

# **Valuence Holdings Inc. Corporate Governance Basic Policy**

## **Chapter 1 General Provisions**

### **1. Basic Approach to Corporate Governance and the Aim of the Corporate Governance Basic Policy**

Valuence Holdings Inc (hereinafter the "Company") believes that ensuring fairness and transparency in management and performing active management are the key to corporate governance. The Company defines the Corporate Governance Basic Policy (hereinafter the "Basic Policy") with the aim of enhancing its corporate governance and thereby continuing to improve its corporate value over the medium- to long-term.

### **2. Purpose of the Basic Policy**

The Basic Policy serves as the code of conduct as the Company's officers and employees work to advance corporate governance.

### **3. Establishment, Revision and Abolishment of the Basic Policy**

The establishment, revision and abolishment of the Basic Policy, except for minor modifications, shall be subject to the resolution of the Board of Directors.

## **Chapter 2 Corporate Governance System**

### **1. Organization**

The Company has adopted the organizational form of a company with Audit and Supervisory Committee under the Companies Act, with the Board of Directors making important management decisions, supervising the execution by directors of their duties and the Audit and Supervisory Committee auditing the execution by directors of their duties. In order to ensure speedy decision-making in business execution, the Company shall regularly hold the Executive Management Meeting, which is comprised of internal directors and other members.

### **2. The Board of Directors**

#### **(1) Roles and responsibilities of the Board of Directors**

The Board of Directors shall appreciate its fiduciary duties and accountability to shareholders and

fulfill the following roles as it decides the Company's important business execution matters and supervises the execution by directors of their duties:

- (i) Formulate and disclose the Company's management plan and show the direction the Company should follow.
- (ii) Ensure an environment that supports appropriate risk-taking by executive directors and others.
- (iii) Supervise business execution by directors and employees from an objective standpoint.
- (iv) Provide appropriate supervision of succession plans for the president and other officers.

(2) Composition and term of the Board of Directors

- (i) The number of directors who are not members of the Audit and Supervisory Committee shall be not less than five and not more than ten in view of ensuring diversity in views and efficient management. The number of directors who are members of the Audit and Supervisory Committee shall be not less than three and not more than five.
- (ii) From the viewpoint of ensuring independence, the maximum term of office for outside directors shall be, in principle, five years for directors who are not members of the Audit and Supervisory Committee and ten years for directors who are members of the Audit and Supervisory Committee.
- (iii) The number of independent outside directors shall account for at least one-third of the total number of the members of the Board of Directors, and the Company shall make every effort to make the ratio more than 50%.
- (iv) In order for the Board of Directors to fulfill its roles and responsibilities effectively, the Company shall endeavor not only to secure a well-balanced composition of the Board of Directors in terms of knowledge, experience, and capabilities but also to ensure that the Board of Directors is composed of diverse members, based on the recognition that diversity in gender, nationality, professional career, age, and other factors contribute to the promotion of the Company's business and the supervision of management.
- (v) The Company shall establish the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to complement the functions of the Board of Directors.

(3) Assessment of the Board of Directors

The Board of Directors shall self-assess the effectiveness of the Board of Directors as a whole annually and disclose a summary of the results of the assessment.

(4) Management of the Board of Directors Meeting

In order to ensure constructive discussion and exchange of views at meetings of the Board of Directors, the Company shall distribute meeting materials to the board members in advance and shall, depending on the content of proposals for the meeting, provide a pre-meeting briefing and other relevant support for the board members. In addition, the Company shall prepare a schedule for meeting of the Board of Directors in advance and determine the number of items for deliberation and the frequency of the meeting appropriately to secure sufficient time for deliberation.

### **3. Audit and Supervisory Committee**

(1) Roles and responsibilities of the Audit and Supervisory Committee

The Audit and Supervisory Committee shall appreciate its fiduciary duties to shareholders, actively

and proactively exercise its authority under laws and regulations and fulfill its roles and responsibilities including auditing of the execution by directors of their duties and appointment and dismissal of financial statement auditors.

(2) Structure of the Audit and Supervisory Committee

- (i) The Audit and Supervisory Committee shall be composed of not less than three and not more than five directors selected by the resolution of the general meeting of shareholders.
- (ii) The majority of the members of the Audit and Supervisory Committee shall be independent outside directors.

#### **4. Nomination and Compensation Committee**

(1) Roles and responsibilities of the Nomination and Compensation Committee

The Nomination and Compensation Committee shall deliberate on the following matters as consulted by the Board of Directors and provide advice and recommendations for the Board of Directors:

- (i) Matters regarding the appointment and dismissal of directors.
- (ii) Matters regarding the selection and dismissal of representative directors and directors with special titles and their authority and others.
- (iii) Matters regarding the compensation, etc. of directors.
- (iv) Matters regarding succession plans (including development plans).
- (v) Other important management matters that are deemed necessary by the Board of Directors.

(2) Structure of the Nomination and Compensation Committee

- (i) The Nomination and Compensation Committee shall be composed of not less than three directors selected by the resolution of the Board of Directors.
- (ii) The majority of the members of the Nomination and Compensation Committee shall be independent outside directors.

#### **5. Selection of Candidates for Directors**

(1) Appointment of candidates for directors shall be deliberated on by the Nomination and Compensation Committee in a fair and transparent manner and shall be determined by the Board of Directors, provided that the Board of Directors shall respect the content of advice and recommendations from the Nomination and Compensation Committee and obtain approval of the Audit and Supervisory Committee in advance.

(2) Selection criteria for candidates for directors shall be as follows:

- (i) The candidates shall embrace the management philosophy of the Company Group and embody its values at high levels, have a wealth of experience and outstanding abilities and discernment, and be able to contribute to further growth of the Company Group.
- (ii) The candidates for outside directors shall have a wealth of experience and outstanding expertise in specialty areas such as corporate management, law, accounting, and management strategy, etc.

- (iii) The candidates for directors who are Audit and Supervisory Committee members shall be able to contribute to promoting fair and transparent management by, among others, auditing the execution by directors of their duties and appointing and dismissing financial statement auditors from an impartial and objective standpoint. The Company shall endeavor to ensure that at least one of the directors who are Audit and Supervisory Committee members has sufficient expertise in finance and accounting in particular.
- (3) In the document for reference for a proposal of the selection of directors, the reason for selection and the status of important concurrent positions shall be disclosed regarding each of the candidates for directors.
- (4) Reasons for disqualification of candidates for directors are, in addition to those stipulated under laws and regulations, as follows:
  - (i) It is found that the candidate has a relation with anti-social forces.
  - (ii) It is found that the candidate has committed a violation in duties of any law or regulation or the Company's internal regulations or a serious violation of any law or regulation, etc., in private matters.

## **6. Dismissal of Directors**

- (1) If an event occurs to a director that meets any of the following dismissal criteria, the Nomination and Compensation Committee shall discuss whether dismissal of the director is advisable and report the results of the discussion to the Board of Directors and the Board of Directors shall make a decision on a proposal of dismissal of the director. Dismissal of directors shall be carried out in accordance with the procedure stipulated under the Companies Act.
- (2) The dismissal criteria for directors shall be as follows:
  - (i) The director has difficulty in continuing to execute duties for health reasons.
  - (ii) The director has significantly impaired the Company's corporate value due to willful misconduct or gross negligence.
  - (iii) It is found that the director does not have the qualifications stipulated in the selection criteria for directors.

## **7. Compensation, etc., of Directors**

- (1) The compensation, etc., of directors shall be commensurate with their duties and responsibilities, shall be deliberated on by the Nomination and Compensation Committee in a fair and transparent manner within the limit of the amount resolved by the general meeting of shareholders, and shall be determined by the Board of Directors, provided that the Board of Directors shall respect the content of advice and recommendations from the Nomination and Compensation Committee.
- (2) The compensation, etc., of directors who are Audit and Supervisory Committee members shall be based on a system different from that for the compensation, etc., of directors and shall be determined by the discussion of the Audit and Supervisory Committee within the limit of the amount resolved by the general meeting of shareholders.

- (3) A certain portion of the compensation etc. of directors shall be composed of compensation linked to the Company's performance and stock compensation linked to the Company's corporate value in order to encourage directors to demonstrate sound entrepreneurship and thereby improve the Company's corporate value, provided that the compensation of independent outside directors shall be fixed compensation only in view of their roles.

## **8. Independent Outside Directors**

### **(1) Requirements for independence**

Independent outside directors are outside directors who are not likely to have a conflict of interest with general shareholders and are designated as independent officers by the Company in the notification to Tokyo Stock Exchange, Inc. Specific requirements for independence shall be stipulated in the "Criteria for Determining the Independence of Outside Directors".

### **(2) Roles and responsibilities of independent outside directors**

Independent outside directors shall fulfill the following roles in order to contribute to attaining sustainable growth of the Company Group and improving the Company's corporate value over the medium- to long-term:

- (i) Based on their expertise, provide advice with the aim of promoting sustainable growth of the Company Group and improving the Company's corporate value over the medium- to long-term.
- (ii) Supervise management of the Company through decision-making on important matters at the Board of Directors.
- (iii) Provide supervision of conflicts of interest between the Company Group and management, majority shareholders, etc.
- (iv) Reflect the opinions of stakeholders, including minority shareholders at meetings of the Board of Directors from a standpoint independent of management and majority shareholders.

### **(3) Selection of a lead independent director**

A lead independent director shall be selected by resolution of the Board of Directors. The lead independent director shall fulfill the following roles:

- (i) Communicate with investors as needed.
- (ii) Provide liaison and coordination with management.
- (iii) Convene executive sessions.

### **(4) Executive session**

Independent outside directors shall, if they deem necessary, convene an executive session that shall be composed of independent outside directors only.

## **9. Support System and Training for Directors**

- (1) The Company shall put in place a system necessary and sufficient for directors to fulfill their roles and responsibilities.
- (2) The Company shall continue to provide directors with information about the Company's business operations and an opportunity to acquire knowledge to the extent necessary for directors to fulfill

their roles and responsibilities at the time of they take office and afterwards.

## **10. Internal Control**

The Board of Directors shall establish a department in charge of internal audit and put in place a system to manage risks and prevent risk events and shall ensure compliance and proper financial reporting and supervise the operational status of the risk management system.

## **11. Internal Reporting System**

The Company shall put in place an internal reporting system that has both internal and external contact points, establish internal regulations to ensure that the informants remain anonymous and protected and forbid disadvantageous treatment of the informants, and require officers and employees to appreciate and observe the regulations. The Board of Directors shall provide supervision to see if the internal reporting system is operated effectively.

# **Chapter 3 Relationships with stakeholders**

## **1. Relationships with Shareholders**

### **(1) Securing shareholders' rights**

The Company shall treat all shareholders equally based on their shareholding in the Company and take proper measures to ensure that shareholders' rights are secured in effect.

### **(2) Respecting voting rights**

The Company shall recognize the general meeting of shareholders as the supreme decision-making body of the Company and ensure a proper environment that is conducive to the exercise of the rights of the general meeting of shareholders by taking the following measures:

- (i) The Company shall make efforts to ensure a proper environment and provide relevant information, including appropriate scheduling of the general meeting of shareholders, so that shareholders can properly exercise their rights.
- (ii) The Company shall endeavor to send a notification of a general meeting of shareholders early so that shareholders can have sufficient time to consider proposals for the meeting and shall in advance disclose the content of the notification on the Company's website, etc.
- (iii) The Company shall put in place an environment in which all shareholders can properly exercise their voting rights by voting on the Internet.
- (iv) The Company shall establish in its rules for treatment of shares procedures for the exercise of the special rights granted to minority shareholders with respect to listed companies and their officers in order to ensure that the exercise of these rights will not be obstructed in effect.
- (v) If an institutional investor, etc., who holds shares in the Company in the name of a trust bank, etc., expresses its intent in advance to exercise shareholder's rights, including voting rights, in a general meeting of shareholders, the Company shall hold discussions with the nominal shareholder or trust bank, etc., to decide whether the institutional investor, etc., can attend a

general meeting of shareholders.

- (vi) The Company shall sincerely accept results of the exercise of voting rights in general meetings of shareholders. If 10% or more of the votes have been against a proposal, the Board of Directors shall analyze factors that have led to the result and utilize the outcome of the analysis in the communication with shareholders.

(3) Constructive communication

In order to promote constructive communication with shareholders, the Company shall work to put in place a proper system and take appropriate measures in accordance with the following policy:

- (i) Communication with shareholders shall be led by the representative director and president and managed by an officer and a department in charge of investor relations, provided that the officer and the department shall organically cooperate with related departments.
- (ii) Communication with shareholders shall be addressed by directors, including the president, to a reasonable extent.
- (iii) The Company shall make efforts to develop relationships with shareholders and work to improve means of communication (individual interviews, briefings and online disclosure).
- (iv) The department in charge of investor relations shall provide feedback to the Board of Directors on opinions offered in communication with shareholders.
- (v) The officer in charge of the Administration Division shall ensure that rigorous information management measures are implemented under the Company's internal information management regulations to prevent the disclosure of insider information in communication with shareholders.

(4) Enhancing information disclosure

The Company shall properly disclose information pursuant to laws and regulations while also, in addition to disclosure under laws and regulations, voluntarily working to provide information. Further, the Company shall endeavor, to a reasonable extent, to disclose and provide information in English in view of equity in information disclosure for investors within and outside Japan.

(5) Protecting shareholders' rights

- (i) In implementing a capital policy that could lead to a change in control or a significant dilution in shareholders' equity positions, the Board of Directors shall examine the necessity and rationality of the policy and put proper procedures in place while also offering shareholders sufficient explanation to ensure that existing shareholders will not be put at an unfair disadvantage.
- (ii) If a takeover bid is offered for the Company's shares, the Board of Directors shall immediately express its views about the takeover bid to shareholders and the Company shall respect the rights of shareholders and, in principle, not prevent the exercise of their rights to accept the takeover bid and sell their shares.
- (iii) The Company shall not adopt anti-takeover measures. If the Company adopts and implements anti-takeover measures, the Board of Directors and the Audit and Supervisory Committee shall, in view of proper fulfillment of their fiduciary duties to shareholders, thoroughly examine the necessity and rationality of the measure and put proper procedures in place while also offering shareholders sufficient explanation, to ensure that the measures are not for the purpose of protecting the personal interests of the members of management and the Board of

Directors.

(iv) The Company shall not make any transactions without economic rationality with companies that hold shares in the Company. If any of those companies expresses its intent to sell their shares, the Company shall not prevent the sale.

(6) Policy for cross-shareholdings

The Company shall not hold shares in listed companies as cross-shareholdings.

(7) Transactions with related parties

The Company shall provide proper supervision of transactions with related parties by obtaining approval from or reporting to the Board of Directors to ensure that those transactions will not harm the interests of the companies and the common interests of the shareholders.

## **2. Relationships with Stakeholders Other Than Shareholders**

The Company shall endeavor to cooperate not only with shareholders but with employees, customers, business partners, creditors, local communities where the Company operates, and other various stakeholders in order to achieve sustainable growth and improve its corporate value over the medium- to long-term.

In addition, the Company shall work to address sustainability issues, including social and environmental problems, through its business activities, while also making efforts to ensure diversity, including empowerment of women.

### Supplementary Provisions

1. This Basic Policy shall come into effect as of June 24, 2021.
2. This basic policy was amended on August 25, 2022 and will go into effect on the same date.