

Corporate Governance Report

Last Update: February 24, 2022

Samty Co, Ltd.

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<https://www.samty.co.jp/>

The corporate governance of Samty 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 Samty Group views the strengthening of corporate governance as a key management issue. The Group’s basic view on corporate governance is to pursue the continuous growth of the Company and earn the trust of society by maintaining efficient management and a strong competitive advantage through implementing rigorous compliance and improving the transparency and soundness of its management activities.

Based on the above basic view on corporate governance, and drawing on the provisions of the principles of the Corporate Governance Code, it is the Group’s policy to establish appropriate corporate governance via the implementation of a structure that enables the dissemination of timely, accurate information, strengthening of its information management system, rigorous legal compliance, the use of independent outside directors, and so forth.

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

Rule 4-11: Requirements for Ensuring the Viability of the Board of Directors/Board of Corporate Auditors

The Company appoints corporate auditors who have the track record, expertise and abilities necessary to fulfill their expected roles and responsibilities in operational and accounting audits. However, at present, no corporate auditors specializing in finance and accounting have been appointed, but the appointment of corporate auditors with such expertise has also been recognized as an issue to be addressed.

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

Rule 1-4: Cross-Shareholding

The Company may maintain and enhance stable business relationships by means of cross-shareholding, and there are cases where it will hold publicly traded shares for policy purposes if doing so is deemed to contribute to the improvement of its enterprise value. The pros and cons of continuously owning such cross-held shares in the medium to long term shall be considered by the Board of Directors and others based on the risks, returns, and so forth, and cross-held shares for which the value of ownership is deemed insufficient will be reduced.

When exercising voting rights relating to cross-held shares, factors such as whether the proposal made by the company in question is aligned with the Company’s ownership policy shall be taken into consideration as criteria for making voting decisions.

Rule 1-7: Transactions Between Related Parties

The Company’s Board of Directors Regulations stipulate that the approval of the Board of Directors must be obtained if the directors engage in competition transactions or conflict-of-interest transactions and that

directors who engage in such transactions shall report the key facts pertaining to said transactions to the Board of Directors without delay. Additionally, it is stipulated that the approval of the Board of Directors shall be obtained for necessary transactions with related parties. Moreover, with regard to Group company officers, monitoring pertaining to related-party transactions shall be performed once per year and transactions shall be disclosed in securities reports in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as the regulations stipulated by the Tokyo Stock Exchange.

Supplementary Rule 2-4-1

The majority of the Company's employees are mid-career hires and the Company has had a policy to further develop strengths and correct weakness of employees to foster talented personnel by accurately understanding their skills and aptitude, regardless of gender, nationality, previous careers, age and the years of service at the Company. Even in recruitment activities, the Company ensures diversity by actively hiring people from the location of its offices. In addition, the Company was one of the first to promote teleworking and has developed an environment that allows employees with small children and employees living in distant locations, including foreign countries, to work flexibly.

Currently, females, foreign nationals and mid-career hires account for 86.5% of the workforce, and 100% of those in managerial positions have one or more of such attributes. Particularly among the mid-career hires in managerial positions, while 68.2% are those from the real estate industry, 31.8% are from other industries, indicating diversity in their backgrounds that include financial and retail industries. Going forward, the ratio of female, foreign national or mid-career employees may change, but the Company will continue to make efforts to hire more female and foreign national employees and ensure diversity of industries they have previously worked in.

Rule 2-6: Fulfilling Role as Company Pension Asset Owner

The Company has not implemented a company pension plan.

Rule 3-1: Comprehensive Information Disclosure

(1) Corporate objectives (management philosophy, etc.), management strategy, and management plan

The management philosophy has been published on the Company's website

(<https://www.samty.co.jp/en/company/philosophy.html>).

The management strategy and management plan are published as the Medium-Term Management Plan.

(2) Basic views and basic principles relating to corporate governance

These are indicated in Section I-1 of this report, "Basic Views."

(3) Policies and procedures for the Board of Directors to determine managing executives and directors' remuneration

The representative director shall create a proposal with regard to directors' remuneration, which shall then be determined by the Board of Directors based on the results of discussion by the Nomination and Remuneration Committee.

(4) Policies and procedures for the Board of Directors to appoint/dismiss managing executives and nominate director/corporate auditor candidates

Representative directors shall propose director candidates, who shall then be determined by the Board of Directors as an agenda concerning appointment to be approved at the General Shareholder Meeting based on the results of discussion by the Nomination and Remuneration Committee. Corporate auditor candidates shall be proposed by representative directors then determined by the Board of Directors as an agenda concerning appointment to be approved at the General Shareholder Meeting, after obtaining approval of the Board of Corporate Auditors.

Dismissal of directors for reasons such as violations of the law or the Articles of Incorporation during the execution of their duties, mental or physical impairment, marked incompetency, or holding them accountable for their department's performance shall be determined by the Board of Directors by means of as a proposal at the General Shareholder Meeting based on the results of discussion by the Nomination and Remuneration Committee.

(5) Explanation of individual appointments, dismissals, or nominations given by Board of Directors when appointing/dismissing managing executives and nominating director/corporate auditor candidates based on Item 4 above

A brief background of each director/corporate auditor candidate and the reasons for their selection shall be indicated in General Shareholder Meeting reference documents.

Supplementary Rule 3-1-3

Concerning the Company's initiatives on sustainability, the Company has established a Sustainability Promotion Committee chaired by the Representative Director & President and formulated a basic policy on sustainability while implementing various initiatives. For the details of the initiatives at present, please refer to the Company's website (<https://www.samty.co.jp/en/sustainability/basic.html>).

Next, concerning investment in human resources, since the future growth of the Company largely depends on human resources including excellent personnel, the Company will, in order to maximize individual talent, establish a system which enables employees to take on challenges and develop skills along the way to produce results. The Company has established an environment that allows for new work styles, such as work from home and off-peak commuting, and introduced a job posting system, a self-development support program utilizing correspondence education and a personnel exchange program among group companies. With these efforts, the Company will secure and foster excellent personnel.

Lastly, concerning investment in intellectual properties, the Company considers intellectual properties as a brand strategy. In order to foster a sense of attachment to and pride in the Company among employees and stakeholders, the Company has implemented various sustainability initiatives as a practice of corporate philosophy to enhance the corporate image.

Supplementary Rule 4-1-1

Matters determined by the Board of Directors and matters entrusted to the business execution system under the representative directors (including matters reported to the Board of Directors) are stipulated in the Company's Board of Directors Regulations, Organization Regulations, and administrative authority chart. These are summarized below.

Matters Determined by the Board of Directors

- (1) Matters relating to the directors and the General Shareholder Meeting, such as deciding to convene a meeting and matters to be discussed at the meeting
- (2) Important matters relating to shares and bonds, such as issuance of new shares
- (3) Important matters relating to management in general, such as the Medium-Term Management Plan and the annual consolidated budget
- (4) Important matters relating to the organization/human resources
- (5) Important matters relating to business execution, such as the acquisition/disposal of major assets and borrowing of large amounts of capital
- (6) Matters relating to major management-related litigation, etc.
- (7) Important matters relating to consolidated subsidiaries

Matters Entrusted to the Business Execution System under the Representative Directors

Execution of duties relating to the company as a whole based on various policies determined by the Board of Directors.

Rule 4-9: Independence Standards and Qualifications of Independent Outside Directors

The independence standards are as stipulated in the Appendix.

Supplementary Rule 4-10-1

The Company has established the Nomination and Remuneration Committee on consultation from the Board of Directors as a meeting structure for discussing matters relating to nomination, remuneration, etc. and has received appropriate involvement and advice in terms of diversity, skills and such. The Nomination and Remuneration Committee is composed of two independent outside directors and one inside director, and independence and objectivity are ensured as independent outside directors comprising the majority of the members.

Supplementary Rule 4-11-1

The approach to the Company's Board of Directors as a whole with regard to size, diversity, and balancing knowledge, experience, and skills is as follows:

1. The Company's Board of Directors shall consist of 12 or fewer members, of which at least three shall be independent outside directors.

2. With regard to the Board of Directors' composition, director candidates shall be determined by taking into account gender, nationality, age, skills, etc. for the purpose ensuring that the Board's discussions shall be appropriate and represent multiple perspectives.

The skills that the Board of Directors considers prerequisite and the skills of each director are shown in the skill matrix in the Appendix.

Supplementary Rule 4-11-2

The directors and corporate auditors include three outside directors who also serve as outside officers for other publicly listed companies, but the number of joint director positions is considered to be within the scope of what is reasonable. None of the other officers jointly serve as officers for other publicly listed companies, so the system enables them to concentrate on their duties as directors and corporate auditors. The circumstances of joint director positions at other publicly listed companies are indicated and disclosed in business reports and securities reports.

Supplementary Rule 4-11-3

The Company's Board of Directors evaluates its viability each year on a routine basis and discloses the results. Last year, the evaluation was conducted by means of a survey of the Board of Directors' viability completed by all directors and corporate auditors comprising the Board of Directors, and the results were reported to the Board of Directors. This evaluation indicated that the Company's Board of Directors was functioning appropriately in general with regard to structure, management, governance, etc., thereby confirming its viability.

Moreover, from the perspective of desired future improvements and enhancement, key items that were mentioned included addressing the diversity of the Board of Directors' composition (including the appointment of female directors), providing a more comprehensive explanation of the consideration process (including risk analysis), pursuing more comprehensive deliberation based on optimizing the matters to be discussed, and providing earlier advance briefings to outside officers. The Company will strive to make improvements and enhancements relating to these issues after considering them further.

Supplementary Rule 4-14-2

Newly appointed directors and corporate auditors at the Company shall receive explanations regarding the Group's management strategy, the Medium-Term Management Plan, finances/accounting, business circumstances, etc. from the respective officers in charge or supervising department. Moreover, the Company shall provide directors and corporate auditors with timely information about the economic climate, industry trends, legal compliance, corporate governance, finance/accounting, and other important matters required for them to fulfill their roles, as well as supporting directors and corporate auditors in the execution of their duties by organizing external training workshops and the like.

Rule 5-1: Policy Regarding Constructive Dialogue with Shareholders

As indicated in the Appendix, the Company has stipulated a policy concerning dialogue with shareholders and takes proactive measures to engage in dialogue with them.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Daiwa Securities Group Inc.	13,195,050	28.40
Shigeru Moriyama	3,006,572	6.47
The Master Trust Bank of Japan, Ltd. (trust account)	2,791,600	6.01
Ichiro Matsushita	1,388,566	2.99

Daiwa PI Partners Co., Ltd.	1,250,000	2.69
Tsuyoshibiru Co., Ltd.	1,220,000	2.63
Hideaki Kasagi	1,200,000	2.58
Kazushi Eguchi	803,824	1.73
Fivesect Co., Ltd.	735,300	1.58
Custody Bank of Japan, Ltd.(trust account)	590,400	1.27

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

Supplementary Explanation

The status of major shareholders is as of November 30, 2021.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	November
Type of Business	Real Estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
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

N/A

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

N/A

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 <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	Chairperson (other than the President)
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors Designated as Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	K	
Shoichi Sampei	CPA									△			
Tetsuo Kodera	Lawyer												
Naotaka Murata	CPA									△			
Akira Yamanouchi	Formerly worked for another company								○				
Junko Kawai	Lawyer												

* 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 Company or its subsidiaries
- b. Executive or non-executive director of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer
- g. Major shareholder of the 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 Company (which does not correspond to any of d, e, or f) (the executive himself/herself only)
- i. Executive of a company, between which and the Company outside officers are mutually appointed (the executive himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the executive 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
Shoichi Sanpei	○		<p>Having served as a certified public accountant for many years, Mr. Sanpei possesses extensive experience and specialized knowledge of finance and accounting, in addition to management experience at other companies. He was appointed as an outside director of the Company in February 2015 and has performed his duties in an appropriate manner from an independent, neutral perspective. He was appointed based on the judgment that he may be expected to continue contributing to strengthening the Company's corporate governance by applying his extensive experience and track record. While he has not been directly involved in corporate management, it was judged that he is able to execute his duties as an outside director from an objective point of view in an appropriate manner by drawing on his diverse experience in his field of expertise. Moreover, he was designated as an independent officer after satisfying the Independence Standards for Outside Officers (see Appendix) stipulated by the Company in accordance with Tokyo Stock Exchange regulations.</p>
Tetsuo Kodera	○	<p>Registered as an attorney in September 2015 after resigning from position as public prosecutor</p>	<p>Having served as a public prosecutor and attorney for many years, Mr. Kodera possesses extensive experience and expertise. Following his appointment as an outside corporate auditor of the Company in February 2016, he was appointed as an outside director of the Company in February 2020 and has performed his duties in an appropriate manner from an independent, neutral perspective. He was appointed based on the judgment that he may be expected to continue contributing to strengthening the Company's corporate governance by applying his extensive experience and track record. While he has not been directly involved in corporate management, it was judged that he is able to execute his duties as an outside director from an objective point of view in an appropriate manner by drawing on his diverse experience in his field of expertise. Moreover, he was designated as an independent officer after</p>

			satisfying the Independence Standards for Outside Officers (see Appendix) stipulated by the Company in accordance with Tokyo Stock Exchange regulations.
Naotaka Murata			Having served as a certified public accountant for many years, Mr. Murata possesses extensive experience and specialized knowledge of finance and accounting. He was appointed based on the judgment that he may be expected to contribute to strengthening the Company's corporate governance by applying his extensive experience and track record. While he has not been directly involved in corporate management, it was judged that he is able to execute his duties as an outside director from an objective point of view in an appropriate manner by drawing on his diverse experience in his field of expertise.
Akira Yamanouchi			Having served as a representative director of a financial instruments business operator, a building lots and buildings transaction business operator and an investment corporation management company, Mr. Yamanouchi possesses extensive experience and knowledge in the financial instruments business and building lots and buildings transaction business. He was appointed as an outside director based on the expectation that he will contribute to strengthening the Company's management and corporate governance by applying his extensive experience and track record.
Junko Kawai	○		Having served as an attorney for many years, Ms. Kawai possesses extensive experience and knowledge in a wide range of fields, including corporate legal affairs. She was appointed as an outside director based on the expectation that she will contribute to strengthening the Company's corporate governance by applying her extensive experience and track record. While she has not been directly involved in corporate management, it was judged that she is able to execute her duties as an outside director from an objective point of view in an appropriate manner by drawing on her diverse experience in her field of expertise.

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 Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	2	2
Other	0	0
Chairperson	Inside director	Inside director

Supplementary Explanation

The Nomination and Remuneration Committee is formed of representative directors and independent outside directors selected by means of a vote of the Board of Directors, with independent outside directors comprising the majority of the members. Performing the functions of both a nomination committee and remuneration committee, this Committee deliberates on matters relating to the appointment and dismissal of directors (matters to be resolved at the General Shareholder Meeting), matters relating to the selection and dismissal of representative directors, matters relating to directors' remuneration, and other matters at the request of the Board of Directors and reports the results of its discussions to the Board. The Committee is chaired by a representative director who serves as a member, and if there are multiple such representative directors, the chairperson shall be appointed by means of a vote of the Board of Directors. Meetings shall be held when there are matters for discussion, with the director responsible for the administration department serving as the executive officer.

[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	4
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The internal audit department and the corporate auditors (*kansayaku*) shall share information via meetings held on an as-needed basis and pursue effective, efficient auditing by cooperating with each other in the various audits that are conducted. Moreover, the Board of Corporate Auditors and accounting auditors shall share information primarily via debriefings for accounting auditors and cooperate with each other.

Appointment of Outside <i>Kansayaku</i>	Appointed
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Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

Outside *Kansayaku*'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
Mitsusuke Koi	From another company										△			
Mikio Hara	From another company										△			
Toshihiro Sawa	From another company										△			

* Categories for "Relationship with the Company"

* "○" when the *kansayaku* presently falls or has recently fallen under the category;

"△" when the *kansayaku* fell under the category in the past

* "●" when a close relative of the *kansayaku* presently falls or has recently fallen under the category;

"▲" when a close relative of the *kansayaku* fell under the category in the past

- Executive of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Executive or non-executive director of a parent company of the Company
- Kansayaku* of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Mitsusuke Koi	○		Mr. Koi possesses extensive experience and expertise as internal audit department manager and corporate auditor at a financial institution, in addition to possessing management experience as an executive director for another company. Following his appointment as an outside corporate auditor of the Company in February 2012, he was appointed as a full-time corporate auditor in February 2014 and has performed his duties in an

			appropriate manner from an independent, neutral perspective. He was appointed based on the judgment that he may be expected to continue contributing to strengthening the Company's auditing structure by applying his extensive experience and track record. Moreover, he was designated as an independent officer after satisfying the Independence Standards for Outside Officers (see Appendix) stipulated by the Company in accordance with Tokyo Stock Exchange regulations.
Mikio Hara	○		Mr. Hara possesses many years of experience at financial institutions. He was appointed as an outside corporate auditor of the Company in February 2015 and has performed his duties in an appropriate manner from an independent, neutral perspective. He was appointed based on the judgment that he may be expected to continue contributing to strengthening the Company's auditing structure by applying his extensive experience and track record. Moreover, he was designated as an independent officer after satisfying the Independence Standards for Outside Officers (see Appendix) stipulated by the Company in accordance with Tokyo Stock Exchange regulations.
Toshihiro Sawa	○		In addition to many years of experience at financial institutions, Mr. Sawa possesses management experience as a representative director and director for multiple other companies. He was appointed based on the judgment that he may be expected to contribute to strengthening the Company's auditing structure by applying his extensive experience and track record. Moreover, he was designated as an independent officer after satisfying the Independence Standards for Outside Officers (see Appendix) stipulated by the Company in accordance with Tokyo Stock Exchange regulations.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	6
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Matters relating to Independent Directors/ <i>Kansayaku</i>

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[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration, Other
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Supplementary Explanation

With the purpose of increasing incentives relating to performance improvement, a performance-linked remuneration system (profit-related compensation) was introduced in February 2015. Moreover, in February 2019, as part of revisions to the officer remuneration system, with the purpose of creating incentives for directors (excluding outside directors) to continuously improve the Company's enterprise value and further sharing value with shareholders, a new restricted stock compensation plan and share price-linked point-based monetary compensation plan was introduced to replace the existing stock option compensation scheme.

For details, refer to the press release issued on January 22, 2019, "Notice Regarding Introduction of Restricted Stock Compensation Plan and Share Price-Linked Point-Based Monetary Compensation Plan" (available to view on the News section of the Company's website at <https://www.samty.co.jp/news.html> in Japanese only).

Revisions to the restricted stock compensation plan and share price-linked point-based monetary compensation plan were approved at the 38th Annual General Meeting of Shareholders held on January 27, 2020.

For details, please refer to the press release issued on January 21, 2020, "Notice Regarding Revision of the Compensation Amounts in the Restricted Stock Compensation Plan and Share Price-Linked Point-Based Monetary Compensation Plan" (available to view on the News section of the Company's website at <https://www.samty.co.jp/news.html> in Japanese only).

Recipients of Stock Options	—
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation

The total amount of remuneration, etc. for officers in the 40th fiscal year (from December 1, 2020, to November 30, 2021) was 538 million yen for directors (excluding outside directors) and 18 million yen for outside officers.

In accordance with the law, individual directors' remuneration is disclosed in securities reports for selected directors.

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

This is indicated in Section I-1 of this report, “Disclosure Based on the Principles of the Corporate Governance Code,” in Item 3 (“Policies and procedures for the Board of Directors to determine the managing executives and directors’ compensation”) of the sub-section entitled “Rule 3-1: Comprehensive Information Disclosure.”

[Supporting System for Outside Directors and/or *Kansayaku*]

Board of Directors documents are distributed in advance. For matters expected to require close consideration in particular, the system is designed to distribute the relevant documents as soon as possible.

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

Business Execution

The Company’s Board of Directors is composed of 12 directors, of whom five are outside directors. As a decision-making body for important matters relating to business execution, the Board of Directors resolves matters stipulated by the law and the Articles of Incorporation and matters relating to important business, as well as supervising the execution of the directors’ duties. In addition to its regular monthly meetings, the Board of Directors holds extraordinary meetings as needed in order to make timely decisions about important management-related matters.

Auditing/Oversight

The Board of Corporate Auditors is composed of one full-time corporate auditor and three part-time corporate auditors, for a total of four members. In order for them to supervise the directors’ execution of their duties from an objective, neutral perspective, all of the corporate auditors are outside directors, and the system allows them to understand important management-related matters, important matters relating to compliance and risk management, and other matters as needed through attending and consulting the minutes of key meetings, consulting all resolution documents (in the case of resolutions), holding regular meetings with all directors, asking questions about the status of execution of duties when necessary, and so forth. Moreover, the system provides an opportunity for corporate auditors to provide comments as part of the matters to be reported at regular Board of Directors’ meetings and enables reports, requests, suggestions, etc. to be received from corporate auditors. Through these mechanisms, the Board of Directors’ decision-making process and the status of directors’ execution of their duties is audited.

Internal Auditing Status

With regard to internal auditing, an internal audit department reporting directly to the president audits the work of various Company departments and Group companies in accordance with the internal auditing regulations, etc. and reports the results to the Board of Directors, the Board of Corporate Auditors, the president and the various audited departments, as well as suggests matters for improvement if necessary. Moreover, the internal auditors, corporate auditors, and accounting auditors seek to enhance their cooperation via meetings for the purpose of information-sharing.

Accounting Auditing Status

The Company has signed an auditing contract for auditing based on the Companies Act and auditing based on the Financial Instruments and Exchange Act with Ernst & Young Shin-Nihon LLC. This accounting firm and the managing partners of the firm engaged in the auditing activities and the Company do not have any material interest in each other.

3. Reasons for Adoption of Current Corporate Governance System

The Company recognizes improving the governance system as a key management issue and seeks to strengthen its corporate governance system by implementing the various measures described above. At

present, as a company with a *kansayaku* board (Board of Corporate Auditors) based on the above measures, the Company deems that it is making appropriate efforts to continuously improve its governance system using the current system as a basis.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	The fiscal year-end is the end of November each year, as a result of which the peak day is avoided, enabling many shareholders to attend the annual meeting.

2. IR Activities

	Supplementary Explanations
Regular Investor Briefings for Individual Investors	Briefings for investors are held as appropriate, during which the president provides an explanation of financial results and other information.
Regular Investor Briefings for Analysts and Institutional Investors	Briefings for analysts and institutional investors are held every semiannual period, during which the president, in principle, provides an explanation of financial results and other information.
Posting of IR Materials on Website	Financial results summaries, securities reports, convocation notices, timely disclosure materials, and other materials are always posted on the website.
Establishment of Department and/or Manager in Charge of IR	The IR department is supervised by the IR office, and an IR manager has also been established.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	One of the Company's basic views on corporate governance is that impartial, timely, and appropriate corporate information should be disclosed. In addition to stipulating timely disclosure regulations and establishing a system for rapidly communicating important corporate information to the personnel responsible for information disclosure, the Company has established an Information Disclosure Committee, which holds discussions and discloses the details via timely, appropriate means.
Implementation of Environmental Activities, CSR Activities etc.	Recognizing that responding to issues concerning sustainability, such as consideration for climate change and other global environmental problems, respect for human rights, consideration for the health and working environment as well as fair and appropriate treatment of employees, fair and appropriate transactions with business partners and crisis management for natural disasters, etc., is an important business challenge that leads not only to a reduction in risks but also to revenue opportunities, the Board of Directors of the Company has positively and actively addressed these issues from the standpoint of improving its enterprise value in the medium to long term. The following are the specific initiatives. The Company has established the Sustainability Promotion Committee and has formulated a basic policy on sustainability. It has set important issues for each of ESG (environment, social and governance) and has been working to make further improvements. (1) Consideration for climate change and other global environmental problems

	<p>Acquisition of environmental certifications for the owned properties, promotion of energy conservation and establishment of management systems / Promotion of paperless operations (in-house documents, e-contracts, etc.)</p> <p>(2) Human rights issues Awareness building on “respect for human rights, prohibition of discrimination, sexual harassment, harassment related to pregnancy, childbirth, childcare leave, nursing care leave and such, and power harassment,” using the compliance manual</p> <p>(3) Health, safety and hygiene of employees Work from home / Implementation of online fitness programs</p> <p>(4) Fair transactions with business partners Awareness building on “prohibition of bribery, gift-giving, client entertainment, etc.” and “responses to anti-social forces,” using the compliance manual</p> <p>(5) Crisis management for natural disasters, etc. Establishment and operation of “Emergency Response Regulations” and “Detailed Regulations on Measures for Severe Natural Disasters, Etc.”</p>
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IV. Matters Related to the Internal Control System

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

<p>From the perspective of strengthening its compliance and risk management system, ensuring the reliability of financial reports, optimizing and increasing the efficiency of business execution, and so forth, the Company views the establishment and enhancement of an internal control system as extremely important. A Basic Policy on Establishing an Internal Control System has been adopted by a resolution of the Board of Directors, and the Company is working to enhance it.</p> <p>Basic Policy on Establishing an Internal Control System</p> <p>1. System for Ensuring That the Execution of Directors’ and Employees’ Duties Complies with the Law and Articles of Incorporation</p> <p>1) Management Philosophy/Code of Conduct Directors and employees shall comply with the law, the Articles of Incorporation, and company regulations as a matter of course, and the Company shall stipulate a Management Philosophy and Code of Conduct that establish shared standards for engaging in business conduct that is highly ethical, sincere, and appropriate.</p> <p>2) Compliance Regulations/Compliance Manual The Company shall create Compliance Regulations and a Compliance Manual to serve as the basic rules regarding compliance management of its group and promote rigorous legal compliance, the establishment of a compliance management system, and education/awareness activities.</p> <p>3) Compliance Management System To ensure the viability of compliance management, the Company shall appoint the director responsible for the administration department as the compliance officer, and the administration department shall serve as the compliance department. To ensure thorough awareness and practical implementation of the Management Philosophy, Code of Conduct, Compliance Regulations, and Compliance Manual, the compliance department shall formulate an action plan for executing compliance management, and based on this, it shall hold training workshops, verify legal compliance, and conduct daily monitoring activities. Moreover, to ensure comprehensive implementation of the internal control system as a whole, the administration department shall work to enhance the system across the company.</p> <p>4) Whistleblowing System The Company shall establish a whistleblowing system that enables Company and Group company employees to communicate directly with the compliance department, Board of Corporate Auditors or outside contact</p>

desk regarding actions that violate the law and similar matters, and persons with knowledge of such actions shall be obligated to report them to the company. Moreover, if circumstances that require remedial measures should arise, the appropriate measures shall be taken promptly, and the compliance officer shall report the results of any investigations and remedial measures to the Board of Directors and the corporate auditors.

5) Ensuring the Reliability of Financial Reporting

To ensure the reliability of financial reporting, the Company shall formulate a Basic Policy on Financial Reporting that stipulates the basic policy and the role of internal control. Based on this basic policy, the accounting department shall establish and implement a system for ensuring the reliability of financial reporting along with internal control based on the Companies Act, as well as conducting continuous evaluation and making improvements if there are any deficiencies.

6) Prevention of Damage That May Be Inflicted by Anti-Social Forces and Banning of Relationships with Anti-Social Forces

In order to prevent damage that may be inflicted by anti-social forces and ban relationships with them, the administration department shall take comprehensive measures against them. The administration department shall develop a manual for this purpose as well as act in an organized manner in collaboration with attorneys, the police, etc. if necessary.

7) Internal Auditing

The internal audit department shall audit the status of compliance management across the company and report its findings to the Representative Director & President, the Board of Directors and the Board of Corporate Auditors. If improvements are required as a result of auditing, the audited department shall promptly implement the measures.

2. System for Saving and Managing Information Relating to the Execution of Directors' Duties

1) Saving and Managing Documents

Board minutes, approval request documents, and other information relating to the execution of directors' duties shall be recorded in writing (including electronic records) and saved and managed in an appropriate manner based on the Written Document Management Regulations and other internal regulations.

2) Information Security Measures

The Company shall stipulate a Basic Information Security Policy and establish an information security management system (ISMS) based on the ISO27001 international standards relating to information security management systems.

3. Regulations and Other Systems Related to Managing the Risk of Loss

1) Risk Management Regulations/Emergency Response Regulations

The Company shall formulate Risk Management Regulations as basic regulations for risk management and stipulate a system for managing risk during normal times and when emergency situations arise. It shall establish Emergency Response Regulations as separate regulations that stipulate the measures to be taken when emergency situations arise, and it shall establish a system for promptly evaluating the circumstances in the event of such a situation and taking prompt, appropriate steps to minimize losses.

2) System for Risk Management During Normal Times

The Company shall appoint the director responsible for the administration department as the director responsible for risk management, and the administration department shall serve as the department in charge of general risk management. The administration department shall formulate an action plan for executing risk management and verify and evaluate the status of risk management based on this, implement countermeasures, and so forth.

3) Emergency Response Department

If an emergency situation arises, an emergency response department led by the Representative Director & President shall be established, and measures will be taken in an organized manner based on the Emergency Response Regulations and Detailed Regulations on Measures for Severe Natural Disasters, Etc.

4) Internal Auditing

The internal audit department shall audit the status of risk management across the company and report its findings to the Representative Director & President, the Board of Directors and the Board of Corporate Auditors. If improvements are required as a result of auditing, the audited department shall promptly implement the measures.

4. System to Ensure the Directors Execute Their Duties Efficiently

1) Board of Directors' Meetings/Business Execution Meetings

In order to rapidly make decisions on important matters stipulated in the Board of Directors Regulations, regular Board of Directors' meetings shall be held once per month and extraordinary Board of Directors' meetings shall be held as needed. The Board shall discuss matters relating to the Company's overall management and business execution, and a Business Execution Committee shall be established as a managerial body for determining policies. The Business Execution Committee shall, as a general rule, be composed of all directors except outside directors and hold meetings once per week. The outside directors and full-time corporate auditor may, as necessary, attend meetings of the Business Execution Committee.

2) Business Execution Decisions

The Board of Directors shall determine the duties of the directors, and each director shall execute his or her duties in accordance with this decision. For the execution of day-to-day duties, authority may be transferred based on the Organization Regulations (administrative authority chart) and Division of Duties Regulations, and the persons in charge at each level shall execute their duties in accordance with the decision-making rules. Moreover, meetings attended by directors and business managers shall be held once per month with the aim of verifying the status of business execution and improving its efficiency.

3) Medium-Term Management Plan/Annual Budget

The Board of Directors shall formulate a Medium-Term Management Plan and, based on this, draft an annual budget in accordance with the general budgeting policy. For the purpose of rigorous budget management, meetings will be held once per month to analyze the reasons for surpluses or shortfalls and, in the case of shortfalls, report on improvement measures and revise targets if necessary.

4) Internal Auditing

The internal audit department shall monitor the status of business management and, for the purpose of making improvements, audit its efficiency and effectiveness and report its findings to the Representative Director & President.

5. System for Ensuring the Fairness of Business Practices in the Corporate Group

The corporate planning department will serve as the department in charge of ensuring the fairness of the Group's business practices. The corporate planning department shall receive various reports and manage Group companies through affiliate company meetings, etc. held based on the Affiliate Company Management Regulations. Moreover, the Company shall promote an integrated compliance system for the Group based on the Compliance Regulations and Compliance Manual. Other Group companies shall be able to use the Company's whistleblowing system, and if necessary, the Company shall provide other Group companies with advice on compliance- and risk management-related matters. Group companies shall manage their business based on the division of duties and powers stipulated by each company. The Company shall dispatch directors to supervise the business of key Group companies. The internal audit department shall audit the Company's Group management system as well as key Group companies and report its findings to the Representative Director & President, the Board of Directors and the Board of Corporate Auditors.

6. Matters Relating to Employees Who Support Corporate Auditors in Their Duties

There are no dedicated employees assigned to support the corporate auditors in their duties, but, if necessary, the internal audit department and corporate management department shall provide them with assistance. Employees who receive instructions from corporate auditors that are necessary for auditing tasks shall not receive commands relating to those instructions from directors or others. The employees in question shall prioritize the execution of these instructions ahead of other tasks.

7. System for Reporting to Corporate Auditors and System for Ensuring That Auditing Is Implemented in Practice by Corporate Auditors

1) System for Reporting to Corporate Auditors

The Group's officers and employees shall report the matters below to the corporate auditors without delay. Moreover, persons who report these matters shall not be subject to detrimental treatment for any reason whatsoever.

1. Important matters related to management
2. Important matters relating to compliance and risk management
3. Important matters related to ensuring the reliability of financial reporting
4. All internal approval request documents
5. Minutes of important meetings or meetings requested by corporate auditors
6. Whistleblowing details
7. Matters liable to have a major impact on Group companies' business or financial status
8. Other matters requested by corporate auditors

(2) System for Ensuring That Auditing Is Implemented in Practice by Corporate Auditors

Based on the annual auditing policy and auditing plan, the Board of Corporate Auditors shall implement auditing in practice using the following methods.

1. The corporate auditors shall attend Board of Directors' meetings and other important meetings. Moreover, at Board of Directors' meetings, opportunities will be provided for reports, requests, and other comments from corporate auditors.
2. The corporate auditors shall regularly hold meetings with the directors, including the representative directors, and exchange views on issues to be addressed by the company, the status of the environment established for auditing by corporate auditors, and important auditing-related issues.
3. The corporate auditors shall question directors and employees about the execution of their duties as needed. Moreover, they shall view important documents such as accounting records and approval requests and, if necessary, request explanations from directors or employees.
4. The corporate auditors shall conduct on-site investigations of properties and observe interim/completion inspections as needed.
5. The corporate auditors shall be present at audits conducted by the internal audit department in order to understand the actual status of each department's business activities, as well as requesting improvements if there are any deficiencies in business execution.
6. The corporate auditors shall receive explanations relating to accounting auditing details from the accounting auditors, as well as pursuing collaboration by providing opportunities for sharing information and opinions in their day-to-day activities.

(3) Policy Relating to Handling Expenses or Reimbursements Arising in the Execution of the Corporate Auditors' Duties

When corporate auditors claim expenses that are required in order to perform auditing, the claims cannot be rejected, except in cases where it is deemed that the applicable expenses were not necessary to the execution of the corporate auditors' duties.

2. Basic Views on Eliminating Anti-Social Forces and Status of Measures

Basic Views on Eliminating Anti-Social Forces

In keeping with the Compliance Regulations and Compliance Manual, which stipulate that it shall resolutely oppose and have no involvement whatsoever with anti-social activities and forces, the Company strives to eliminate anti-social forces.

Status of Measures Aimed at Eliminating Anti-Social Forces

The administration department is tasked with coordinating measures for the purpose of preventing harm from anti-social forces and severing any ties with them.

In addition to preparing documents such as a countermeasures manual, the administration department shall collaborate with attorneys, the police, etc. to take steps in an organized manner if necessary.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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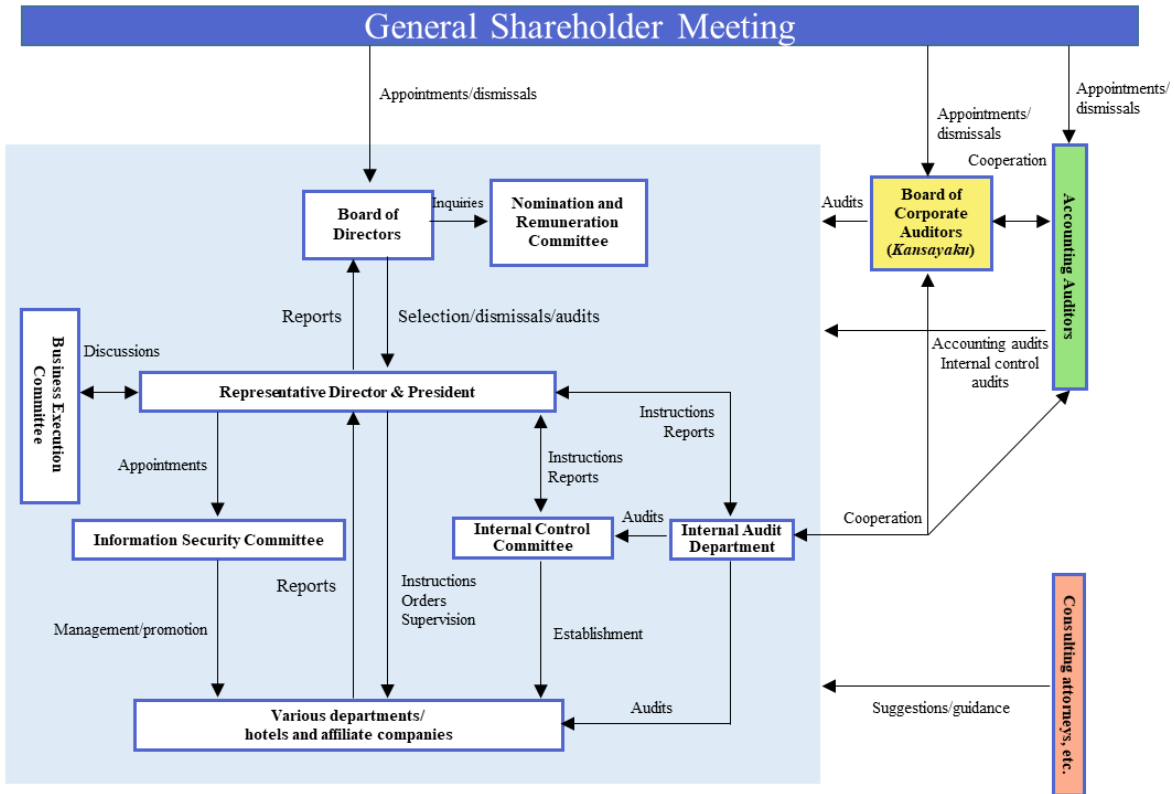
Supplementary Explanation

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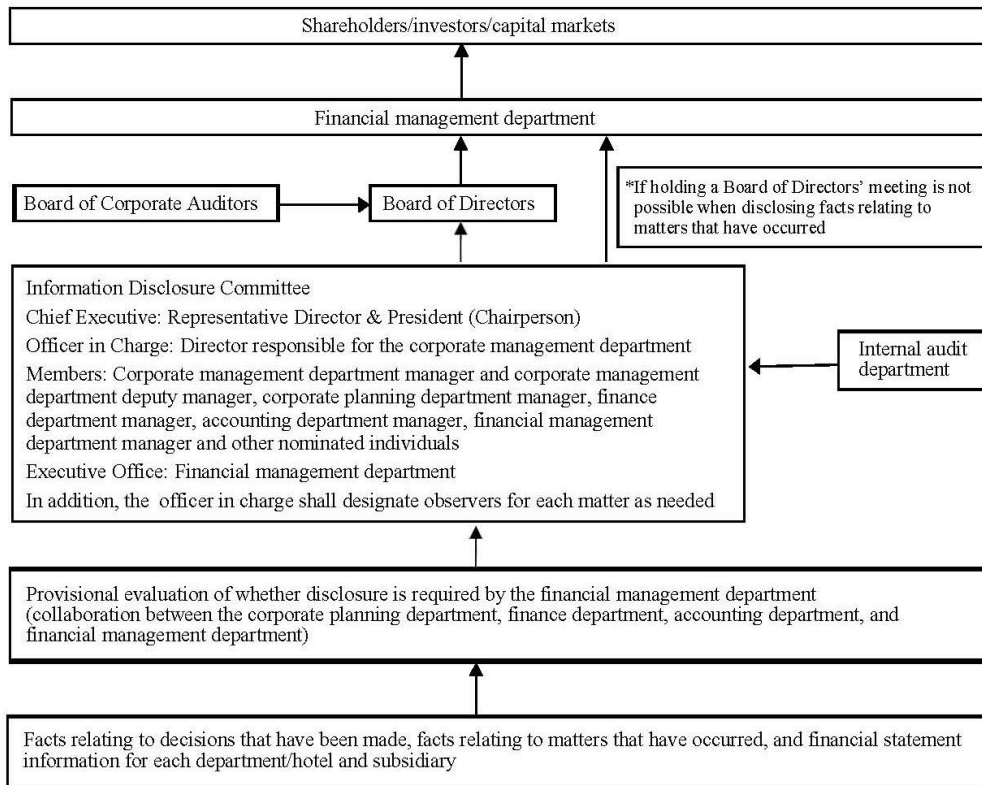
2. Other Matters Concerning the Corporate Governance System

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Corporate Governance Organizational Chart



Timely Disclosure Organizational Chart



Independence Standards for Outside Officers

Outside officers (outside directors and outside corporate auditors) shall be deemed independent individuals with no risk of conflict of interest with the Company's general shareholders if they meet the following criteria:

1. The outside officer must not currently be or have previously been an Executive^{*1} of the Group^{*2}.

^{*1} An "Executive" refers to directors (excluding outside directors), corporate auditors (excluding outside corporate auditors), executive directors, and accounting advisors, or any other officials or employees holding positions equivalent to these.

^{*2} "The Group" refers to the Company and its subsidiaries and affiliate companies.

2. At present or within the past five years, the outside officer

1) must not be or have been a major shareholder^{*3} of the Company or an Executive of one.

2) must not be or have been an Executive of a company for which the Group is a major shareholder^{*3}

^{*3} A "major shareholder" refers to a shareholder that owns at least 10% of a company's voting rights.

3. At present or within the past five years, the outside officer must not be or have been a key client/supplier^{*4} of the Group or an Executive of one.

^{*4} A "key client/supplier" refers to a client or supplier whose transactions with the Group represent an amount equivalent to at least 2% of either party's consolidated net sales.

4. At present or within the past five years, the outside officer

1) must not be receiving or have received remuneration of 10 million yen or more per year, excluding officer remuneration, from the Group as a consultant, accounting professional, or legal professional (or in the case of a corporation, organization, etc. must not belong to or have belonged to the applicable corporation, organization, etc.).

2) must not be or have been a member, partner or employee of an accounting auditor of the Group.

5. At present or within the past five years, the outside officer must not be receiving or have received 10 million yen or more per year in donations from the Group (or in the case of a corporation, organization, etc. must not belong to or have belonged to the applicable corporation, organization, etc.).

6. At present or within the past five years, the outside officer must not be or have been an Executive of a party between which and the Group officers are mutually appointed.

7. The outside officer must not be a first- or second-degree relative of a person corresponding to any of Items 1 to 6 above (excluding persons in unimportant positions).

8. The outside officer must not have any other vested interests that are liable to cause serious conflicts of interest or have an influence on decisions while executing his or her duties.

Skill Matrix

	Corporate Management	Knowledge of Industry	Accounting/ Finance	IT/Digital	Legal/ Compliance	Global Experience
Shigeru Moriyama	○	○				
Kazushi Eguchi	○	○				○
Yasuhiro Ogawa	○	○	○		○	○
Hiroaki Matsui	○	○	○	○	○	○
Naohiro Morita	○	○				○
Jiro Okawa	○	○				○
Takaharu Terauchi	○	○				
Shoichi Sanpei	○		○	○		
Tetsuo Kodera					○	
Koutaro Yoshida	○		○			
Naotaka Murata			○	○		
Mitsusuke Koi	○		○		○	○
Mikio Hara	○		○			
Toshihiro Sawa	○		○			○

Policy Regarding Constructive Dialogue with Shareholders

In order to pursue continuous growth and improve its enterprise value in the medium to long term, the Company recognizes the importance of establishing and consistently working to strengthen a platform for growth after determining its strengths, the value it should create for all stakeholders (hereinafter referred to as “Shareholders, Etc.”), and so forth. To achieve this, forming a partnership with Shareholders, Etc. based on a long-term perspective is indispensable, and the Company shall promote constructive dialogue with Shareholders, Etc. by means of the following policy insofar as it is reasonable to do so.

1. Promotion System

- 1) The officer responsible for IR shall be in charge of promoting constructive dialogue with Shareholders, Etc.
- 2) An IR department will be established to assist with promoting constructive dialogue with Shareholders, Etc.
- 3) The IR department and related departments such as finance, accounting, and legal shall establish an organic cooperation system aimed at promoting constructive dialogue with Shareholders, Etc. by means of activities such as information-sharing on a day-to-day basis.

2. Dialogue with Shareholders, Etc.

- 1) Insofar as is reasonable, dialogue with Shareholders, Etc. shall fundamentally be handled by the Representative Director & President, the officer responsible for IR and the IR department, or the legal department.
- 2) Besides individual meetings with Shareholders, Etc., the following initiatives will be implemented:
 - (i) Holding briefings, etc. relating to the Medium (Long)-Term Management Plan, business strategy, business details, and so forth.
 - (ii) Participating in IR conferences and so forth organized by securities companies, etc.
 - (iii) Providing comprehensive information via the website, General Shareholder Meeting convocation notices, and communication with shareholders
- 3) The Company shall strive to understand the realities of its shareholders in order to ensure the viability of dialogue with Shareholders, Etc.

3. Mechanisms for Providing Internal Feedback Based on the Views of Shareholders, Etc.

- 1) The officer responsible for IR and the IR department shall report evaluations and comments from institutional investors following results briefings and announcements of financial results to managerial bodies.
- 2) Besides Item 1 above, the officer responsible for IR and the IR department shall report any views and concerns obtained via dialogue with Shareholders, Etc. to managerial bodies as needed.

4. Management of Insider Information

Dialogue with Shareholders, Etc. shall be conducted in accordance with internal regulations (Internal Information Management Regulations), and impartial information disclosure shall be ensured through the appropriate management of insider information.