

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect, or any other forms of damages arising from this translation.

## CORPORATE GOVERNANCE

Valuence Holdings Inc.

Last Updated: July 14, 2023

Valuence Holdings Inc.

Shinsuke Sakimoto, Representative Director

Inquiries: Corporate Planning Division (+81-3-4580-9983)

Securities Code: 9270

<https://www.valuence.inc/en/>

This document provides an overview of Valuence Holdings Inc. corporate governance.

## I. Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information

### 1. Basic Philosophy

Valuence Holdings Inc. (the “Company”) has established a Basic Policy on Corporate Governance based on the belief that ensuring fair, transparent, and vitalized management are the keys to corporate governance. Through the enhancement of corporate governance, the Company aims to enhance its corporate value on a sustainable and medium- to long-term basis.

### [Reasons for not implementing the principles in the Corporate Governance Code]

The Company adopts and implements the general principles defined under the Corporate Governance Code.

### 2. Capital Structure

Percentage of Shares Held by Foreign Nationals	10% or more but less than 20%
--	-------------------------------

### [Major Shareholders]

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
SF Property Management Inc.	7,368,200	56.97
Custody Bank of Japan, Ltd. (Trust Account)	783,500	6.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	781,600	6.04
Shinsuke Sakimoto	481,900	3.72
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	471,200	3.64
Kouji Sakimoto	448,000	3.46
Goldman Sachs Bank Europe SE, Luxembourg Branch	446,500	3.45
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	122,096	0.94
Custody Bank of Japan, Ltd. (Trust B Account)	95,800	0.74
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	88,637	0.68

Majority Shareholders (Excluding Parent Company)	SF Property Management Inc.
Parent Company	None

### Supplementary Explanation

- The above Percentage of Shares Held by Foreign Nationals and Majority Shareholders are as of February 28, 2023.
- The percentage of shares held has been calculated after excluding treasury shares (495,230 shares). The values are rounded down to the second decimal place.
- In a publicly available Report on Changes to Statement of Large Volume Holdings dated March 14, 2023, it is stated that as of March 9, 2023, VIS Advisors, LP held 981,100 shares, but as the Company has been unable to confirm the actual number of shares held as of February 28, 2023, this information is not included in the major shareholders above.

4. In a publicly available Report on Changes to Statement of Large Volume Holdings dated June 7, 2023, it is stated that as of May 31, 2023, Asset Management One Co., Ltd. and its joint holders Asset Management One International Ltd. held 797,800 shares, but as the Company has been unable to confirm the actual number of shares held as of February 28, 2023, this information is not included in the major shareholders above.

### 3. Corporate Overview

Stock Exchange Listing and Section	Tokyo – Growth
Fiscal Year-End	August
Industry Sector	Wholesale
No. of Employees at End of Previous Fiscal Year (Consolidated)	From 500 to less than 1,000
Net Sales in the Previous Fiscal Year (Consolidated)	From ¥10 billion to less than ¥100 billion
No. of Consolidated Subsidiaries at the End of Previous Fiscal Year	Less than 10

### 4. Guidelines on Measures to Protect Minority Shareholders During Dealings with Majority Shareholders

When considering transactions with controlling shareholders or close family members of said shareholders, the Company may, after deliberating the details and validity of the transaction at a meeting of the board of directors, approve such transactions. Such transactions are predicated on an underlying necessity, as well as board deliberation related to transaction details and validity. These transactions shall be subject to the same basic terms and conditions as normal transactions and approved regardless of the financial amount involved. Through this process, the Company strives to protect the interests of minority shareholders.

### 5. Other Special Conditions That May Have a Major Influence on Corporate Governance

—

## II. Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems

### 1. Matters Related to Institutional Structure and Organizational Operations

Organizational Form	Company with Audit and Supervisory Committee
---------------------	--

#### [Director Relationships]

No. of Directors Under Articles of Incorporation	15
Director Term of Service Under Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
No. of Directors	11
Appointment of External directors	Appointed
No. of External Directors	6
No. of External Directors Designated as Independent Officers	5

#### Relationships to the Company (1)

Name	Category	Relationship to the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hiroki Tomiyama	From another company											
Yoshihiko Takubo	Scholar											
Kenji Fuma	From another company											
Masahide Kamachi	Certified Public Accountant											
Takashi Goto	Attorney											
Emi Omura	Attorney											

\* Categories of Relationships to the Company

\* A ○ icon indicates a category applicable to the said person currently or recently. A △ icon indicates a category applicable to the said person in the past.

\* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

a Executive of the Company or its subsidiary

b Executive or non-executive director of the parent company of the Company

c Executive of a fellow subsidiary of the Company

d Person of the Company considered as a major client, or an executive of the said company

e Major client of the Company or an executive of the said company

f Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration

g Major shareholder of the Company (if the major shareholder is a corporation, an executive of the said corporation)

h Executive (said person only) of a client (not covered by items d, e, and f) of the Company

i Executive (said person only) of an entity with a mutual appointment of an outside member of the audit and supervisory board

j Executive (said person only) of an entity to whom the Company makes donations

k Other relationship

Relationships to the Company (2)

Name	Audit and Supervisory Committee Members	Independent Officers	Supplementary Explanation Related to Applicable Items	Reason for Selection
Hiroki Tomiyama		Yes	—	As a corporate manager at other companies, Mr. Hiroki Tomiyama possesses a wealth of experience and discernment. We have judged that he can be expected to utilize his experience and knowledge to enhance the soundness and transparency of decision-making at the Company, etc., through his effective advice on the management of the Company as a whole. We believe Mr. Tomiyama meets the standards of independence, as there are no special interests between Mr. Tomiyama and the Company that would have a potential conflict of interest with general shareholders of the Company.
Yoshihiko Takubo		Yes	—	As a professor at Graduate School of Management, GLOBIS University over many years, Mr. Yoshihiko Takubo has developed expert knowledge in management, and possesses deep expertise in the environment surrounding corporate management. We have judged that he can be expected to continue to monitor the management of the Company based on his knowledge and experience, while also contributing to the further growth of the Company's Group by providing advice on the Company's Group's management as a whole. We believe Mr. Takubo meets the standards of independence, as there are no special interests between Mr. Takubo and the Company that would have a potential conflict of interest with general shareholders of the Company.
Kenji Fuma			—	Mr. Kenji Fuma has managed a company that provides advisory services related to sustainability and ESG investment since 2013, and possesses a wealth of experience and achievements as well as advanced insight. We have received his practical and objective advice and suggestions in the Company's Group's ESG strategies, and therefore, we have judged that he can be expected to further strengthen the ESG systems of the Company's Group.
Masahide Kamachi	Yes	Yes	—	Mr. Masahide Kamachi possesses advanced expert knowledge developed as a certified public accountant, in addition to a wealth of experience as an outside officer at other companies. We have judged that he can be expected to accomplish a significant role in the supervision of business execution, etc., as an Audit and Supervisory Committee Member. We believe Mr. Kamachi meets the standards of independence, as there are no special interests between Mr. Kamachi and the Company that would have a potential conflict of interest with general shareholders of the Company.

Name	Audit and Supervisory Committee Members	Independent Officers	Supplementary Explanation Related to Applicable Items	Reason for Selection
Takashi Goto	Yes	Yes	—	As a lawyer, Mr. Takashi Goto possesses a wealth of expert knowledge and experience in the law. In addition, he combines significant knowledge and character for exercising administration over corporate management. We have judged that Mr. Goto can be expected to accomplish a significant role in the oversight of business execution as a member of the Audit and Supervisory Committee. We believe Mr. Goto meets the standards of independence, as there are no special interests between Mr. Goto and the Company that would have a potential conflict of interest with general shareholders of the Company.
Emi Omura	Yes	Yes	—	Ms. Emi Omura possesses knowledge developed through many years of experience as an attorney, as well as advanced insight related to international law from her time working at international institutions. We have judged that she can be expected to actively offer her opinions concerning the Company's Group's global development and ESG initiatives. We believe Ms. Omura meets the standards of independence, as there are no special interests between Ms. Omura and the Company that would have a potential conflict of interest with general shareholders of the Company.

## [Audit and Supervisory Committee]

### Member Composition and Attributes of Chairperson

	Total No. of Members	No. of Full-time Members	No. of Internal Directors	Outside Director	Chairperson
Audit and Supervisory Committee	4	1	1	3	Outside director
Directors and Employees who Should Assist in the Duties of the Audit and Supervisory Committee	None				

### Reason for Adopting the Current System

Of the members of the Audit and Supervisory Committee, 1 internal director works full-time and conducts regular information gathering including attendance at important meeting bodies such as the Executive Management Meeting while ensuring appropriate communication of information in coordination with the internal auditing division. Therefore, there are no directors or employees who should assist in the duties of the Audit and Supervisory Committee. In the future, when the Audit and Supervisory Committee requests the personnel who should aid in these duties, these personnel shall be deemed as appointed/assigned.

### Coordination Among Members of the Audit and Supervisory Committee, Financial Statement Auditors, and Internal Auditing Division

The Audit and Supervisory Committee receives explanations of audit planning and reports on audit results from the accounting auditor, and monitors/verifies that the accounting auditor maintains an independent position and conducts appropriate audits. In addition, we share information once each quarter with internal auditing staff and the accounting auditor, share issues found in the audit process, and work to ensure appropriate audits. The Internal Audit Office regularly reports the results of internal audits to the representative director as well as to the Audit and Supervisory Committee, exchanging information on these occasions in the interest of mutual cooperation.

## [Optional Committees]

Establishment of an Optional Committee Corresponding to a Nominating Committee or Compensation Committee	Yes
--	-----

### Establishment Status of Optional Committees, Member Compositions and Attributes of Chairpersons

	Name of Committee	Total No. of Members	No. of Full-time Members	No. of Internal Directors	Outside Director	No. of Outside Experts	No. of Others	Chairperson
Optional Committee Corresponding to a Nominating Committee	Nomination and Compensation Committee	4	0	1	3	0	0	Outside director
Optional Committee Corresponding to a Compensation Committee	Nomination and Compensation Committee	4	0	1	3	0	0	Outside director

### Supplementary Explanation

The Company's Nomination and Compensation Committee is comprised of 3 or more directors with a majority of independent outside directors and includes 1 representative director, and have been appointed by the resolution of the board of directors. Currently, the Nomination and Compensation Committee is comprised of 4 members: Shinsuke Sakimoto, representative director; Yoshihiko Takubo, independent outside director (chairperson); Masahide Kamachi, independent outside director; and Takashi Goto, independent outside director.

The Nomination and Compensation Committee deliberates on the following matters as consulted by the board of directors, and reports to the board of directors.

- (1) Matters regarding the appointment and dismissal of directors (matters to be resolved by the general meeting of shareholders)
- (2) Matters regarding the selection and dismissal of representative director
- (3) Matters regarding the selection and dismissal of directors with special titles
- (4) Matters regarding the compensation, etc. of directors (excluding members of the Audit and Supervisory Committee)
- (5) Matters regarding the maximum compensation of directors (members of the Audit and Supervisory Committee) (matters to be resolved by the general meeting of shareholders)
- (6) Matters regarding the successor planning (including development)
- (7) Other important management matters that are deemed necessary by the board of directors

## [Independent Officer Relationships]

No. of Independent Officers	5
-----------------------------	---

### Other Items Related to Independent Officers

The Company has established the criteria for independence of outside directors (<https://www.valuence.inc/wp-content/uploads/2021/10/independence-criteria-en.pdf>) in order to ensure the independence of independent officers and to establish a corporate governance system. After assessing the independence of outside directors based on these criteria, the Company designates all outside directors who qualify as independent officers as independent officers.

## [Incentives]

Remunerative Incentives for Directors	Introduction of performance-linked compensation plan
---------------------------------------	--

### Supplementary Explanation

The Company has introduced 2 types of restricted stock compensation plans linked to short-term earnings and medium- to long-term corporate value, in order to enhance motivation to improve corporate earnings and increase corporate value, by strengthening the link between the compensation, etc., of directors and corporate earnings and the share price, and ensuring that directors share with shareholders not only the merits of increases in the share price, but also the risk of deterioration in earnings and a decline in the share price.

Persons Eligible for Stock Options	Employees, directors of subsidiaries, employees of subsidiaries
------------------------------------	---

### Supplementary Explanation

The Company has adopted a compensatory stock option system to increase incentive and motivation for improving corporate earnings.

## [Matters Related to Director Compensation]

Disclosure of Individual Director Compensation	The Company makes individual disclosure for some directors.
--	---

### Supplementary Explanation

The total amount of compensation, etc., for directors for the fiscal year ended in August 2022 is ¥220 million, which consists of ¥168 million for basic compensation, ¥49 million for performance-linked compensation (restricted stock compensation), and ¥2 million for retirement benefits. Any director whose total compensation is ¥100 million or more is listed in the Securities Report.

Policy for Determining Compensation Amount and Method of Calculation	Yes
--	-----

1. Policy for Determining Individual Compensation, etc., for Directors

(1) Basic compensation

Basic compensation consists of fixed monetary compensation paid monthly as consideration for the execution of duties by directors. The amount is a prescribed amount based on the position of the director and his or her role and contributions.

(2) Short-term performance-linked compensation (share-based compensation)

Short-term performance-linked compensation consists of restricted stock compensation paid each year as consideration for the director's contribution to short-term earnings and the improvement of corporate value. In restricted stock compensation, a number of shares equivalent to 25-40% of basic compensation is granted to the director in accordance with the position of the director and his or her role and contributions. After the transfer restriction period of 1 year has passed, transfer restrictions are lifted in accordance with the level of achievement of consolidated operating profit targets. If the level of achievement is 70-100%, transfer restrictions are lifted on the equivalent proportion of the restricted stock, with the Company acquiring any shares on which restrictions have not been lifted without consideration. Furthermore, if the level of achievement is less than 70%, the Company will acquire all shares without consideration.

(3) Long-term performance-linked compensation (share-based compensation)

Long-term performance-linked compensation consists of restricted stock compensation paid each year to directors as consideration for long-term earnings and the improvement of corporate value during their time in office. In restricted stock compensation, a number of shares equivalent to 25% of basic compensation is granted as a flat percentage to directors, regardless of their role. The transfer restriction period lasts until a director retires. Furthermore, if a director retires prior to the day before the day when the first Ordinary General Meeting of Shareholders is held after the first day of the transfer restriction period, the Company will acquire all applicable shares granted without consideration.

(4) Ratio of payment amounts by type of compensation, etc.

Based on the understanding that approaching management from a medium- to long-term perspective is important, when determining the proportions of basic compensation and share-based compensation, the Company prioritizes the level and stability of basic compensation, while also considering the enhancement of earnings over the medium to long term and shareholders' interests. Based on these factors, the Company sets the ratio of share-based compensation to basic compensation for directors at around 20-40%, depending on their responsibilities.

2. Methods for determining the content of compensation, etc.

(1) Nomination and Compensation Committee

In order to improve fairness, transparency, and objectiveness of procedures relating to the compensation, etc. of directors and to enhance corporate governance, the Company has established the Nomination and Compensation Committee, which consists of 1 representative director, as well as independent outside directors for a majority of its members.

(2) Method of determining compensation

The board of directors determines the policy for determining the individual compensation, etc., of directors, after deliberation by the Nomination and Compensation Committee. In addition, the board of directors determines the amounts of compensation for individual directors following deliberation by the Nomination and Compensation Committee and consultation with the committee, based on the aforementioned policy and taking into consideration such factors as the position of each director and his or her role and contribution. Furthermore, the compensation of directors who are members of the Audit and Supervisory Committee is determined by discussion among directors who are members of the Audit and Supervisory Committee.

## [Support System for Outside Directors]

With regard to the support system for outside directors, the Legal Division, which serves as the secretariat for the board of directors, sends materials regarding board meetings in advance to all officers including outside directors who are members of the Audit and Supervisory Committee, so that they can attend board meetings after understanding the specific details of the agenda. In addition, supplementary explanations are given as needed.



## 2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration (Overview of Current Corporate Governance System)

### 1. Board of Directors

The Company's board of directors is composed of 11 members: 7 directors who are not members of the Audit and Supervisory Committee, of which 3 are outside directors, and 4 directors who are members of the Audit and Supervisory Committee, of which 3 are outside directors. Of the total, 5 directors are independent outside directors.

The board meets regularly once per month, as well as in special board meetings convened as necessary. The board supervises business operations and makes important management decisions, including company policies and business strategy. Directors who are Audit and Supervisory Committee members attend all board of director meetings to audit the state of business execution by the directors.

### 2. Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of 4 members, of which 3 are outside directors. In principle, this committee meets once each month. In addition, the committee exchanges information and opinions with the financial statement auditors and Internal Audit Office as necessary, working to substantially improve audits.

### 3. Executive Management Meeting

In order to speed up and improve the efficiency of business execution, the Company holds, in principle, 2 meetings of the Executive Management Meeting each month. This meeting is comprised of directors (excluding non-executive directors) and executive officers to formulate business strategies, check progress, and share issues between departments. The executive management meeting functions effectively as an entity for directing and communicating important business matters, as well as in promoting a unified awareness organization-wide. The director who is a full-time member of the Audit and Supervisory Committee attends all meetings of the Executive Management Meeting, striving to grasp the situations within the Company as well as risks.

### 4. Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee as an optional advisory body to the board of directors. The Nomination and Compensation Committee consists of the representative director, and 3 outside directors to improve fairness, transparency, and objectiveness of the procedures relating to the nomination and compensation, etc. of directors and strive to enhance corporate governance.

### 5. Risk Management Committee

The Company has established the Risk Management Committee, chaired by the representative director. The Risk Management Committee meets once per month in principle and collects and analyzes organization-wide compliance and risk information and manages risks exhaustively and comprehensively.

### 6. ESG Promotion Committee

The Company has established an ESG Promotion Committee chaired by the director in charge to discuss important policies and measures related to ESG promotion. ESG Promotion Committee meets once per month in principle and reports to the Board of Directors on important issues directly related to management.

### 7. Internal Audits

The Company's internal audits are carried out by the Internal Audit Office (comprised of 4 members), established as an independent division directly reporting to the representative director. The Internal Audit Office, which belongs to a division independent from divisions receiving audits, confirms the status of compliance with various internal regulations as well as laws and regulations, confirms the operational status of internal control systems, and provides suggestions and warnings regarding matters including efficiency and safety based on the internal audit regulations. Internal audits on all areas of business are conducted based on the internal audit plan formulated at the beginning of each fiscal year and audit results are reported directly to the representative director in writing. The Internal Audit Office gives instructions for improvement to the divisions receiving audits based on the audit results, and ensures the effectiveness of the internal audits by having those divisions report the status of improvements without delay after the audits.

### 8. Evaluation of effectiveness of board of directors

The Company analyzes and evaluates the effectiveness of the board of directors as follows.

#### 1) Method of evaluation

The secretariat of the board of directors created an effectiveness evaluation survey after obtaining the opinion of an outside organization, and sent it to all directors, who each provided answers.

An outside organization was commissioned to analyze the results of the survey and provide a report to the board of directors together with a comparison of other companies. The secretariat for the board of directors also analyzed the results and considered proposals for measures to address issues, which were deliberated at a meeting of the board of directors.

#### 2) Survey items

The major items covered in the survey were as follows.

1. Composition of the board of directors
2. Operation of the board of directors
3. Discussions at meetings of the board of directors

4. Monitoring functions of the board of directors
5. Performance of directors
6. Systems to support directors
7. Dialogue with shareholders (investors)
8. Directors' own initiatives
9. General items

3) Survey results in relation to issues identified as a result of the previous fiscal year's effectiveness evaluation

In the previous fiscal year, issues were identified mainly in relation to the operation of the board of directors, the criteria for submitting proposals, and the creation of opportunities for medium- to long-term discussions. The survey results of this fiscal year show an evaluation that these issues are improved. It is especially confirmed that effectiveness is enhanced in the creation of opportunities for medium-term discussions.

4) Results of evaluation this fiscal year and future initiatives

This fiscal year, issues were identified in relation to the future structure of the board of directors, the strengthening of monitoring of overseas subsidiaries, and the increase of opportunities for site inspection and communication with employees. In the future, the Company will focus on making improvements in these areas.

### **3. Reasons for Selecting the Current System of Corporate Governance**

In order to speed up decision making and improve the agility of the board of directors, and to further improve corporate governance and enhance effectiveness through further strengthening of the monitoring system and supervisory function, the Company has adopted the system of a company with an Audit and Supervisory Committee.

### **III. Measures for Shareholders and Other Stakeholders**

#### **1. Efforts to Boost Participation in General Shareholders' Meetings and to Facilitate Exercise of Voting Rights**

	Supplementary Explanation
Early Notification of General Shareholder Meetings	The Company strives to close financial records quickly to facilitate sending convocation notices as early as possible.
Scheduling Meetings to Avoid Peak Meeting Day	The Company endeavors to avoid scheduling general shareholders' meetings during the peak meeting days in Japan.
Exercise of Voting Rights by Electromagnetic Means	The exercise of voting rights via the internet is possible.
Provision of Convocation Notices (Summary) in English	The Company provides convocation notices in a narrow sense as well as reference materials for the general meeting of shareholders in English.

#### **2. Investor Relations Activities**

	Supplementary Explanation	Explanation from Representative
Creation and Announcement of Disclosure Policy	The Company publishes information on our corporate investor relations webpages. ( <a href="https://www.valuence.inc/en/ir/management/policy/">https://www.valuence.inc/en/ir/management/policy/</a> )	
Regular Investor Briefings for Individual Investors	The Company aims to hold regular briefings, including the use of online channels and other mechanisms.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held after announcements of financial results.	Yes
Posting of IR Materials on Website	The Company publishes financial data, timely disclosure documents, voluntary disclosure documents, and other information on our corporate investor relations webpages. ( <a href="https://www.valuence.inc/en/ir/">https://www.valuence.inc/en/ir/</a> )	
Establishment of Investor Relations Department	The Corporate Planning Division is in charge of investor relations, with the Division Manager of the Corporate Planning Division as the responsible party.	

#### **3. Respecting the Position of Stakeholders**

	Supplementary Explanation
Formulation of Guidelines for Providing Information to Stakeholders	In keeping with the disclosure policy published on our corporate investor relations webpages, our policy to provide timely and appropriate information actively to all stakeholders through financial documents, financial briefings, and other information published through our investor relations webpages.

## **IV. Matters Related to Internal Control Systems**

### **1. Basic Philosophy and Creation of Internal Control Systems**

1. Systems for Ensuring the Execution of Duties by Company and Subsidiary Directors, Executive Officers, and Employees In Compliance with Laws, Regulations, and Articles of Incorporation

(1) The Company management philosophy is to fulfill the social responsibility to shareholders, customers, business partners, local communities, employees, and all other stakeholders through achieving sustainable growth and ongoing corporate value improvement. To this end, the Company has established Compliance Rules to ensure officers and employees observe a strict compliance with laws, regulations, and the articles of incorporation. Further, the Internal Audit Office conducts internal audits of the Company and subsidiaries. The Company strives to build stronger internal control systems by improving the risk management structure, which includes an internal reporting system.

(2) The Company has established Compliance Regulations and Code of Conduct to ensure employees comply strictly with laws, regulations, and the articles of incorporation. The Company also maintains a system for the ongoing improvement of internal control functions related to compliance.

(3) The Company has established Internal Reporting Regulations to provide a system for internal reporting related to any acts discovered that are in violation of compliance. The Company has established an internal contact point, as well as a third-party agent (consulting attorney), to whom reports may be made.

2. Systems for the Storage and Management of Information Related to the Execution of Duties by Directors

The Company practices the appropriate storage and management of the proceedings of the general meeting of shareholders and meetings of the board of directors, as well as important information and documents related to management and business execution in compliance with laws, regulations, the record management rules, the approval regulations, and other internal rules and related manuals.

3. Rules and other Systems to Manage the Risk of Loss by the Company and its Subsidiaries

(1) The Company has established the Risk Management Committee, chaired by the representative director, which makes determinations on systems and policies for risk management and evaluates and, if necessary, improves risk management structures within the Company group, including subsidiaries. The Company's Legal Division serves as the risk management division, controlling risk management activities and verifying/revising the Risk Management Rules.

(2) The Company shall establish an emergency response system, including a business continuity plan, to prepare against large-scale disasters.

4. Systems to Ensure Company and Subsidiary Directors Execute Duties Efficiently

(1) To ensure directors of the Company and its subsidiaries execute their duties efficiently, the Company has established the Board of Directors Rules, which provides for the operation of the board of directors. Regular Board of Director meetings are held once a month to make important decisions and oversee the status of business execution. Extraordinary board of director meetings are also held when deemed necessary.

(2) By adopting an executive officer system, directors focus on management functions such as speeding up management and strengthening the supervisory function to clarify responsibilities for execution through delegation of authority to execute business to executive officers.

(3) In accordance with the Board of Directors Rules, the board of directors that includes outside directors determines execution policies for management, matters prescribed by laws and regulations, and other important management matters, and supervises the status of business execution.

(4) In order to ensure fairness, transparency, and objectiveness in the decision-making process to determine nomination and compensation, etc. of directors, etc. at the board of directors, as well as to strengthen accountability, the Company establishes an optional Nomination and Compensation Committee comprised of multiple independent outside directors. The Nomination and Compensation Committee reports the results of its deliberation on the nomination and compensation, etc. of directors, etc. to the board of directors.

(5) The board of directors shall use technology-based information systems for rapid and accurate access to business information.

5. Systems to Ensure Appropriate Business Management for the Corporate Group, Consisting of the Company and its Subsidiaries

(1) Based on compliance policies for the Company's Group, etc., the Company provides direction and support to subsidiaries regarding the development of systems for compliance with laws and regulations and other systems to ensure appropriate business management.

(2) The Company dispatches directors and auditors to each subsidiary as necessary, as part of measures to enhance the soundness and efficiency of management. The Company's General Administration Division is responsible for overseeing the business operations of affiliated companies. Subsidiaries report to the Company any matters requiring approval, as provided for in the Affiliated Company Management Rules, provide regular reports on the progress of business operations, and share information related to business and risk management, while at the same time ensuring the appropriateness of systems for the execution of business operations.

(3) In accordance with the Affiliated Company Management Rules, any important matters related to the business operations of subsidiaries are deliberated at the Executive Management Meeting of the Company, and submitted as agenda items at meetings of the board of directors.

(4) If the director responsible for administration identifies the danger of losses at a subsidiary, he or she immediately reports the details of the risk, the amount of losses that would occur, the impact on the Company, and other matters to the board of

directors of the Company.

(5) The Internal Audit Office conducts regular audits of the Company and subsidiaries according to the Internal Audit Rules.

6. Matters Related to Directors and Employees Requested to Assist the Audit and Supervisory Committee in the Execution of its Duties ("Assistants"); Matters Related to Directors Independence Who Supervise the Said Directors and Employees (Excluding Directors who are Audit and Supervisory Committee Members); Matters Related to Ensuring Practicability of Instructions to Assistants As Per Directors and Employees Requirement.

(1) The Company does not have directors or employees assigned to assist members of the Audit and Supervisory Committee in their duties. However, the Company may appoint or assign directors or employees when it is necessary.

(2) The appointment or transfer of directors or employees assisting members of the Audit and Supervisory Committee requires approval by the Audit and Supervisory Committee.

(3) Directors and employees assigned to assist in the duties of the Audit and Supervisory Committee shall be considered as under the authority of the committee, and directors (excluding directors who are members of the Audit and Supervisory Committee) shall not have the authority to direct the said directors or employees. Evaluations of these directors or employees shall reflect the opinions of Audit and Supervisory Committee members.

7. System for Directors (Excluding Directors who are Members of the Audit and Supervisory Committee) and Employees to Report to the Audit and Supervisory Committee, Other Systems Related to Reporting to the Audit and Supervisory Committee

(1) Members of the Audit and Supervisory Committee attend meetings of the board of directors, as well as important meetings such as those of the Executive Management Meeting, and receive reports related to matters of importance to the Company, matters that may have a negative impact on the Company.

(2) Directors who are members of the Audit and Supervisory Committee shall receive reports as necessary from the Corporate Planning Department and the Internal Audit Office.

(3) Directors and employees report important matters discussed at the board of director meetings and other important meetings, the status of internal audits, and other important matters deemed necessary to the Audit and Supervisory Committee.

(4) Directors and employees shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

8. System for Directors, Members of Audit and Supervisory Committee, Employees of the Company Subsidiaries, and Persons Receiving Reports from Such Individuals to Report to the Audit and Supervisory Committee; Other Systems Related to Reporting to the Audit and Supervisory Committee

Directors, members of Audit and Supervisory Committee and employees of the Company subsidiaries shall report promptly to the Audit and Supervisory Committee upon discovery of important matters having a material impact on subsidiary management or business performance or significant violations of laws, regulations, or articles of incorporation that may cause significant damage to the Company.

Directors, members of Audit and Supervisory Committee and employees of the Company subsidiaries shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

9. System to Ensure Individuals Reporting to the Audit and Supervisory Committee are not Subjected to Disadvantageous Treatment

The Company's Internal Reporting Rules provide those individuals who submit reports shall not be subjected to any manner of disadvantageous treatment. This rule applies likewise to individuals who provide reports to the Audit and Supervisory Committee as described in the paragraph above.

10. Policy on Matters Regarding Expense Prepayments, Redemptions, Other Expenses, or Disposition of Debt Resulting from the Execution of Duties by Members of the Company's Audit and Supervisory Committee

When a member of the Audit and Supervisory Committee requests that the Company prepay expenses, the Company shall promptly pay such expenses or debt to the said member after a discussion with the relevant department, except where such expenses or debt is proven unnecessary to the execution of duties by the Audit and Supervisory Committee.

11. Other Systems to Ensure Internal Audits by Members of the Audit and Supervisory Committee are Performed Effectively  
Members of the Audit and Supervisory Committee hold regular conferences with the representative director to ensure communication and exchange opinions.

Further, members of the Audit and Supervisory Committee share information and exchange opinions with financial statement auditors and the Internal Audit Office as necessary for ongoing substantive improvements in audits.

12. Systems to Ensure Reliability of Financial Reporting

The Company recognizes the close interconnection among the 4 objectives of internal control system from the standpoint of financial reporting reliability: operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations related to business activities, and asset maintenance. Accordingly, company management works to establish, evaluate, and continuously improve internal controls related to financial reporting through enacting internal control systems and reporting of overall audits by internal auditors, etc.

## **2. Philosophy and Systems for Dealing with Anti-Social Forces**

The Company rejects and eliminates relationships with anti-social forces and their organizations that may threaten social order and safety. Further, directors and employees constantly remain vigilant of anti-social forces. The Company establishes a system whereby the total organization can promptly handle situations in keeping with the Rules for Response to Anti-Social Forces and the Manual for Response to Anti-Social Forces when a case arises.

## V. Other Matters

### 1. Anti-Takeover Measures

Anti-Takeover Measures

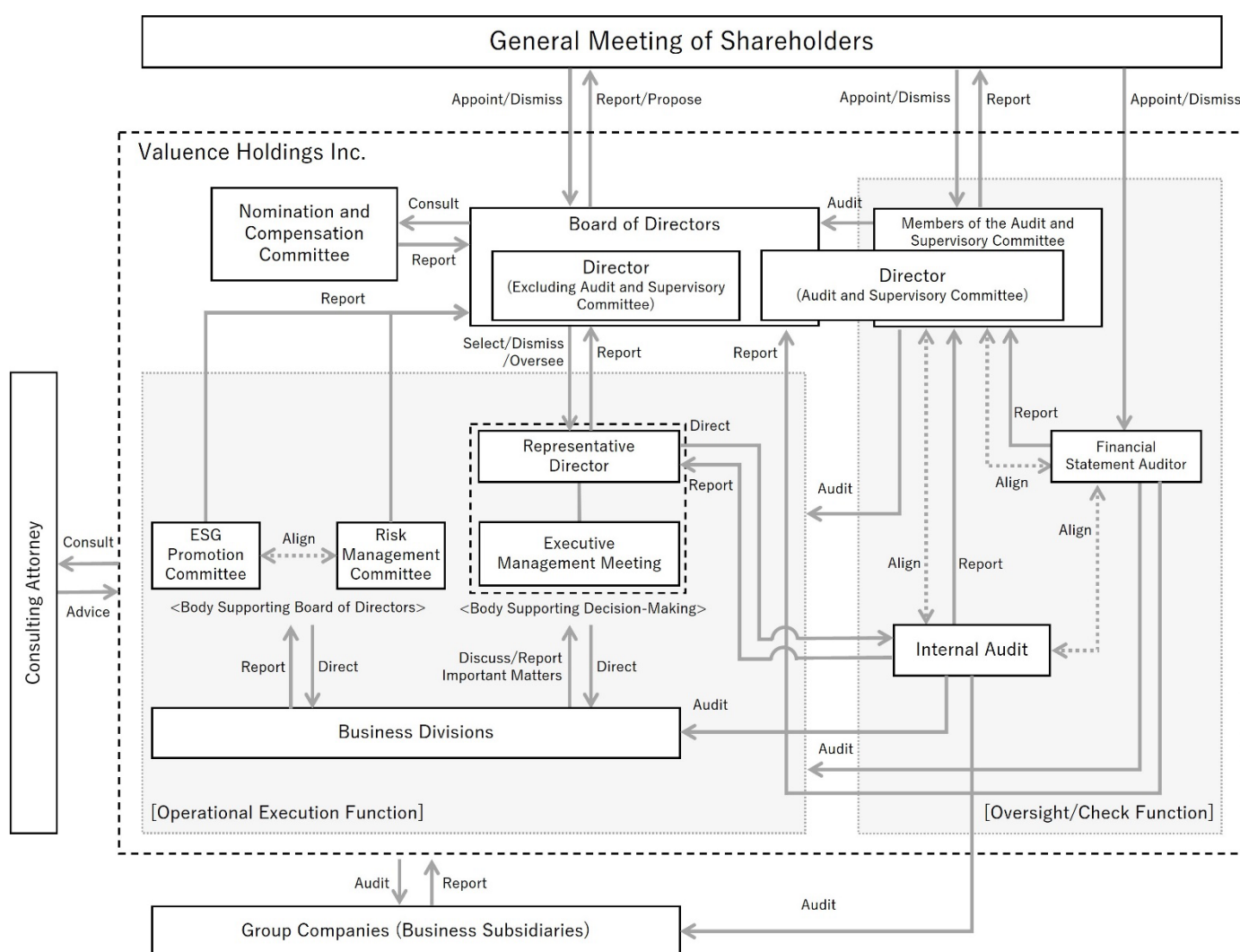
None

#### Supplementary Explanation

The Company has determined in its Basic Policy on Corporate Governance that it will not introduce anti-takeover measures. If the Company plans to introduce anti-takeover measures in future, the board of directors and the Audit and Supervisory Committee will thoroughly analyze the necessity and reasonableness of the introduction and operation of any such measures, ensure the appropriate procedures are followed, and provide sufficient explanation to shareholders, from the perspective of fulfilling their fiduciary responsibilities to shareholders, to ensure that such measures would not be intended to protect the interests of management and the board of directors.

### 2. Other Matters Related to Corporate Governance

The Company's diagrams of corporate governance structure and timely disclosure administrative procedures is attached for reference.



[Timely Disclosure System Diagram]

