

## Policy for Selection and Removal of Officers

Hokkan Holdings Limited (hereinafter referred to as “the Company”) hereby sets down its policy on the selection and removal of directors and Audit & Supervisory Board members (henceforth collectively “officers”) as below, in order to increase transparency of management and reinforce corporate governance, as well as planning for making provisions for speedier decision-making and delegation of authority.

### 1. Size and composition of Board of Directors and Audit & Supervisory Board

The size and composition of the Company’s Board of Directors and Audit & Supervisory Board will be determined according to the policy below.

- (1) In consideration for the business characteristics of the individual Group companies and the role of the Company as a holding company, the Board of Directors of the Company will be of a size necessary to allow for speedy decision making and delegation of authority, and an appropriate number of directors will be chosen within the limit of ten as set out in the articles of incorporation.
- (2) In selecting candidates for directors, in addition to the knowledge and abilities necessary to promote the healthy management of the Company, the selection process will consider the need to ensure diversity within the board, including the ratio of outside directors and women directors. At least one third of the directors should be outside directors independent of the Company.
- (3) The Audit & Supervisory Board of the Company will consist of an appropriate number of members, up to five, as laid down in the Articles of Incorporation. In the selection of candidates for Audit & Supervisory Board members, consideration will be given to the experience and insight necessary to carry out auditing of the Company and Group companies, as well as expertise in finance, accounting, and law, to ensure a good balance within the Audit & Supervisory Board as a whole.

### 2. Criteria for selection of candidates for officers

- (1) In selecting candidates to serve as officers of the Company, in addition to outstanding character, expertise, ability, and experience, the candidate must possess excellent moral values, and be a person who will work proactively to achieve sustainable growth for the Company and improvement of medium- and long-term corporate value, while strictly adhering to the code of conduct determined by the Board of Directors.
- (2) Candidates for officers must be able to dedicate the time and energy necessary to fulfill their roles and duties appropriately. Candidates may be directors concurrently in no more than four other listed companies, and must in principle attend at least approx. 85 percent of Board of Directors meetings.

### 3. Selection criteria for outside directors

In selecting external directors and external Audit & Supervisory Board members (hereinafter referred to collectively as “outside officers”), candidates should be able to fulfil the roles and responsibilities expected of them as described below, in addition to the criteria listed above.

- (1) To provide advice on management policy and improvements in the way the Company’s business is managed, based on their own insights, in order to encourage

the sustainable growth of the Company, from a perspective of improving the medium- and long-term corporate value.

- (2) To oversee the management of the company through important decisions at the Board of Directors
- (3) To oversee any conflicts of interest between the Company and the management team<sup>\*1</sup> of the Group as well as major shareholders<sup>\*2</sup>
- (4) To reflect appropriately the opinions of stakeholders at the Board of Directors from a perspective independent of the Group's management and major shareholders.

#### 4. Decision criteria regarding the independence of outside officers

Outside directors and outside Audit & Supervisory Board members (hereinafter referred to collectively as "outside officers") and candidates for outside officers will be considered to be independent if none of the following criteria applies.

- (1) A business executor<sup>\*3</sup> or Audit & Supervisory Board member (not including outside Audit & Supervisory Board members) of the Group, or has been in either of these positions within the past ten years
- (2) A person who has the Group as a major business partner<sup>\*4</sup> or is business executor of such an entity
- (3) A major business partner of the Group or a business executor of such an entity
- (4) Any consultant, certified accountant, or legal professional who receives payments of large amounts of money or other assets<sup>\*5</sup> from the Group except directors remuneration (or any member of a corporation, association, or other group receiving such payment)
- (5) Any person receiving substantial donations or assistance<sup>\*6</sup> from the Group, or business executors of any corporation, association, or other organization receiving such assistance
- (6) Any major shareholder or business executor of the Company
- (7) Any person for whom any of items (2) through (6) has applied within the past three years
- (8) Relatives within the second degree of persons listed below (limited to persons in department manager (*bucho*) positions and above for employees)
  - i. Business executors and Audit & Supervisory Board members of the Group and persons who have been business executors or Audit & Supervisory Board members of the Group within the past three years
  - ii. Any person for whom any of items (2) through (7) listed above applies

#### 5. Officer nomination review committee

In order to ensure transparency in processes relating to selection of candidates for officers and removal of directors, and to verify the suitability of policies including those relating to the diversity of the Board of Directors, selection and removal of directors, and knowledge and abilities (skills) that directors are expected to demonstrate, as well as the implementation status of succession plans, the Company will establish an officer nomination review committee, a majority of whose members will be outside directors independent of the Company.

The number of members and makeup of the officer nomination review committee will be determined separately, and disclosed appropriately.

#### 6. Procedures relating to selection of candidates for officers

- (1) In selecting candidates for officers, the officer nomination review committee will compile a personnel proposal in accordance with these criteria, the code of conduct

determined by the Board of Directors, and internal rules applying to the officer nomination review committee and, after gaining the agreement of the Audit & Supervisory Board to the list of candidates for Audit & Supervisory Board members, submit the proposal to the Board of Directors.

- (2) The Board of Directors will determine selection following deliberations carefully considering the personnel proposal submitted by the officer nomination review committee.

#### 7. Criteria and procedures for dismissal of directors

- (1) If a director infringes any law or regulations or the Company's articles of incorporation, or any other situation arises in which it is felt that it will be difficult for the director to fulfil his or her duties appropriately, following deliberations on measures to be taken with regard to the director based on the regulations of the Board of Directors and the criteria for dismissal set out in items i. to v. below, the officer nomination review committee will compile a proposal on measures to be taken and submit it to the Board of Directors.
  - i. If any of the causes for disqualification laid out in the Companies Act, Article 331, Clause 1 is applicable.
  - ii. Any inappropriate relationships with anti-social elements or criminal organizations or involvement in conduct damaging to public order and morals
  - iii. Serious damage has been caused or is likely to be caused to corporate value owing to negligence of duty
  - iv. When it is judged that it will be difficult for a director to continue his or her duties for health reasons
  - v. If it is judged that a director does not meet the qualities required by these criteria and the code of conduct as laid down by the Board of Directors.
- (2) The Board of Directors will determine measures to be taken following deliberations carefully considering the proposal submitted by the officer nomination review committee.

\*1 “Management team” refers to directors (not including outside directors) and executive officers

\*2 “Major shareholder” refers to a person who holds directly or indirectly 10% or more of voting rights in the Company

\*3 “Business executor” refers to directors (not including outside directors) and their employees

\*4 “Major business partner” refers to cases where the amount paid or received in business dealings with the Group accounts for 2% or more of consolidated sales either for the Group or for the business partner.

\*5 “Large amount of money or other assets” refers to any amount exceeding 10 million yen in the case of an individual in the most recent business year, or an amount exceeding 2% of consolidated sales or total revenue in the event that the entity receiving said assets is a corporation, association, or similar organization.

\*6 “Substantial donations or assistance” refers to any donation or other assistance exceeding 10 million yen in the most recent business year

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