

## Corporate Governance Report

Last Update: July 30, 2021  
Sun Frontier Fudousan Co., Ltd.  
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Corporate Planning Division  
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The corporate governance of Sun Frontier Fudousan Co., Ltd. (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

The Company's basic policy for corporate management is that all officers and employees should set "the right thing to do as a human being" based on high ethical standards as a criterion for business execution and practice it.

Based on this, we recognize that it is an important mission of management to contribute to society through business activities and to pursue profit fairly, and to build firm trust from stakeholders such as shareholders, customers and employees by continuously increasing corporate value over the long term.

Based on this recognition, the Company is working to strengthen its corporate governance with the below basic policies:

- (1) improving transparency and ensuring fairness,
- (2) swift decision-making and business execution,
- (3) thorough accountability,
- (4) timely and appropriate information disclosure, and
- (5) enhancement of compliance awareness.

In order to improve efficiency by separating management decision-making and supervisory functions from business execution functions, and to strengthen business execution functions, an executive officer system was introduced on June 27, 2012.

In addition, from the perspective of ensuring management transparency, on June 20, 2014, the Company

appointed 1 outside director. On July 1, 2015, the Company newly appointed 1 outside director, and on June 21, 2019, another outside director was appointed. Currently, 3 of the 9 directors are outside directors. In the future, in order to respond to changes in the social environment and legal systems, the corporate governance plan considered suitable for our Company will be reviewed and revised as necessary.

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

All principles are described based on the code revised in June 2018.

[Principle 4-1. Roles and Responsibilities of the Board of Directors (1)] Supplementary Principle 4-1 (3)  
Although the Company has not established a specific successor plan for the Representative Director, the Company aims to foster successors by giving authority and responsibility to the General Managers and accumulating experience in a climate of friendly competition.

[Principle 4-3. Roles and Responsibilities of the Board of Directors (3)] Supplementary Principle 4-3 (2) and Supplementary Principle 4-3 (3)

Given that the appointment and dismissal of the President-Representative Director is the most important strategic decision making, the Board of Directors will appoints a person who has excellent personality and insight, is well-respected, and has a wealth of experience after giving due consideration to the objectivity, timeliness, and transparency of the appointment procedures, and sufficient discussions within the Board of Directors.

[Principle 4-11. Prerequisite for Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board]

Although the composition of the Board of Directors of the Company is all male and Japanese, they have accomplished a variety of expertise and experience, including international aspects. We will continue to consider gender issue.

For Audit & Supervisory Board members, the Company appoints highly specialized human resources such as attorneys and U.S. certified public accountants, as well as personnel with sufficient knowledge of finance and accounting.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

[Principle 1-4. Cross-Shareholdings]

As a basic policy, the Company does not hold cross-shareholdings unless the significance of such holdings is fully recognized. The case where the significance of holding is fully recognized is the case where it is judged to contribute to the maintenance and improvement of the Company's corporate value.

In the event that the Company holds cross-shareholdings, the Company shall exercise its voting rights after comprehensively judging the pros and cons of such shareholdings, taking into consideration whether the issuing company has established an appropriate governance system and makes appropriate decisions that

will lead to an increase in corporate value over the medium to long term, and from the perspective of improving the Company's corporate value. If the Company judges that it cannot approve the proposal, the Company may consider the necessity of selling.

[Principle 1-7. Related Party Transactions]

In order to protect the interests of shareholders, the Company endeavors to prevent officers and employees of the Company from engaging in transactions that are contrary to the interests of the Company and its shareholders. The directors of the Company shall not pursue their own interests or the interests of third parties against the interests of the Company, and even if they do not intend to do so, the supervisors shall not conduct conflict of interest transactions or competitive transactions without the approval of the Board of Directors. With regard to transactions between related parties, the relevant officers shall be excluded from the quorum of the resolution as specially interested parties, and the resolution shall be adopted in the Board of Directors. The Company shall verify after the fact that such transactions have been carried out properly and report this to the Board of Directors.

The Company also conducts quarterly investigations of all officers, including those of the Company and its subsidiaries, to confirm whether there is any transaction between related parties.

[Principle 2-6. Function as an asset owner of corporate pension]

The Company does not have a corporate pension system. When considering the adoption of a corporate pension system, the Company will make personnel and management efforts so that the corporate pension can function as an asset owner, considering that the management of the reserve fund of the corporate pension will affect the stable asset formation of employees and the financial condition of the Company.

[Principle 3-1. Enhancement of Information Disclosure]

<Company policy, Corporate philosophy, etc.>

The Company policy is "altruism" and conducts management based on this principle. We have been striving to develop human resources based on ethics, norms, and "fairness" and "consideration" as human beings, and we have been seeking to be useful from the client's perspective. We believe that by making clients happy, we can contribute to the realization of a prosperous society, grow and develop as a company, and realize the happiness of our employees.

The Company is also engaged in business with the basic policy of management based on the following Management Principle and Corporate Philosophy.

Management Principle: To protect all employees and pursue physical and mental well-being, while at the same time contributing to the prosperity of mankind and society with a spirit of symbiosis.

Corporate Philosophy: Our employees will improve their knowledge, skills, and personality through their work, and by concentrating on the utilization and distribution of real estate stocks, we will reduce wasteful use of resources that cannot be reproduced, and contribute to the everlasting prosperity of human beings and plants and animals on earth.

<Management Strategy>

We have defined our clients as building owners, asset holders, and wealthy individuals, and we aim to be "the world most loved and selected real estate company" as a real estate utilization professional by approaching clients and solving all real estate problems. Although we mainly target small and medium-sized buildings in central Tokyo, our policy is not to focus on the property itself, but on creating the happiness of the owners who own the property and on solving their problems. Based on this philosophy, employees are educated based on the philosophy of "altruism." Through this education, we are striving to foster human resources who are most beneficial to society and who are able to think about people's happiness and earn the trust of clients. We also extract needs and problems of clients from information obtained through repeated conversation with them and solve this through cooperation with different divisions in the company, and provide services and products that are optimal for each client. We believe that our superiority will be established by continuing to provide satisfaction and added value to clients and by gaining their confidence. In order to realize Management Principle, the Company is working to strengthen and establish 6 foundations: 1. Human Resources Foundation, 2. Client Foundation, 3. Financial Foundation, 4. Business Foundation, 5. Business Process Foundation, and 6. Business Partner Foundation. Based on these foundations, the Company will further promote its core Office Building Business while focusing on Hotel Business and Overseas Business. As a real estate utilization professional, the Company will continue to provide an one-stop for a wide range of specialized services, thoroughly pursuing the creation of services and products demanded by building owners, asset holders, and wealthy individuals, and aim for steady growth as a highly profitable company.

<Management Plan>

On May 2021, the Company announced the revision of its medium-term management plan for the fiscal year ending March 31, 2023 to be extended for two years to the fiscal year ending in March 2025. However, the financial target in the medium-term management (net sales 100 billion yen, ordinary profit 20 billion yen, profit attributable to owners of parent company 14 billion yen, ratio of ordinary profit 20% or more, equity ratio 50% level, and ROE 10% or more) will stay the same. The basic policy is to provide "places where people gather and communicate with each other, and create social development and happiness for people" and will grow making use of the Office Business, Hotel Business, Overseas Business, and M&A. Moreover, as the 3 key points to be strengthened the Company focuses on ESG, digital, and cash flow to change and challenge to upgrade each business, work on creating new added value, aim to establish a balanced flow and stock business structure, and the continuous growth of the company even beyond the final fiscal year of the medium-term management plan.

<Basic Stance and basic policy on Corporate Governance>

The Company's basic guiding principle in corporate management is that all officers and employees shall do "the right thing to do as a human being" based on high ethical standards as a criterion for business execution

and practice it. Based on this, we recognize that it is an important mission of management to build unwavering trust from stakeholders, clients and employees by contributing to society through business activities, pursuing profit in a fair and honest way, and enhancing corporate value over the long term and continuously. Based on this understanding, we will always pursue the best corporate governance, and will continuously work on enhancing it.

The Company has also introduced an executive officer system since June 27, 2012 in order to improve efficiency and to strengthen business execution functions by separating management decision-making and supervisory functions from business execution functions.

#### <Policies and Procedures for Determining Remuneration for Directors>

The Company has established the following policies for determining the amount of remuneration, etc. for officers and the method of calculating such amount.

The remuneration, etc., of the Company's directors (excluding outside directors) consists of fixed remuneration, performance-linked remuneration and stock options, with a target of 65% fixed remuneration, 30% performance-linked remuneration and 5% stock options. The fixed remuneration is an amount that is deemed to be an appropriate level in comparison with the performance of other companies in the real estate industry, taking into consideration the duties of directors and the status of the Company. With a viewpoint of reflecting the results of performance improvement, performance-linked remuneration is determined based on the consolidated performance (Ordinary profit (loss)) for the fiscal year concerned, taking into consideration the achievement status for the consolidated performance forecast.

At the 18th Annual General Meeting of Shareholders held on June 23, 2017, the Company resolved that the maximum amount of remuneration, etc. for directors of the Company to be no more than 360 million yen per year (including 36 million yen for outside directors, but excluding salaries for directors who concurrently serve as employees). (The number of directors at the conclusion of the said general meeting for shareholders was 7 (including 3 outside directors). Moreover, at the 22nd Annual General Meeting of Shareholders held on June 22, 2021, the Company resolved to allocate stock acquisition rights as share-based compensation type stock options to directors (excluding outside directors) within the range of 36 million yen per year (the number of directors excluding outside directors at the conclusion of the said general meeting for shareholders was 6).

With regard to the amount of remuneration, etc., for directors of the Company or the method of calculating such amount, the Company has established a voluntary Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more outside directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors. The Chairman-Representative Director Tomoaki Horiguchi has the authority to prepare a draft of the calculation method and the basic policy for the amount of remuneration, etc., of the Company's directors. Based on the draft, the Nomination and Compensation Committee deliberates on the composition of remuneration, etc., the ratio thereof, the method for calculating the setting of indicators, etc. The Board of Directors has the authority to determine the policy regarding the determination of the amount

of remuneration, etc., of the Company's directors or the method of calculating such amount. However, the Board of Directors determines the amount of remuneration, etc., of the Company's directors or the method of calculating such amount, while respecting the contents of discussions by the Nomination and Compensation Committee to the maximum extent possible.

<Policies and Procedures for Nominating Candidates for Directors and Audit & Supervisory Board Members>

In selecting all directors and Audit & Supervisory Board members, the Company assumes that the following requirements are met, in addition to satisfying the requirements stipulated in laws and regulations and the Articles of Incorporation, not being applicable to reasons for disqualification stipulated in the Regulations for Officers, and not having been involved with anti-social forces at present and in the past.

- Has empathy with the Company Policy, Management Principle, and Corporate Philosophy of the Company, and has the intention to contribute to the progress and development of society through the Company's business management
- Has excellent personality, knowledge, and insight, and has a high law-abiding spirit and ethics
- Has objective judgment capabilities, insight, and foresight

In addition to the preceding paragraph, the Company requires the following requirements in selecting outside directors and outside Audit & Supervisory Board members:

- Has a high level of insight, a wealth of practical experience, or experience of playing a leading role in any field such as corporate management, internal control, legal compliance, finance/accounting, finance, legal profession, administration, crisis management, and education.
- Has the ability to understand the Company as a whole, the ability to understand essential issues and risks, and is expected to contribute to frank, active, and constructive deliberations in the Board of Directors, etc.
- Has no direct interests with the Representative Director and directors, and is independent from the Company's general shareholders without the risk of causing conflicts of interest with general shareholders.

In addition, the Company has established the following requirements according to each position and role:

- Outside directors shall be able to provide advice and support for the sustainable growth of the Company and objective management supervision and judgment from a practical viewpoint based on a wealth of experience in corporate management and specialized fields
- Full-time directors shall be familiar with the Company's industry trends and related regulations and the Company's business model, and shall have abundant practical experience in their respective specialized fields

Outside Audit & Supervisory Board members are appointed with the aim of further enhancing the neutrality and independency of the audit system from a company-wide perspective.

- Outside Audit & Supervisory Board members are able to express their opinions on audits objectively from a neutral standpoint
- Full-time Auditor is well-versed in the organization, business, and business processes of the Company, appropriately collects information from within the Company, and is capable of conducting highly effective audits

The Board of Directors deliberates on proposals to be submitted to the annual general meeting of shareholders in light of the above requirements, and appoints the appropriate persons as candidates for directors and Audit & Supervisory Board members

In addition, the Board of Directors will deliberate on proposals to be submitted to the annual general meeting of shareholders in light of the above requirements, and if individual directors no longer meet the requirements or are likely to fail to meet the requirements, they will not be selected as candidates for reappointment as directors at the end of their terms of office.

In order to improve the objectivity and transparency of procedures related to the appointment and dismissal of directors as well as remuneration, the Company has established a Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more outside directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors as voluntary advisory body of the Board of Directors.

The Nomination and Compensation Committee examines and deliberates standards, processes, basic policy of evaluation, etc. concerning appointment and dismissal of directors as well as remuneration, and the Board of Directors makes decisions with maximum respect for the deliberation contents.

<Explanation of Individual Election and Nomination>

The reasons for the election of candidates for director and Audit & Supervisory Board member are disclosed in the annual general meeting of shareholders Reference Documents.

[Principle 4-1. Roles and Responsibilities of the Board of Directors (1)] Supplementary Principle 4-1 (1)

The Board of Directors is making efforts to the sustainable growth of the Company and corporate value over the medium to long term.

For this reason, the Board of Directors aims to realize its Corporate Principle through the establishment of optimal corporate governance. In addition to ensuring the fairness and transparency of management by exercising its supervisory function over overall management, the Company makes the best decisions through decisions on the execution of important business operations such as management basic policy, evaluation of serious risks, and countermeasures.

In addition, the Board of Directors will supervise the implementation of timely and accurate information disclosure and appropriately manage conflicts of interest that may arise between the Company and related

parties such as management and controlling shareholders.

In order to ensure the mobility of the Company's business execution, to ensure sufficient deliberation time for important matters in the Board of Directors, and to strengthen the supervisory function for overall management, the Board of Directors delegates matters related to the decision of business execution to executive directors and executive officers, except for matters stipulated in the Companies Act, related laws and regulations, the Articles of Incorporation, matters authorized by the resolution of the shareholder at the annual general meeting for shareholders, etc. In addition, in order to ensure the rationality of the decision-making process for such matters to be delegated, the Board of Directors is making efforts to appropriately develop internal control and risk management systems in the Company.

[Principle 4-9. Independence Standards and Qualifications of Independent Outside Directors]

The Company has judged that the Independence Standards established by the Companies Act and the Tokyo Stock Exchange are appropriate as the Company's standards, and has selected candidates for independent outside directors based on these standards.

[Principle 4-11. Preconditions for Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board] Supplementary Principle 4-11 (1)

When nominating candidates for directors and Audit & Supervisory Board members, the Company selects a wide range of candidates from both inside and outside the Company and elects candidates with excellent personality, insight and high management ability for the Board of Directors. In particular, independent outside directors are nominated from persons who have abundant experience and knowledge in various fields and who are capable of fulfilling their roles and responsibilities from a professional and objective viewpoint, such as providing advice to enhance corporate value over the medium to long term and supervising management. The selection criteria for executive directors are that they are familiar with the Company's industry trends and related regulations, the Company's business model, and have a wealth of practical experience in their respective specialized fields.

For policies and procedures regarding the election of directors, please refer to the above (Principle 3-1: Enhancement of Information Disclosure).

[Principle 4-11. Assumptions for Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board] Supplementary Principle 4-11 (2)

The Company has established in its internal rules that the approval of the Board of Directors is required if directors and Audit & Supervisory Board members other than outside officers concurrently serve as officers of other listed companies.

Outside Director Kazutaka Okubo concurrently serves as an Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS INC., Outside Audit & Supervisory Board Member of BrainPad Inc., Outside Director of LIFULL Co.,Ltd., Outside Director of SALA Corp., Outside Director of The Shoko Chukin Bank, Ltd., Outside Director who is an Audit & Supervisory Board Member of Musashi Seimitsu Industry



Co., Ltd., and Representative Director of SS DNAFORM. The Company discloses this in the Annual Securities Report of the Company.

Outside Audit & Supervisory Board Member Koichi Moriya concurrently serves as Outside Audit & Supervisory Board Member of Tamura Corporation and Outside Director of Samantha Thavasa Japan Limited, and the Company discloses this in the Annual Securities Report of the Company.

[Principle 4-11. Preconditions for Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board] Supplementary Principle 4-11 (3)

The Board of Directors of the Company has established the "Board of Directors Rules" regarding the roles that the Board of Directors should play, and ensures that the decision-making function of management and the supervisory function of business execution works appropriately. In order to ensure the most efficient and effective functioning of each function, the Company has appointed 3 independent outside directors to ensure management transparency and fairness, and has appointed diverse directors with different backgrounds regarding expertise and experience. The Company believes that the Board of Directors of the Company, which has a diverse background, is ensuring its effectiveness by conducting fair judgments and actions after conducting a multifaceted and full review to increase its corporate value.

[Principle 4-14. Training for Directors and Audit & Supervisory Board Members] Supplementary Principle 4-14 (2)

Although the Company has not established the "Policy for Training for Directors and Audit & Supervisory Board Members" in a clear form, the Company has stated as a part of Management Principle to "Contribute to the prosperity of mankind and society with a spirit of symbiosis." For this reason, the Company provides ample opportunities for officers and employees to acquire the knowledge necessary to fulfill their roles and responsibilities, and bears the expenses for them.

The Company also holds seminars and participates in external seminars at the request of each officer.

[Principle 5-1. Policy for Constructive Dialogue with Shareholders]

The Company has the Corporate Planning Division as the department in charge of IR.

For shareholders and investors, the Company holds financial results briefings once every half year, and also holds field tours of Replanning properties and hotels, small meetings, etc.

The Company has established the following policy regarding constructive dialogue with shareholders so that such dialogue will contribute to the sustainable growth of the Company and the improvement of corporate value over the medium to long term.

1. We will disclose information to all stakeholders, including shareholders and investors, in a fair and timely manner, and place importance on direct communication by the Representative Director.
2. The Corporate Planning Division will serve as the IR contact point and promote organic coordination with related departments.
3. Provide a wide range of means of dialogue, including financial results briefings, briefings for individual

investors, field tours, and small meetings.

4. The Corporate Planning Division will report the status of the dialogue to the Representative Director and, if necessary, to the Board of Directors.

5. The Company shall establish rules for the prevention of insider trading and make them known to all employees.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
HOUON Co.,Ltd	17,957,500	36.83
Tomoaki Horiguchi	3,013,800	6.18
QUINTET PRIVATE BANK (EUROPE) S.A. 107704	2,340,900	4.80
SKAWAGOE Co., Ltd.	1,566,400	3.21
SMBC Nikko Securities Inc.	1,422,800	2.96
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	1,250,400	2.56
Custody Bank of Japan, Ltd. (Accounted in trust)	729,800	1.50
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	594,300	1.22
STATE STREET BANK AND TRUST COMPANY 505103	504,063	1.03
STATE STREET BANK AND TRUST COMPANY 505227	486,978	1.00

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

### Supplementary Explanation

The status of major shareholders is as of March 31, 2021. In addition to the above, the Company holds 144 treasury shares.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Real Estate

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion /
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

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**II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management**

**1. Organizational Composition and Operation**

Organization Form	Company with Audit & Supervisory Board
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**[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	10 people
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	9 people
Status of appointing Outside Director	Appointed
Number of Outside Directors	3 people
Number of Independent Directors	3 people

Outside Directors' Relationship with the Company (1)
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Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Toshio Takahara	From another company									○			
Yukitoshi Kubo	Academic									△			
Kazutaka Okubo	CPA									○			

\* Categories for “Relationship with the Company”

\* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

- a. Executive of the listed company or its subsidiaries
- b. Non-executive director or executive director of a parent company of the listed company
- c. Executive of a fellow subsidiary company of the listed company
- d. A party whose major client or supplier is the listed company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a director/Audit & Supervisory Board member
- g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the listed company outside directors/Audit & Supervisory Board member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the director himself/herself only)
- k. Others

#### Outside Directors’ Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Toshio Takahara	○	The Company is entrusted with the management business of the real estate held by the Asset Management Company of which Mr. Toshio Takahara serves as Representative Director. However, the Company judges that there is no risk of affecting the independence because the level of the transaction is at the same level as the ordinary transaction conditions and the transaction amount is small.	He has a wealth of operational experience as a corporate manager for many years, and has provided valuable opinions and suggestions regarding the Company's management based on his deep insight on management. Based on the above, the Company has judged that it is possible for him to provide appropriate advice and proposals at an independent standpoint from the managers involved in business execution in the decision-making of the Board of Directors. Therefore, the Company has appointed him as an outside director. In addition, he does not have any attributes that would raise doubts about his independence with the Company. Accordingly, the Company has judged that there is no risk of conflict of interest with general

			shareholders and has appointed him as an independent officer.
Yukitoshi Kubo	○	<p>Yukitoshi Kubo has been involved in the accounting audit of the Company in the past as a Certified Public Accountant of the Accounting Auditor of the Company, BDO Sanyu. However, he has already retired from the said Audit Corporation, and the Company has judged that the audit fee paid to the Audit Corporation does not correspond to "the case where the dependency on remuneration for a specific client in the audit business accounts for a certain percentage" as stipulated in the "Guidelines for Independence" established by the Japanese Institute of Certified Public Accountants. Therefore, the Company has no special interests and has judged that there is no risk of affecting the independence.</p>	<p>He is a Certified Public Accountant, has served as General Manager of the Tokyo Stock Exchange listing screening, was a Representative Partner of an Audit Corporation, and is a Professor at Ohara Graduate School of Accounting (to present.) He specializes in accounting and the FIEA, which provides research and practical guidance on disclosure regulations, International Financial Reporting Standards (IFRS) and settlement support, and research and practical guidance on disclosure regulations in the securities market (the Financial Instruments and Exchange Act). The Company has appointed him as an outside director based on its judgment that it is possible for him to provide appropriate advice and proposals at an independent standpoint to the managers involved in business execution in the decision-making of the Board of Directors, by utilizing his abundant experience and his expertise in finance and accounting mentioned above. In addition, he does not have any attributes that would raise suspicion of his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has appointed him as an independent officer.</p>
Kazutaka Okubo	○	<p>Kazutaka Okubo concurrently serves as an Outside Director of The Shoko Chukin Bank, Ltd. As of the end of March 2020, the Company has an interest-bearing debt balance of approximately 3.7% of the Company's borrowings balance to the said company. However, the amount of borrowing is small, and there are no matters to be noted with regard to transaction conditions. Therefore, the Company has judged that there is</p>	<p>He is well-versed in corporate audits as a certified public accountant. He has served as an executive of an auditing firm, various advisory committee members of public offices, and executive officers of business organizations. He has a wealth of knowledge and experience in the fields of crisis management, compliance, CSR, etc. The Company has judged that it is possible for him to provide appropriate advice and proposals at an independent standpoint to the managers involved in business execution in the decision-making of the Board of Directors. Therefore, the Company has elected him as an outside director. In addition, he does not have any attributes that would raise suspicion of his independence from the Company. Therefore, the Company has judged that</p>

		no risk of affecting independence.	there is no risk of conflict of interest with general shareholders and has appointed him as an independent officer.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5 people	5 people
Full-time Members	0 people	0 people
Inside Directors	2 people	2 people
Outside Directors	3 people	3 people
Outside Experts	0 people	0 people
Other	0 people	0 people
Chairperson	Inside Directors	Inside Directors

Supplementary Explanation

In order to improve the objectivity and transparency of procedures related to the appointment and dismissal of directors as well as remuneration, the Company has established a Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more outside directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors as voluntary advisory body of the Board of Directors. The Nomination and Compensation Committee considers and deliberates on standards, processes, basic policy of evaluation, etc. concerning officers' appointment and dismissal and officers' remuneration, and the Board of Directors makes decisions with maximum respect for the deliberation contents.

**[Audit & Supervisory Board Member]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board members stipulated in Articles of Incorporation	4 people
Number of Audit & Supervisory Board members	3 people

Cooperation among Audit & Supervisory Board members, Accounting Auditors and Internal Audit Departments

- Cooperation between Audit & Supervisory Board members and Accounting Auditors  
The Company works closely by holding regular meetings once every six months and holding meetings whenever issues arise.
- Cooperation between Audit & Supervisory Board members and the Internal Audit Office  
The Company works closely with Audit & Supervisory Board members, the Legal Department and the Internal Audit Office through monthly meetings.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2 people
Number of Independent Audit & Supervisory Board Members	2 people

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koichi Moriya	Lawyer													
Hidetaka Tanaka	CPA													

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the listed company or its subsidiary
- b. Non-executive director or accounting advisor of the listed company or its subsidiaries
- c. Non-executive director or executive of a parent company of the listed company
- d. Audit & Supervisory Board member of a parent company of the listed company
- e. Executive of a fellow subsidiary company of the listed company
- f. A party whose major client or supplier is the listed company or an executive thereof
- g. Major client or supplier of the listed company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as an Audit & Supervisory Board member
- i. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the listed company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board member himself/herself only)
- k. Executive of a company, between which and the listed company outside directors/Audit & Supervisory Board member are mutually appointed (the Audit & Supervisory Board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the listed company (the Audit & Supervisory Board member himself/herself only)

m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Koichi Moriya	○	—	The Company has appointed him as an Outside Audit & Supervisory Board Member based on its judgment that he will be able to apply to the Company's auditing system from an independent standpoint with regard to the overall management of the Company in the future, as he currently has an attorney office, has accumulated legal experience in various fields including real estate, and has experience as an Audit & Supervisory Board Member of other companies. In addition, he does not have any attributes that would raise suspicion of his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has appointed him as an Independent Officer.
Hidetaka Tanaka	○	—	He is qualified as a U.S. Certified Public Accountant and has a wealth of business experience in foreign countries. Based on his specialized knowledge in the financial industry, experience as an employee working abroad, and experience as a corporate manager, etc., the Company has judged that he will be able to utilize the Company's auditing system from an independent standpoint with regard to the Company's overall management including overseas business development in the future. Therefore, the Company has appointed him as an Outside Audit & Supervisory Board Member. In addition, he does not have any attributes that would raise suspicion of his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has appointed him as an independent officer.



**[Independent Directors/ Audit & Supervisory Board Members ]**

Number of Independent Directors/ Audit & Supervisory Board Members	5 people
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Matters relating to Independent Directors/Audit & Supervisory Board Members

All outside directors who satisfy the qualifications of independent directors / Audit & Supervisory Board members are designated as independent directors / Audit & Supervisory Board members.

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration Stock Options
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Supplementary Explanation

The Company grants executive officer awards to each director for the purpose of enhancing motivation and morale to improve business performance by linking the improvement of the Company's business performance with the profit of the Company's directors.

The Company also allocates share acquisition rights as a share-based compensation type stock option to directors (excluding outside directors) within the range of 36 million yen per year that can be used at retirement.

Recipients of Stock Options	Inside Directors
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Supplementary Explanation

Directors of the Company (excluding outside directors) are eligible.

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

- Remuneration Paid to Directors

Remuneration for the Company's directors for fiscal year ended March 31, 2021 is as follows.

Remuneration paid to directors: 218 million yen (including 20 million yen paid to outside directors)  
(Supplementary Information)

- 1) The above includes the provision for bonuses for directors (and other officers) for the 22nd fiscal year of 76 million yen for 7 directors (including 7 million yen for 3 outside directors).
- 2) 76 million yen (including 7 million yen for 3 outside directors) was paid to 7 directors as bonuses for the 21st fiscal year.

This officer's remuneration is included in the provision for bonuses for directors (and other officers) amount of 76 million yen for the 21st fiscal year.

- Means of disclosure: The Company discloses matters related to remuneration for directors described in the Corporate Governance Report in the Annual Securities Report and the Business Report.

Policy on Determining Remuneration Amounts  
and Calculation Methods

Established

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established the following policies for determining the amount of remuneration, etc. for officers and the method of calculating such amount.

(1) Fixed remuneration shall be an amount considered to be at an appropriate level in comparison with the performance of other companies in the real estate industry in Japan, etc., in consideration of the content of duties of Directors and the Company's situation, etc.

(2) Performance-linked remuneration shall be determined from the perspective of reflecting the results of the improvement in performance by taking into consideration the status of achievement against the consolidated performance ordinary profit (loss) based on the consolidated performance forecast during the relevant fiscal year.

(3) Directors (excluding outside directors) shall be granted share acquisition rights as share-based compensation stock options upon a resolution of the Board of Directors to share the benefits and risks of stock price fluctuations with shareholders and to enhance the incentive effect of Directors to improve corporate performance and the management awareness of shareholders.

(4) With regard to the ratio of individual remuneration, etc. for Directors, excluding Outside Directors, if the target indicator for the performance-linked remuneration is 100% achieved, fixed remuneration will be 65%, performance-linked remuneration will be 30%, and stock options will be 5%. With regard to Outside Directors, only fixed remuneration and performance-linked remuneration will be provided, but the above target will be referred to.

(5) The timing of payment of remuneration, etc. shall be as follows.

a. Fixed compensation

It is provided every month.

b. Performance-linked compensation

Payment shall be made once a year after the end of the Annual General Meeting of Shareholders pertaining to the relevant fiscal year.

c. Stock option

The amount shall be determined and granted by the resolution of the Board of Directors held once a year after the end of the Annual General Meeting of Shareholders and shall be exercised at the time of retirement of each Director.

(6) Matters concerning delegation pertaining to determination of contents of remuneration, etc. for individual Directors

The amount of fixed remuneration and performance-linked remuneration for each individual or the determination of the methods for calculating such amounts shall be determined by resolution at the Board of Directors and entrusted to the Chairman-Representative Director.

In order to improve the objectivity and transparency of the procedures for determining remuneration of Directors, the Company has established a Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more Outside Directors as a voluntary advisory body. The Nomination and Compensation Committee considers and deliberates on the amount of remuneration for Directors, the calculation method, the composition of remuneration, the ratio, and the setting of indicators, and the Chairman-Representative Director makes decisions with maximum respect for the deliberation contents.

(7) Status of the above decision policy for the fiscal year under review

The target for performance (consolidated ordinary profit (loss)), which is an indicator of performance-linked compensation for the fiscal year under review, was 6,500 million yen, while the actual performance was 7,524 million yen. The Board of Directors received a report from the Nomination and Compensation Committee, and determined that the content of individual compensation for Directors for the fiscal year under review, including the procedure and content of the decision by Mr. Tomoaki Horiguchi, Chairman-Representative Director, is consistent with the above decision policy.

#### **[Supporting System for Outside Directors and/or Audit & Supervisory Board Members ]**

- The Corporate Planning Department provides support as a point of contact for the communication of information so that outside directors and outside Audit & Supervisory Board members can fully perform their duties, by, for example, giving prior explanations to outside directors and outside Audit & Supervisory Board members at the Board of Directors meetings.
- In cases where the Audit & Supervisory Board members request that an employee be assigned to assist the Audit & Supervisory Board members in their duties, an employee shall be assigned as an Audit & Supervisory Board member's assistant. The Audit & Supervisory Board member's assistant is appointed from persons who have sufficient knowledge of accounting or law, etc., and perform their duties in accordance with the instructions of the Audit & Supervisory Board members.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

Regarding the Audit System of the Audit & Supervisory Board, the Company has 3 Audit & Supervisory Board members at present, of whom 2 are outside Audit & Supervisory Board members to ensure independence and transparency and fulfill supervisory and auditing functions for management. With regard to the internal audit system, the Company has established the Internal Audit Office (3 members) under the direct control of President-Representative Director. The Internal Audit Office conducts regular audits based on internal audit plans that understand the status of risk management in each division. The Internal Audit Office requests improvement and correction of matters pointed out in the audits. The results of the audits are reported to the President-Representative Director after preparing an internal audit report.

With regard to accounting audits, the Company has entered into an audit agreement with BDO Sanyu and the Company conducts accounting audits throughout the fiscal year without focusing on year-end audits. The Company has established a system that enables appropriate handling of accounting issues, and has enhanced the effectiveness of audits through close cooperation with the Audit & Supervisory Board members of the Company and the Internal Audit Office.

The current auditing organization is as follows.

- BDO Sanyu  
Hiroshi Saito  
Designated Partner  
Engagement Partner  
  
Satoshi Morita  
Designated Partner  
Engagement Partner
- Assistant for Accounting Audit Services  
8 CPAs and 2 other persons

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company has appointed 3 outside directors, thereby establishing a system that enables appropriate advice and proposals to be made at an independent standpoint from the executive management. In addition, audits are conducted regularly and rigorously by 3 Audit & Supervisory Board members (2 of whom are outside Audit & Supervisory Board members), and the Company has established a system that fully functions in terms of management monitoring.

For the above reasons, the Company has selected the current system.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In order for shareholders to fully consider and deepen their understanding of the proposals, we have sent them by three weeks prior to the annual general meeting of shareholders.
Scheduling AGMs Avoiding the Peak Day	In order to allow more shareholders to attend, the meeting is held on peak day, but the time is set to be in the afternoon.
Providing Convocation Notice in English (short form)	We have translated and provided the full English text of the matters disclosed on the Internet at the time of the notice of convocation and the notice of convocation of the general meeting of shareholders.
Other	In order to encourage more shareholders to attend, the Company has established a forum for proactive communication with shareholders, such as holding a shareholders meeting on the day of the annual general meeting of shareholders.  The Shareholders Meeting held on June 23, 2020 after the 21st annual general meeting of shareholders was cancelled in light of the spread of COVID-19.

#### 2. IR Activities

	Supplementary Explanations	Direct explanation from the Representative Director
Regular Investor Briefings for Individual Investors	The Company holds briefings for individual investors at least once a year to increase the number of shareholders who can support the Company over the long term.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At least once every quarter, we hold company briefings for analysts and institutional investors.	Yes
Posting of IR Materials on Website	The IR materials used in the above-mentioned company briefing sessions are posted on the Company's website, and the scenes of the briefing sessions on the day can be viewed in an on-demand format.	
Establishment of Department and/or Manager in Charge of IR	The Company's IR Division is as follows. <ul style="list-style-type: none"> <li>● Division in charge: Corporate Planning Division</li> <li>● Tel.: 03-5521-1551</li> </ul>	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>The Company policy is “altruism” and with our slogan “to protect all employees and pursue physical and mental well-being, while at the same time contributing to the prosperity of mankind and society with a spirit of symbiosis” for management principle, we engage in the growth of our business as well as solving environmental and social issues.</p> <p>In the medium-term management plan that was revised May 2021, the basic policy was set to provide “places where people gather and communicate with each other, and create social development and happiness for people”, and as we promote the Office Business, Hotel Business, and Overseas Business, selected to focus on ESG, digital, and cash flow as the 3 key points to be strengthened.</p> <p>With regard to ESG, based on our corporate philosophy which is “our employees will improve their knowledge, skills, and personality through their work, and by concentrating on the utilization and distribution of real estate stocks, we will reduce wasteful use of resources that cannot be reproduced, and contribute to the everlasting prosperity of human beings and plants and animals on the earth”, we will continue to focus on businesses that contribute to the resolution of environmental issues.</p> <p>In our core business, the Real Estate Revitalization Business (Replanning (R) Business), we contribute to the reduction of greenhouse gas emissions by eliminating the need for restoration work in set-up offices, thereby reducing wasteful use of resources. We will also develop a new J-credit business that contributes to carbon neutrality through carbon offsetting. In addition to office buildings, we will create buildings that respond to the needs of communities such as nursery schools and medical facilities.</p> <p>While we promote both the growth of our business and resolution of environmental issues, as we have done before, in order to contribute to the local community all employees will continue to clean up the area around the Company and implement volunteer activities conducted by volunteers.</p> <p>Please refer to <a href="https://www.sunfrt.co.jp/esg/">https://www.sunfrt.co.jp/esg/</a> for our Company’s ESG activities.</p>

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company has decided the basic policy for development of the Internal Control System in the Board of Directors as follows.

#### 1. Systems to Ensure That Directors and Employees Execute Their Duties in Compliance with Laws and Regulations and the Articles of Incorporation

The Company recognizes that it is its corporate social responsibility to ensure that all directors and employees, based on a fair and high sense of ethics, always realize the spirit of legal compliance and execute business operations. The Company is working to strengthen its internal management system, raise awareness of compliance, and establish a management system that will continue to be trusted by society in the future.

To be more specific, we have established the Internal Audit Office, which is under direct control of President-Representative Director, to conduct regular internal audits of all departments and group companies without exception. In the internal audit, the Company ascertains the status and structure of business operations, and fairly investigates and verifies whether all business operations are conducted properly in accordance with laws and regulations, the Articles of Incorporation, and internal rules, as well as whether corporate systems, organizations, and rules are appropriate and proper, and reports the audit results to the President-Representative Director. In addition, the Company has established a "Corporate Ethics Help Line" for the prevention and early detection of misconduct due to violations of laws and regulations and misconduct, improvement of the mobility of the self-purification process, control of reputational risk, and assurance of social trust. The Company has also established a thorough whistle-blowing system that protects whistle-blowers. Furthermore, in order to improve compliance awareness, the Legal Affairs Department has been established and various types of training and education are conducted.

The Company and its group companies have no involvement with anti-social forces and respond firmly to unreasonable demands.

#### 2. Systems for the Preservation and Management of Information Concerning the Execution of Duties by Directors

The Company properly records information concerning the execution of duties by directors, such as records concerning the decision-making at important meetings, including the Board of Directors meetings, and documents approved by each director based on the "Regulations on Authority of Duties." The Company also retains such information for a specified period of time based on laws and regulations and the "Document Handling Regulations," etc., and maintains a condition in which directors and Audit & Supervisory Board members can inspect it as necessary. In addition, the General Manager of the Management Division is responsible for supervising the preservation and management of information.

#### 3. Regulations on Risk Management and Other Systems for Risk Management

In order to cope with all risks that threaten the improvement of corporate value and sustainable development, a risk management manual, etc. shall be prepared, and in the event of an unexpected

situation, a response headquarters (including the formation of a team of outside experts such as corporate lawyers) headed by the President-Representative Director shall be established.

4. Systems to Ensure Efficient Execution of Duties by Directors

The Board of Directors formulates medium-term management policies and single-year management plans as indicators to establish and implement the corporate vision of the Company as a whole. In order to realize these management policies and management plans, MOFA clarifies the executive authority of directors and the duties in charge, thereby enhancing the efficiency of execution of duties.

In addition, with regard to matters for which decisions on business execution have been delegated to President-Representative Director and other directors who are in charge of business execution, the Company makes necessary decisions based on the "Organization Rules" or the "Management Rules for Affiliated Companies" including group companies.

The Company will revise these rules as appropriate in light of revisions and abolition of laws and regulations and for the purpose of improving the efficiency of the execution of duties.

5. Systems to Ensure the Appropriateness of Business Operations in our Company as well as Corporate Group Consisting of Group Companies

In order to ensure the appropriate execution of business operations by group companies, the Corporate Planning Division shall have jurisdiction over the management of group companies in accordance with the "Regulations for Management of Affiliated Companies." While respecting the autonomy of group companies, the Corporate Planning Division shall receive periodic reports on the status of business operations and shall require prior consultation or approval with the Company with regard to important matters concerning the management of group companies. The management plans of the group companies are also formulated under the management of the Company, and the Company provides timely and appropriate advice and guidance during the business period to improve the efficiency of the operations of the group companies. In addition, the Company and group companies have established the Risk Management Committee, which is chaired by the President-Representative Director, and a person responsible for risk management is assigned to each department. Any management or business risks that may arise are reported to the Risk Management Committee, where risk information is analyzed and countermeasures are considered to prevent or minimize damage to the Company and its group companies. The Company has established a system under which violations of laws and regulations or illegal acts that occur or are likely to occur at group companies are reported to internal reporting offices or outside Audit & Supervisory Board members as stipulated in the "Corporate Ethics Helpline Regulations, and is working to detect and resolve such violations at an early stage.

The Internal Audit Office conducts internal audits of all group companies in order to ensure the effectiveness and appropriateness of systems, organizations, and rules for the overall operations of the group companies, and reports the results to the Company's Executive President and other designated organizations.



The President-Representative Director prepares and reports its financial statements in accordance with fair and appropriate accounting standards in order to enhance the reliability of its financial reporting and enhance its corporate value.

6. Matters concerning Employees who assist the Audit & Supervisory Board Members in their Duties

If the Audit & Supervisory Board members request an employee to assist the Audit & Supervisory Board members in their duties, the Company appoints employees as Audit & Supervisory Board member's assistant. The Audit & Supervisory Board member's assistant is appointed from persons who have sufficient knowledge of accounting or law, etc., and perform their duties in accordance with the instructions of the Audit & Supervisory Board members. In addition, when the Audit & Supervisory Board is established, the assistant also serves as the secretariat board of the said Audit & Supervisory Board.

7. Independence of Employees from Directors

In order to ensure the independence of the Audit & Supervisory Board member's assistant as set forth in the preceding paragraph, the Company has decided to report personnel changes and personnel of the said employee to the Audit & Supervisory Board members in advance and obtain their consent.

8. Matters concerning Assurance of Effectiveness of Instructions to the Employee who is designated to be the Audit & Supervisory Board Member's assistants in Paragraph 6

The Audit & Supervisory Board member's assistants in Paragraph 6 are ensured the opportunity to attend important meetings of the Board of Directors and other meetings accompanying Audit & Supervisory Board members. In addition, the Audit & Supervisory Board member's assistant accompany Audit & Supervisory Board members to regularly exchange opinions with the President-Representative Director and the Accounting Auditor.

With regard to instructions from Audit & Supervisory Board members, Directors and employees cooperate in the development of an audit environment so that the Audit & Supervisory Board member's assistant's work is carried out smoothly.

9. System for Reporting to Audit & Supervisory Board Members by Directors and Employees of the Company and Group Companies and System for Reporting to other Auditors

All directors and General Managers of Departments shall report on the status of the execution of the duties they are in charge at meetings of the Board of Directors and other meetings where the Audit & Supervisory Board members are present. In addition, Audit & Supervisory Board members are permitted to attend any internal meetings when requested. All directors and employees of the Company and its group companies immediately report to the Audit & Supervisory Board members as soon as they discover any matter that may or may have a material impact on the Company's credit, business performance, etc., or any material violation of the Corporate Vision, Corporate Behavior Rules, etc.

Directors and employees of the Company and its group companies may report to the Internal Reporting Office of the Company as set forth in the "Corporate Ethics Corporate Ethics Help Line" at any time, and in addition, they can report voluntarily to outside Audit & Supervisory Board members.

The Compliance Division of the Company encourages the directors and employees to familiarize

themselves with the contact points for reporting and actively report through educational and training opportunities.

The "Rules Concerning the Corporate Ethics Help Line" clearly stipulate that directors and employees of the Company and its group companies will not be subjected to disadvantageous treatment in personnel evaluation and will not be subject to adverse dispositions such as disciplinary action by reporting to the Whistleblower Hotline. In addition, the Company makes it known to the public that they will not be subject to adverse dispositions on the grounds that they have reported to the Audit & Supervisory Board members.

10. Matters concerning the Policy for the Disposition of Expenses or Liabilities Incurred in the Execution of Duties by Audit & Supervisory Board Members

When Audit & Supervisory Board members request advance payment of expenses incurred in the execution of their duties, reimbursement of expenses paid, etc., or performance of liabilities incurred, the Company promptly responds thereto, except in cases where it can be proven that such expenses, etc. have not arisen in the execution of duties by Audit & Supervisory Board members.

11. Others, System to Ensure Effective Audits by Audit & Supervisory Board Members

President-Representative Director holds regular meetings with Audit & Supervisory Board members for mutual communication.

In addition, in accordance with the "Regulations for Internal Audit" and the "Internal Audit Implementation Guidelines," the Internal Audit Office will closely communicate and coordinate with the Audit & Supervisory Board members and the outside Audit & Supervisory Board members in order to efficiently and effectively conduct audits.

## 2. Basic Views on Eliminating Anti-Social Forces

(1) Establishment of Response Control Department and Person in Charge of Prevention of Unreasonable Demands

The Company has established a Person in Charge of Control and Person in Charge of Response as a system against anti-social forces. The Company has established a system that enables it to respond in an organized manner by contacting and consulting with the General Manager and the Response Manager without taking any personal response in the event of an unjust act or request.

(2) Cooperation with External Specialized Agencies

The Company has established a system against anti-social forces in cooperation with competent police stations and external experts such as corporate lawyers. In addition, the Company is a member of the Special Violence Prevention Association under the Metropolitan Police Department (Tokubouren) and actively participates in activities to eliminate organized crime groups.

(3) Status of Aggregation and Management of Information on Anti-Social Forces

The Compliance Division gathers and manages information on anti-social forces in order to prevent damage from anti-social forces by judging the attributes of business partners.

(4) Preparation of Response Manuals

The Company has prepared the Anti-Social Forces Response Manual, which sets standards of conduct for anti-social forces. All officers and employees of the group view the manual on the Company's LAN.

(5) Status of Implementation of Training Activities

In the training by the Compliance Department, the Company strives to ensure that officers and employees are thoroughly educated and informed.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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### 2. Other Matters Concerning to Corporate Governance System

#### Outline of Timely Disclosure System

The status of the Company's internal system for timely disclosure of corporate information is as follows.

1. Basic Stance on Timely Disclosure

The Company discloses information in a timely, accurate and fair manner to shareholders and investors from the perspective of corporate social responsibility and increasing corporate value over the medium to long term. The Company will comply with the rules of the Companies Act, the Financial Instruments and Exchange Act, various laws and regulations, and rules established by stock exchanges (hereinafter referred to as the "Laws and Regulations"). In addition to promptly disclosing information that falls under the Securities Listing Regulations, we will actively disclose socially useful information related to the Company.

2. Internal System for Timely Disclosure

Important corporate information, including information related to subsidiaries, is managed centrally under the Corporate Planning Division, which is the department in charge of timely disclosure of information. Corporate Planning Division shall determine whether or not the information is subject to timely disclosure in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange, and after obtaining the approval of the President Representative Director (or, if absent, the officer or employee with a title who have been notified to the other Representative Director and the Tokyo Stock Exchange as the person responsible for handling information of the Company), the content, timing and

methods of the disclosure shall be determined.

In response to this decision, information disclosure is, in principle, conducted by the Representative Director or a delegated party, and is managed by the Corporate Planning Division. Disclosure is made by registering on the Timely Disclosure Network of the Tokyo Stock Exchange (TDnet) and posting press conferences and materials as necessary. All information registered on the TDnet is also posted on the Company's website. In addition to various laws and regulations, the Company discloses information in accordance with internal regulations such as regulations regarding the prevention of insider trading.

The system for collecting important corporate information by the Corporate Planning Division is as follows. Moreover, the Corporate Planning Division is aware of all proposals submitted and reported to the Board of Directors and the Executive Officer Committee.

(1) Decided facts

At the Company, important matters that fall under decided facts are determined in the meeting of Board of Directors. Therefore, Corporate Planning Division has a system to grasp all decisions made by the Board of Directors.

(2) Occurring facts

Officers and employees of the Company are obligated to promptly contact Corporate Planning Division regarding the details of any material facts that have occurred or may have occurred.

(3) Financial results

The Accounting Division prepares financial statements and at the same time is audited by the Accounting Auditor. The main items of financial results, including analytical data, are submitted to Board of Directors.

We are striving for accurate and prompt disclosure by implementing the audit by the Accounting Auditor during the fiscal year to lessen the burden at the end of the fiscal year.

(4) Information on subsidiaries

Officers and employees of the Company in charge of subsidiaries and officers and employees of subsidiaries are required to contact Corporate Planning Division when they learn that a material fact has occurred or may have occurred in a subsidiary.

