Supervisory Committee shall be obtained.

End.

**Supplemental provisions (Chronology of these Guidelines)**

1. These Guidelines are effective from February 26, 2016.
2. These Guidelines are partially amended as of June 27, 2018.
3. These Guidelines are partially amended as of December 26, 2018.
4. These Guidelines are partially amended as of June 21, 2019.
5. These Guidelines are partially amended as of June 26, 2020.
6. These Guidelines are partially amended as of June 25, 2021.
7. These Guidelines are partially amended as of December 24, 2021.

## Attachment 1

### Independence Standards for Independent Outside Directors

Independent outside directors must not fall under any of the following.

1. Any person who is currently, or at any point in the past ten years has been, an executive of the Company or any of its subsidiaries.
2. Any person who is a major client or supplier<sup>\*1</sup> of the Company or for whom the Company is a major client or supplier (or any executing person of the said major client or supplier if the client or supplier is a legal entity).
3. Any consultant, accounting or legal professional who receives a large amount<sup>\*2</sup> of monetary consideration or any other property from the Company besides compensation as a director (or a person belonging thereto if the consultant, accounting or legal professional is a legal entity).
4. Any person who receives a large amount<sup>\*2</sup> of financial contributions or support from the Company (or a person belonging thereto if the person is a legal entity).
5. Any person who is a major shareholder of the Company (or any executive of the said major shareholder if the shareholder is a legal entity).
6. Any person who has fallen under any of 2. through 5. above in the past three years.
7. A spouse or any family member within the second degree of kinship of any person (excluding those not in material positions<sup>\*3</sup>) listed in 1. through 5. above.

- \*1 (i) A client or supplier with whom the Company's average transaction value for the past three business years exceeds 2% of the consolidated net sales of the most recent business year of the Company or the client or supplier; or
- (ii) A financial institution from which the Company is borrowing money and from which the average of the amount borrowed by the Company as of the last day of the past three business years exceeds 2% of the consolidated total assets as of the last day of the most recent business year of GLORY.

- \*2 The average amount received during the past three business years exceeds (i) 10 million yen in the case of individuals or (ii) 2% of the gross revenue of the most recent business year of the said legal entity in case of a legal entity.

- \*3 "Material positions" means directors, audit & supervisory board members, executive officers or employees with senior management positions (such as division heads).

End.



## Attachment 2

### **Policies concerning Disclosure of Information and Constructive Dialogue with Shareholders and Investors**

#### **Basic policy**

GLORY (the “Company”) commits to the philosophy of “communicating with stakeholders and striving for appropriate information disclosure” defined in its Corporate Action Guidelines. Based on this philosophy, the Company strives to enhance the transparency of its management through prompt, accurate and fair means of providing the latest corporate information and to gaining a better understanding of its management policies and business activities through constructive dialogue, thereby building long-term relationships of trust with shareholders and investors.

#### **1. Disclosure policy**

##### **(1) Information disclosure**

###### **(i) Information disclosure standards**

The Company discloses its corporate information in accordance with the Companies Act, Financial Instruments and Exchange Act and other laws and regulations as well as with the timely disclosure rules of the Tokyo Stock Exchange (the “Timely Disclosure Rules”), where the Company’s stock is listed. Additionally, with respect to the information that is not covered by the Timely Disclosure Rules, including non-financial information, the Company endeavors to voluntarily disclose such information taking into consideration the timeliness and fairness of information disclosure, to the extent that the Company believes such disclosure is useful for shareholders and investors to reach investment decisions.

###### **(ii) Methods of disclosure**

In disclosing the corporate information covered by the Timely Disclosure Rules, the Company utilizes the Timely Disclosure Network (TDnet) service provided by the Tokyo Stock Exchange. Additionally, all corporate information disclosed through TDnet is posted on the Company’s website immediately after TDnet disclosure. Furthermore, with respect to the information not covered by the Timely Disclosure Rules, the Company endeavors to ensure that such information is disseminated with accuracy and fairness through suitable methods.

###### **(iii) Procedures for disclosure**

The Company has established a Disclosure Committee to facilitate timely and appropriate disclosure of corporate information. The Committee is chaired by the Chief Information Officer and comprises the managers of several departments to enable cross-sectoral discussions.

The internal procedures for disclosures are as follows: upon occurrence of any “corporate decision,” “facts” or “earnings results” (as defined in the Timely Disclosure Rules) concerning the Company or its subsidiaries that could affect investment judgments by shareholders and investors, the Disclosure Committee holds deliberations about whether to disclose the information and about the timeliness and appropriateness of such disclosure, after which the Company will

make disclosure following a resolution of the Board of Directors. Any information that would require urgent disclosure may be disclosed with an approval of the Company president, provided that, upon disclosure, the president will notify the Board of Directors of the contents and the background of the disclosure.

(iv) Management of insider information

The Company enforces strict control over confidential information based on its internal rules concerning insider information to prevent external leaks of such information and insider trading.

(2) Handling information on earnings forecast and future outlook

Whenever the Company announces earnings forecasts, future prospects and other forward-looking information, such announcement will be made with cautionary statements to the effect that such information is based on the facts currently available to the Company and certain assumptions which the Company regards as legitimate, that it includes known or unknown risks and uncertainties, and that a number of factors could cause actual results to differ materially from those described in such forward-looking statements.

(3) Quiet period

For the purpose of preventing leaks of information on financial results, the Company observes a quiet period from the day following the end of each fiscal quarter until the announcement of financial results for such quarter. During the quiet period, the Company refrains from answering any questions or having interviews involving financial results in the applicable financial period. However, if there is an event covered by the Timely Disclosure Rules during the quiet period, disclosure will be made as to such event in accordance with the Rules.

## 2. Constructive dialogue

The Company will streamline and consolidate its framework and implements activities for constructive dialogue with shareholders and investors with the aim of ensuring continued growth of the Company and enhancing its corporate value on a medium and long-term basis, as follows:

- (1) The officer in charge of investor relations (the “IR Officer”) supervises all activities involving dialogue. Additionally, a specialized department (“IR Department”) is established to take charge of conducting dialogue and coordinating with various sections assisting the dialogue, such as corporate planning, accounting and finance, and legal affairs.
- (2) All requests from shareholders and investors for meetings are complied with by the president, IR Officer, directors, executives, and/or general managers concerned, depending on the purposes of requested meetings.
- (3) To increase opportunities for constructive dialogue, the Company proactively plans various events, such as holding investor information meetings in which the Company president and the IR Officer will make presentations, arranging meetings with Japanese and foreign investors, and hosting showroom and factory tours after shareholders meetings.
- (4) The IR Officer shares opinions and requests received from shareholders and investors with other executives at the Board of Directors meetings and in other appropriate opportunities.

End.