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## Corporate Governance Report

CORPORATE GOVERNANCE

Mitsuuroko Group Holdings Co., Ltd.

Last Update: May 18, 2022

**Mitsuuroko Group Holdings Co., Ltd.**

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The corporate governance of Mitsuuroko Group Holdings Co., Ltd. (the “Company”) is described below.

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

#### 1. Basic Views

The purpose of Mitsuuroko Group (the “Group”) are to establish systems for ensuring the appropriateness of the Group’s business operations, in accordance with the Companies Act, the Regulations for Enforcement of the Companies Act, codes of corporate conduct issued by financial instruments exchanges, etc., to comply with laws, regulations, and social ethics and norms, and to fulfill the Group’s social mission in our business activities while ensuring transparent management as well as an honest response to our customers, business partners, shareholders, and other stakeholders.

Furthermore, at the Ordinary General Meeting of Shareholders held on June 26, 2015, the Company transitioned from a company with a board of company auditors to a company with an audit and supervisory committee, to achieve more transparent management by strengthening functions for auditing and supervising the legality and propriety of business execution and further strengthen corporate governance systems.

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

(Supplementary Principle 1.2.4)

As the ratio of overseas investors in the Company is relatively low, at approximately 6% or less, there is no obstacle to exercising voting rights without using the Electronic Voting Platform and without translating the convocation notice for the General Meeting of Shareholders into English. Hence, the Company has not taken such actions at present. However, given that the ratio of overseas investors is expected to increase in the future in line with the ongoing expansion of the Company’s global business, the Company plans to introduce the Electronic Voting Platform at the 113th General Meeting of Shareholders (scheduled for June 2022). In addition, the Company will also proceed with the English translation of the convocation notice. From the 111th Ordinary General Meeting of Shareholders, the Company has made it possible for shareholders to exercise their voting rights via the Internet, including smartphones, to create an environment in which it is easier for shareholders to exercise their voting rights.

(Principle 4.8 Effective Use of Independent Directors)

Of the 12 Directors currently in office, the Company has elected three independent External Directors. Each of them provides recommendations based on their abundant experience, knowledge, and expertise from an objective and neutral standpoint while also fulfilling their supervisory functions, for example, participating in decisions related to the remuneration of Directors. Each independent External Director sufficiently contributes to the Company’s sustainable growth and the enhancement of corporate value medium- to long term. Going forward, the Company will consider the necessity of electing new independent External Directors to contribute to the further growth of the Company and the enhancement of corporate value.

(Supplementary Principle 4.8.1)

At meetings of the Company’s Board of Directors, independent External Directors actively participate in discussions from an objective standpoint. At present, the Company does not hold meetings consisting solely of independent Directors regularly. We recognize the importance of having independent External Directors exchange information and develop a shared awareness from an independent and objective standpoint. Therefore, in the future, we will consider providing opportunities to exchange information and create a shared understanding from an objective perspective, including holding meetings.

(Supplementary Principle 4.8.2)

The Company does not appoint a lead independent External Director. At present, the Company has a system where each independent External Director communicates and coordinates with management and collaborates with Members of the Audit and Supervisory Committee. If it becomes difficult for independent External Directors to communicate and coordinate with management and collaborate with Members of the Audit and Supervisory Committee under the current system, the Company plans to reconsider establishing procedures to promote collaboration, such as appointing a lead independent External Director.

(Supplementary Principle 4.10.1)

Currently, the Company’s Board of Directors, which includes three independent External Directors, makes decisions on the nomination of candidates for Directors and the selection of senior management, taking into consideration the diversity of candidates’ achievements, experience, abilities, skills, gender, and other factors in a comprehensive manner. In addition, the Board of Directors appropriately determines remuneration (basic remuneration) such that the amount is suitable and appropriate in light of Directors’ roles and responsibilities, taking into consideration the business performance of the Company, within the framework of the total amount of remuneration resolved at the General Meeting of Shareholders. Pursuant to a resolution by the Board of Directors, decisions concerning the specific content of the individual remuneration of Directors are delegated to the President and Representative Director, who make decisions concerning the establishment of payment standards in accordance with positions, responsibilities, etc., after consulting with and receiving reports from independent External Directors. In this way, the Company receives appropriate participation and advice from independent External Directors for decisions related to the nomination and remuneration of senior management and Directors and therefore does not have a voluntary advisory committee, etc., related to the nomination and remuneration of senior management and Directors, etc. In the future, when considering important matters such as the nomination and remuneration of senior management and Directors, the Company will consider establishing systems to obtain appropriate participation and advice from independent External Directors, including the establishment of advisory committees and increases in the number of independent External Directors, to further strengthen independence, objectivity, and accountability.

(Principle 1.3 Basic Strategy for Capital Policy)

The Company positions the return of profits to shareholders as an important management issue. Its basic policy is to implement a stable dividend policy while considering the strengthening of its financial position and the enhancement of internal reserves necessary for active business development. From a medium- to long-term perspective, we will continue striving to achieve sustainable growth, increase corporate value, and increase shareholder value by investing management resources in business areas expected to grow.

The Company will endeavor to maintain stable dividends in terms of shareholder returns, with a target dividend payout ratio of 40% per annum.

(Principle 1.4 So-called Cross-Shareholdings)

1. Policy on Cross-Shareholding

The Company's policy is to hold shares that contribute to enhancing corporate value over the medium- to long-term, after comprehensively considering their importance in relation to its business strategy, relationships with business partners, and other factors. Each year, the Board of Directors examines the significance of acquiring and holding each individual stock and their profitability based on the cost of capital, etc., thus regularly verifying the appropriateness of holding these stocks. Furthermore, the Company has established a policy of selling any stocks that it is unable to recognize the rationality of holding as a result of verifying the significance and purpose of holding them and will take steps to reduce the number of such shares that it holds.

2. Exercise of Voting Rights

The Company appropriately exercises voting rights based on a comprehensive assessment of whether to vote for or against each proposal, taking into consideration factors such as the establishment of appropriate corporate governance systems, the enhancement of the corporate value of the investee over the medium- to long-term, and the impact on the Company. If necessary, we will discuss the content of proposals, etc., with issuers.

(Principle 1.7 Related Party Transactions)

The appropriateness of transactions between the Company and Directors is judged by the Board of Directors, as a matter to be approved by the Board of Directors in accordance with the Rules of the Board of Directors. In addition, although there are no major shareholders at present, the Company's policy is to obtain the necessary approval for transactions with major shareholders in accordance with internal regulations and for the Board of Directors to receive reports and make decisions on significant transactions. In addition, the Company conducts annual surveys on related party transactions of officers of the Company and the Group, monitors these persons, and discloses the results thereof in annual securities reports, etc.

(Supplementary Principle 2.4.1)

1. Views and targets for securing diversity, and the status thereof

The Group believes in order to provide better services to its customers as "A Lifestyle Producer" in an increasingly diverse society, it is essential to be a company where a diverse range of employees can fully demonstrate their abilities and work in a lively and energetic manner. Accordingly, we are promoting diversity and inclusion within the Group.

As part of these efforts, the Group has been working to promote the active participation of women to achieve the numerical targets announced on November 12, 2014. On September 17, 2021, the Company revised the targets as follows.

(1) Proportion of women in the workforce (\*1)(\*2)

Target for March 2027: 33%

As of May 2021, women made up 29% of the Group's workforce. Women made up 25% of the Group's workforce in September 2014, meaning that a steady increase in the proportion of women in the workforce has been achieved over the past seven years. Going forward, the Company will increase the ratio to 33% by March 2027.

(2) Proportion of women in managerial positions (\*1)(\*3)

Target for March 2027: 11%

As of May 2021, women made up 7.3% of managers of the Group as a whole. Women made up 4.2% of managers of the Group in September 2014, meaning that a steady increase in the proportion of women in managerial positions has been achieved over the past seven years. Going forward, the Company will increase the proportion to 11% by March 2027.

(Note 1) All proportions are calculated after excluding temporary employees, part-time employees, and officers

(Note 2) This figure excludes Logitri Tohoku Co., Ltd., Logitri Chubu Co., Ltd., and Logitri Kansai Co., Ltd., where there are restrictions on female labor because they are LPG delivery companies that handle heavy goods. The number of target employees was 1,433 as of the end of May 2021

(Note 3) Calculated as (number of women in managerial positions ÷ total managerial positions across all consolidated companies (excluding Logitri Tohoku Co., Ltd., Logitri Chubu Co., Ltd., and Logitri Kansai Co., Ltd.)) × 100

In addition, as part of measures to appoint a diverse range of human resources to the optimal positions for them, regardless of gender, nationality, or personal background, the Company hires and appoints foreign nationals and mid-career employees.

In terms of current appointments of foreign nationals as core personnel at Japanese companies, one Director of the Company and one head of a subsidiary of the Company are foreign nationals. Still, there are no foreign nationals in managerial positions. In the future, as we promote hiring the right people for the right job, we will also actively promote hiring foreign nationals to managerial positions. Furthermore, the percentage of mid-career hires in managerial positions is approximately 65%, which we believe is sufficient to ensure human resource diversity. Accordingly, we have not set a target for the percentage of mid-career hires in managerial positions.

2. Policies for developing human resources and creating internal environments to ensure diversity, as well as the implementation status thereof

As part of our efforts to promote diversity and inclusion, the Group provides annual training on women's health and has also held training on women's career development and training to support the creation of career paths for the female subordinates of managers with such subordinates. We will continue to implement this training in future.

In addition, we are working to create an environment in which employees can work comfortably while balancing work and family life. For example, we have established half-day paid leave, hourly paid leave, and non-scheduled work exemption periods, expanded leave, and shortened working hours for childcare and family care leave, and have provided employees with the ability to select options to take three days holiday a week and work from home.

(Principle 2.6 Roles of Corporate Pension Funds as Asset Owners)

The Company does not have a corporate pension fund plan. We have introduced a corporate defined contribution pension plan to assist the stable formation of assets by our employees. We also provide regular education and training for eligible employees.

(Principle 3.1 Full Disclosure)

1. Management philosophy, etc., management strategy, and management plan

[Management philosophy]

Based on our management philosophy of "As a Lifestyle Producer, we consistently conduct our business with integrity and from the customer's perspective," the Group is working to enhance consumer services, particularly concerning energy. We will continue to contribute to the

conservation of the global environment by constantly expanding our range of new services from a consumer-oriented perspective through such means as utilizing natural energy and promoting the installation of energy-saving residential equipment.

In energy products, in particular, we will continue to strengthen our efforts to maintain safety to ensure that we can provide products with "safety and security" as our top priority while also focusing on compliance in our business activities. In this way, we will fulfill our corporate social responsibility.

[Medium- to long-term management strategy]

To achieve our vision of being "A Lifestyle Producer," as outlined in our management philosophy, we will mainly focus on the following matters while maintaining our competitiveness in the energy-related business, our core business.

(1) In order to make the most of the competitive superiority that comes with owning our power sources, we will aim to increase the profitability of the electric power business, including the sale and supply of electric power, while also focusing on the spread of household fuel cells and power storage equipment.

(2) With the Group's strength in providing services for daily life, customers are the basis for our sales activities both in our existing and our next-generation businesses and increasing the customer base lies at the foundation of the Group's management. We will continue taking steps to increase the number of customers to ensure that the Group's fans increase as many as possible.

(3) The Company is taking steps to further expand into the "foods business," centering on the active expansion of the store network of "Carl's Jr.," a burger restaurant chain, as well as the development of the shop & restaurant business, the grocery shop business, and the voluntary chain business. In addition, Sweet Style Co., Ltd., will continue to actively develop its store network by expanding the "Azabujuban Mont-Thabor" chain of bakeries where experienced bakers do everything from scratch, from preparing to baking, at each store, as well as the "Motomachi Coffee" chain, which offers customers carefully selected coffee and an original space (retreat). We will continue to provide products that satisfy our customers and further strengthen quality controls and hospitality.

## 2. Basic views and policies on corporate governance

Based on the Mitsuuroko Group Corporate Ethics Charter, the Company aims to contribute to the conservation of the global environment and the creation of a fulfilling society that is easy to live in while also ensuring that our corporate activities are fair and sound and maintaining good relations with our various stakeholders. Additionally, we are constantly promoting the reform of our corporate governance methods as we look to ensure swift management decision-making, strengthen functions for supervising management, and ensure transparency in our corporate behavior, while also working to reform our management structure and enhance internal control systems, as part of our endeavor to enhance value for all stakeholders of the Mitsuuroko Group.

## 3. Policies and procedures for when the Board of Directors determines the remuneration of senior management and Directors

As stated in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in part II 1 of this Report.

## 4. Policies and procedures for when the Board of Directors elects and dismisses senior management and nominates candidates for Directors and Audit & Supervisory Board Members

With regard to the election of Directors, to contribute to the sustainable development of the Company over the medium- to long-term, the Company elects persons for senior management positions who possess appropriate abilities for senior management, such as swift, decisive, and accurate management decision-making and appropriate risk management.

For Internal Directors, the Company nominates candidates who have abundant knowledge, experience, and achievements in their areas of responsibility and possess abilities suitable for Directors, including their character. Additionally, for External Directors, the Company nominates candidates who have expert knowledge, diverse experience, and a broad perspective and who also possess abilities suitable for External Directors. In addition, for Directors who are Audit and Supervisory Committee Members, the Company nominates candidates with appropriate knowledge of finance and accounting, knowledge of the Company's business fields, and diverse perspectives on corporate management.

Furthermore, Directors will be dismissed if they engage in conduct that is inappropriate for Directors of the Company, such as to conduct that violates public order or morals, if they have difficulty continuing their duties for health reasons, if they do not possess the qualities stipulated in the election criteria, and if any other equivalent reasons apply.

The election and dismissal of Directors and the nomination of Director candidates are determined by the resolution of the Board of Directors after consideration by the Representative Director and the Director responsible for human resources, based on the above policy. The consent of the Audit and Supervisory Committee is required for the nomination of candidates for Directors who are Audit and Supervisory Committee Members, in accordance with the provisions of laws and regulations.

## 5. Explanation of individual elections and nominations when the Board of Directors elects and dismisses senior management and nominates Directors and Audit & Supervisory Board Member candidates based on item 4 above

When electing Directors, the Company discloses the career summary, concurrent positions, number of shares held, and reasons for the election of each Director (including Directors who are Audit and Supervisory Committee Members) in the Reference Documents for the General Meeting of Shareholders in the "Notice of Convocation of the Ordinary General Meeting of Shareholders." The reasons for the election of External Directors (including Directors who are Audit and Supervisory Committee Members) are also disclosed in part II 1 of this Report and annual securities reports. In addition, the reasons for the election of Internal Directors are as follows.

- Director Kohei Tajima has a track record of leading the management of the Group with his strong leadership as President and Representative Director since 2007 and has achieved many results including the creation of new businesses in response to the changing society. In addition, he possesses the abundant experience and executive ability in relation to the Group's businesses and corporate management as well as a global perspective and broad insight. Amid drastic changes in the external environment and the industry as a whole, he is suitably qualified to respond to changes in society and the needs of our customers to achieve business strategies that consistently look to the future, Group strategies aimed at enhancing corporate value, and to strengthen corporate governance further.
- Director Atsushi Futami has served as Director of the Company since 2005, Managing Director since 2008, and President and Representative Director of Mitsuuroko Green Energy Co., Ltd., a major consolidated subsidiary of the Group, since 2011. His career and track record as Director have been outstanding. He can be expected to make a significant contribution to the further business development and expansion of the Group based on his advanced abilities and broad insight.
- Director Kazuhiro Kojima served as Assistant General Manager of the Accounting Department of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) in 2005 and Deputy General Manager of Sales Department No. 1 of Mizuho Corporate Bank, Ltd. in 2008, and thus has experience in both overseas business and accounting. At the Company, he served as Group Executive Officer, General Manager attached to the President's Office, and General Manager of the Finance & Accounting Department in 2012. In 2014, he was appointed as Director of the Company, and served as General Manager of the President's Office, General Manager of the Group Management Office, General Manager of the Corporate Administration Office, and General Manager of the Finance & Accounting Department. In 2020, he was appointed as Group CFO and Group CAO. His track record has been outstanding, and he can be expected to make a significant contribution to the enhancement of the corporate value of the Group based on his advanced abilities, global perspective, and broad insight.
- Director Manabu Sakanishi served as Executive Officer and General Manager of the Lubricating Oil Sales Management Department in the Lubricating Oil Division of EMG Marketing G.K. (currently ENEOS Corporation) in 2013 and Vice President and General Manager of the Lubricating Oil Sales Management Division of EMG Lubricants G.K. in 2017, and he was also appointed Director of the Company in 2019. His career and track record have been outstanding, and he can be expected to make a significant contribution to further the business development and expansion of the Group based on his advanced abilities, global perspective, and broad insight.

- Director Jun Kawakami served as Head of the Company's West Tokyo Company and General Manager assigned to the Logistics Planning Department, before being appointed Group Executive Officer in 2012 and Director of the Company in 2014, as well as Director, Sales Division Supervisor, and General Manager of the Sales Management Department of Mitsuuroko Co., Ltd. In these and other ways, he possesses advanced abilities and broad insight. In 2017, in response to changes in the business environment surrounding the Group, he established a system to deploy sales strategies that take advantage of the characteristics of each region, which further strengthened our competitiveness and created more effective management strategies. His career and track record have been outstanding, and he can be expected to make a significant contribution to further the business development and expansion of the Group based on his advanced abilities and broad insight.
- Director Motoyasu Omori assumed office as President and Representative Director of Mitsuuroko Beverage Co., Ltd. (currently Mitsuuroko Provisions Co., Ltd.), a major consolidated subsidiary of the Group, in 2011 and was appointed General Manager of the President's Office of the Company in 2012 and Group Executive Officer in 2014. In these and other ways, he possesses advanced abilities and broad insight. In 2017, he promoted the establishment of a company to supervise the expanding "food" business and he can be expected to make a significant contribution to the further business development and expansion of the Group by pursuing synergies between each brand and creating new value in the "food" field.
- Director Goh Wee Meng assumed office as North Asia and the Pacific Group Manager of International Enterprise Singapore in 2009, then Center Director (Tokyo) of the Singapore Embassy Commercial Office in 2011, and served as Council Director of the ASEAN-Japan Centre during this time. In these and other ways, he can be expected to make a significant contribution to business development and overseas expansion based on his advanced abilities and global perspective.

(Supplementary Principle 3.1.2)

The Company has released an English translation of the summary of its financial results for the six months ending September 30, 2021. In future, we will continue to disclose and provide information in English on financial results and other information deemed necessary from disclosure documents such as integrated reports (business reports).

(Supplementary Principle 3.1.3)

The Company's Board of Directors has established basic policies related to the Company's sustainability initiatives as part of the "Mitsuuroko Group Management Policy and Strategy." For details, please refer to pages 13 and 14 of the "Business Report (Integrated Report) 2021."

[https://ssl4.eir-parts.net/doc/8131/ir\\_material\\_for\\_fiscal\\_ym2/107691/00.pdf](https://ssl4.eir-parts.net/doc/8131/ir_material_for_fiscal_ym2/107691/00.pdf)

In the Group, we define "our role" in its relationship to ESG (environmental, social, and governance) factors. Then, to fulfill "our role," we engage in "our activities." In order to achieve a sustainable society through such factors as our response to global environmental issues, the provision of safe and secure energy, and the revitalization of local communities, we will carry out further activities while fulfilling "our role."

"Our role" ("Business Report (Integrated Report) 2021," pages 29 to 44)

- Achieve a low-carbon society (Environment)
- Achieve a safe and secure society (Society)
- Revitalize local communities (Society)
- Coexistence with local communities (Society)
- Develop human resources and promote active participation (Society)
- Corporate governance (Governance)

Furthermore, for details of "our activities," please refer to pages 31 to 44 of the above "Business Report (Integrated Report) 2021."

In addition, based on the belief that human resources are the "source of growth" and our "greatest asset," the Group positions the creation of an "environment that is easier to work in" and an "environment that is easier to actively participate in" for sustainable growth as an important role of management. For details of specific initiatives, please refer to "Developing Human Resources and Promoting Active Participation" on page 36 of the above "Business Report (Integrated Report) 2021."

With regard to investments in intellectual property, etc., the Group is working to achieve a low-carbon society through measures including support for the development and dissemination of high-performance, safe, large-scale lithium batteries and the development and provision of the SmartOWL service, which aims to reduce environmental impact by improving the efficiency of LPG delivery. For details of specific initiatives, please refer to pages 31 and 32 of the above "Business Report (Integrated Report) 2021."

The Company collected and analyzed data on the impact of climate change risks and earnings opportunities on its business activities and earnings, and provided disclosure based on the materiality (material issues for the Company) and the framework of the TCFD in the Sustainability Report published on May 2, 2022. Please refer to pages 9 to 10 and 17 to 20 of the "Sustainability Report 2021".

[https://www.mitsuuroko.com/activities/sustainability/pdf/mitsuuroko\\_sr2021\\_web\\_0428\\_all.pdf](https://www.mitsuuroko.com/activities/sustainability/pdf/mitsuuroko_sr2021_web_0428_all.pdf)

(Supplementary Principle 3.2.1)

The Audit and Supervisory Committee has established criteria for the selection of candidates for external financial auditors and criteria for assessing incumbent external financial auditors, receives reports on the audit systems, activities, etc., of accounting departments and the external financial auditors, and evaluates audit quality and the appropriateness of the level of remuneration of the external financial auditors, as well as confirming their independence and expertise. Furthermore, the Company is not aware of any issues concerning the independence and expertise of KPMG AZSA LLC, the current external financial auditor of the Company.

(Supplementary Principle 4.1.1)

The Rules of the Board of Directors set forth that matters stipulated by laws and regulations, matters stipulated in the Articles of Incorporation, and matters related to important business operations shall be determined by the resolution of the Board of Directors. Issues related to important business operations include the concurrent appointment of Directors as officers of other companies, the conclusion of important contracts, matters related to lawsuits, the establishment of subsidiaries, etc., and other issues related to affiliated companies, etc. In addition, the Rules of the Board of Directors also set forth the fact that matters to be resolved by the resolution of the Board of Directors may be transferred or delegated to other bodies, except in cases where it is stipulated by laws and regulations that such matters cannot be resolved except by resolution of the Board of Directors.

Internal regulations (the Approval Regulations) stipulate that, for example, the following matters shall be resolved by the resolution of the Board of Directors in cases when the amount exceeds ¥200 million, and determined by the Representative Director and other bodies in cases with the amount is ¥200 million or less, depending on the amount: the rebuilding of buildings and facilities, etc., the purchase of fixtures, equipment, and vehicles, etc., the purchase and disposal of operating assets that are important and high in quantify, etc., and the purchase of LP gas business rights, etc. In addition, the following matters shall be resolved by the resolution of the Board of Directors in cases when the amount is ¥30 million or more and determined by the Representative Director and other bodies in instances where the amount is ¥30 million or less, depending on the amount: write-offs and loan forgiveness for non-performing loans, compensation, and compensation for damages, provision of debt guarantees and collateral, etc.

(Supplementary Principle 4.2.1)

The Company has introduced a performance-linked stock remuneration plan for Directors (excluding External Directors) other than Directors who are Audit and Supervisory Committee Members, following the adoption of a resolution to introduce the system at the 107th Ordinary General Meeting of Shareholders held on June 28, 2016, with the objective of raising awareness of increasing medium- to long-term business performance and enhancing corporate value by clarifying the link between the remuneration of Directors (excluding External Directors) and the Company's business performance and share value and ensuring that Directors share not only the benefits of rising share prices but also the risks of falling share prices with shareholders.

Performance-linked remuneration, etc., are not appropriate for External Directors who are independent of the execution of business operations and Directors who are Audit and Supervisory Committee Members in an independent position with the authority to supervise the execution of duties by Directors without being affected by business performance. Accordingly, these Directors are only paid basic remuneration, which is fixed remuneration.

Procedures for determining remuneration are stated in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in part II 1 of this Report.

(Principle 4.9 Independence Standards and Qualification for Independent External Directors)

The Company classifies independent External Directors as those who do not fall under any of the following categories.

1. Current person who executes business or persons who were a person who executes business within the past 10 years of the Company or a subsidiary of the Company
2. Persons for whom the Company or a subsidiary of the Company are a major client (\*1) (or persons who execute the business thereof in cases when the relevant person/entity is a corporation, etc.)
3. Major clients of the Company or subsidiaries (\*2) (or persons who execute the business thereof in cases when the major client is a corporation, etc.)
4. Persons who have received donations totaling ¥10 million or 2% of their net sales or total income, whichever is higher, from the Company or its subsidiaries in the immediately preceding fiscal year
5. Consultants, certified public accountants and other accounting experts, and attorneys and other legal professionals who have obtained property other than officer remuneration from the Company or its subsidiaries that exceeds ¥10 million or 2% of that person's net sales or total income, whichever is higher, in the most recent fiscal year (if the person who obtains said property is a corporation, partnership, or other organization, persons who belong to said organization).
6. Major shareholders who directly or indirectly hold 10% or more of the Company's total voting rights (or persons who execute the business thereof in cases when the shareholder is a corporation, etc.)
7. Persons who have fallen under the above categories 2 through 6 within the past three years.
8. Close relatives of persons falling under the categories 1 through 7 above (spouses or within the second degree of kinship)

\*1 A person for whom the Company or a subsidiary of the Company is a major client refers to either of the following.

- (1) A client that provides products or services to the Company or its subsidiaries, and for which the amount of transactions with the Company and its subsidiaries in the most recent fiscal year exceeds ¥100 million or 2% of the consolidated net sales of that client, whichever is higher.
- (2) A client to which liabilities are owed by the Company or its subsidiaries, and for which the total amount of liabilities owed by the Company and its subsidiaries as of the end of the most recent fiscal year exceeds ¥100 million or 2% of the consolidated total assets of that client, whichever is higher.

\*2 A major client of the Company or a subsidiary of the Company refers to any of the following.

- (1) A client to which the Company or its subsidiaries provide products or services, and for which the amount of transactions with the client in the most recent fiscal year exceeds ¥100 million or 2% of the consolidated net sales of the Company or its subsidiaries, whichever is higher.
- (2) A client that owes liabilities to the Company or its subsidiaries, and for which the total amount of liabilities owed to the Company and its subsidiaries as of the end of the most recent fiscal year is 2% or more of the consolidated total assets of the Company or its subsidiaries.
- (3) A financial institution group that has lent money to the Company or its subsidiaries (meaning a person who belongs to a consolidated group to which the direct lender belongs), and for which the total amount of loans from said financial institution group to the Group as of the end of the most recent fiscal year exceeds 2% of the consolidated total assets of the Group.

(Supplementary Principle 4.11.1)

To ensure the sustainable development of the Company over the medium to long term as "A Lifestyle Producer," the Company elects a good balance of Internal Directors who have abundant knowledge, experience, and achievements in their areas of responsibility, and who also possess abilities suitable for Directors, including their character. Additionally, for External Directors, the Company elects persons who have expert knowledge, diverse experience, and a broad perspective and who also possess abilities suitable for External Directors. In this regard, Director Matsui, whose designation as an independent director has been reported, has abundant experience as a manager, as stated in the reason for her election. In addition, the Company discloses a skill matrix for each Director (excluding Directors who are Audit and Supervisory Committee Members) in the Notice of Convocation of the Ordinary General Meeting of Shareholders.

To ensure thorough deliberations and prompt decision-making, the Company believes an appropriate number of members of the Board of Directors is 12 or fewer, and we have set forth rules to that effect. The Board of Directors currently has 12 members, of which five are External Directors.

(Supplementary Principle 4.11.2)

The Company discloses the status of significant concurrent positions held by candidates for Directors and Directors every year in the Reference Documents for the General Meeting of Shareholders in the "Notice of Convocation of the Ordinary General Meeting of Shareholders" as well as annual securities reports.

(Supplementary Principle 4.11.3)

Starting with meetings of the Board of Directors held in fiscal 2015, the Company has conducted self-evaluations of the effectiveness of the Board of Directors in the form of questionnaires given to Directors. The Company endeavors to ensure objectivity by seeking advice from attorneys and other experts as appropriate in relation to the preparation of this questionnaire and the analysis of evaluation results.

In the questionnaire, views were freely expressed from the standpoint of each Director. The Finance & Control Center of the Company analyzed the results of the questionnaires and concluded that the Company's Board of Directors was generally effective in fiscal 2020. Specifically, the Board of Directors is particularly highly evaluated in relation to the following points: the appropriate composition of members for the effective operation of the Board of Directors, the sharing of management information and the fulfillment of the role of External Directors, the appropriate reporting of the results of audits of the effectiveness of internal control systems, and the appropriate verification of cross-shareholdings. On the other hand, it has been recognized that the Board of Directors must more actively consider the promotion of ESG initiatives and should also more strategically implement and confirm revisions to the business portfolio and capital and human resource investments. The Company will work to make improvements on these points in future.

(Supplementary Principle 4.14.2)

The Company conducts regular training for Directors to deepen the knowledge and insight necessary to address matters related to management, matters related to corporate governance, and revised laws and regulations, etc., as Directors. To date, we have provided training with compliance awareness videos based on specific case studies and video training related to sexual and power harassment. In addition, the Company has created opportunities to provide explanations to newly appointed Directors concerning matters related to corporate laws and regulations, including corporate governance and their attitudes as Directors and other matters, at the time of appointment. In particular, the Company strives to provide information on the Group's business and management strategies, etc., to newly appointed external officers.

We also recommend that officers actively participate in training provided by external organizations and make efforts to improve their skills, meaning that each officer receives training as necessary.

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

On January 1, 2020, the Company established the Finance & Control Center and created a team overseeing IR within this organization. The Director, who is Head of the Finance & Control Center, is also the Director responsible for IR and the manager in charge of IR. The Company actively discloses information to shareholders through such measures as the issuance of business reports (integrated reports) and shareholder

newsletters that include not only financial information but also business strategies, non-financial information, and other information, with the aim of ensuring that many stakeholders know about the Group's unique value creation. In addition, employees responsible for IR will engage in dialogue with shareholders, including accommodating requests for individual meetings as much as possible. Opinions and concerns identified through such dialogue with shareholders are reported to senior management and the Board of Directors through the Head of the Finance & Control Center. Furthermore, when engaging in dialogue with shareholders, the Company endeavors to prevent insider information from being leaked.

## 2. Capital Structure

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

Name or Company Name	Number of Shares Owned	Percentage (%)
ENEOS Holdings Corporation	5,064,040	8.22
Meiji Yasuda Life Insurance Company	4,990,000	8.10
Tajima Co., Ltd.	4,327,000	7.03
Sompo Japan Insurance Inc.	3,681,173	5.98
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust Mizuho Bank Account	3,074,000	4.99
Rinnai Corporation	2,682,464	4.36
Hashimoto Sangyo Co., Ltd.	1,926,500	3.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,895,500	3.08
National Mitsuuroko Association Holding Company	1,737,484	2.82
Paloma Co., Ltd.	1,685,124	2.74

Name of Controlling Shareholder, if applicable (excluding Parent Company)	-----
Name of Parent Company, if applicable	None

### Supplementary Explanation

(Note) The Company holds 743,822 treasury shares (excluding 267,900 shares of the Company held by Trust & Custody Services Bank, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT)).

## 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Business Sector	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) in the Previous Fiscal Year	¥100 billion yen or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer 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

On October 1, 2011, the Company transitioned to a management structure based on a pure holding company structure. This clarified the authority and responsibilities of each operating company and provided the flexibility to respond quickly to changes in the business environment, and strengthened the Group's business foundations through the pursuit of expertise in each business. As such, the Company will endeavor to enhance the corporate value of the Group as a whole while also consolidating operations shared within the Group, etc.

## // Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Corporate Governance System	Company with audit and supervisory committee
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#### [Directors]

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Election of External Directors	Elected
Number of External Directors	5
Number of Independent Directors	3

#### External Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Katsuhisa Yanagisawa	From another company												○	
Kaori Matsui	From another company													○
Hideo Sugawara	Certified Public Tax Accountant													○
Yoshiyuki Kawano	Other									○				
Kei Tajima	From another company													○

\* Categories for "Relationship with the Company"

\* "○" is used 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; and "▲" when a close relative of the Director fell under the category in the past.

a Person who executes business of the Company or a subsidiary

b Person who executes business or a non-executive Director of a parent company

c Person who executes business of a fellow subsidiary

d Person/entity for which the Company is a major client or a person who executes business for such person/entity

e Major client of the Company or a person who executes business for such client

f Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets other than officer remuneration from the Company

g Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)

h Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)

i Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)

j Person who executes business for an entity receiving contributions from the Company (applies to self only)

k Other

#### External Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Election
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Katsuhisa Yanagisawa			<p>Katsuhisa Yanagisawa is not and has not been an employee or person who executes business of the Company, and he is suitably qualified for the requirements of an External Director. He serves as a full-time counselor for SANRIN Co., Ltd., with which the Company has a relationship of mutual appointment of external officers through the appointment of Kohei Tajima, President and Representative Director of the Company.</p>	<p>The Company has elected Katsuhisa Yanagisawa as External Director based on the judgment that he will be able to provide advice on the Group's management and supervise the execution of business operations from a practical and diversified perspective by further strengthening the management structure, including the supervision of management and advice on overall management, and by receiving useful recommendations for enhancing corporate governance, based on the abundant experience and broad insight that he has cultivated as a manager.</p>
Kaori Matsui		○	<p>----</p>	<p>The Company has elected Kaori Matsui as External Director based on the judgment that she can be expected to make valuable recommendations on overall management, as well as matters such as M&amp;A and organizational restructuring that will contribute to the enhancement of corporate value over the medium to long term, and that she will be able to demonstrate her ability to ensure the legality of the Board of Directors' decision-making from an objective and neutral standpoint, based on the fact that she has served in a number of corporate management positions and provides advice on the Group's management and supervises the execution of business from a practical and diversified perspective as a corporate manager, as well as the fact that she possesses abundant experience, knowledge, etc., particularly in relation to M&amp;A. In addition, the Company has designated her as an independent director because she is independent and does not fall under any of the categories stipulated by the Tokyo Stock Exchange that may cause a conflict of interest with general shareholders.</p>
Hideo Sugawara	○	○	<p>----</p>	<p>Hideo Sugawara possesses considerable knowledge of finance and accounting as a certified public tax accountant. Accordingly, the Company has elected him as External Director based on the judgment that he can be expected to further strengthen the management structure by utilizing his abundant experience, knowledge, and expertise to supervise management from an independent perspective, in addition to providing useful advice to enhance compliance and corporate governance, and participating and supervising decisions on matters such as the selection of candidates for officers of the Company and officer remuneration from an objective and neutral standpoint. In addition, the Company has designated him as an independent director because he is independent and does not fall under any of the categories stipulated by the Tokyo Stock Exchange that may cause a conflict of interest with general shareholders.</p>
Yoshiyuki Kawano	○	○	<p>The Company and Mitsuroko Co., Ltd. have entered into an agreement related to industrial physicians with BLUFF45 LLC, of which Yoshiyuki Kawano is a Representative Partner. However, the amount of compensation for the commission is minimal, at less than 0.01% of the Group's consolidated selling, general and administrative expenses, and has no impact on the judgment of shareholders and investors.</p>	<p>Yoshiyuki Kawano has worked as a physician for many years and actively participates in many medical societies based on his advanced professional expertise, as well as serving as an industrial physician at the Company. Accordingly, the Company has elected him as External Director based on the judgment that can be expected to provide highly effective advice and recommendations across a wide range of fields, including both general management and health management, based on his abundant experience, achievements, and insight, in addition to participating and supervising decisions on matters such as the selection of candidates for officers of the Company and officer remuneration from an objective and neutral standpoint. In addition, the Company has designated him as an</p>

				independent director because he is independent and does not fall under any of the categories stipulated by the Tokyo Stock Exchange that may cause a conflict of interest with general shareholders.
Kei Tajima			Kei Tajima is not and has not been an employee or person who executes business of the Company, and he is suitably qualified for the requirements of an External Director.	The Company has elected Kei Tajima as External Director based on the judgment that he can be expected to sufficiently fulfill the roles and responsibilities expected of an External Director, such as supervising management and providing advice on overall management, based on his abundant experience and broad insight from having participated in the management of OrgoVere Co., Ltd. (formerly Sanrin Printing Co., Ltd.) as its Representative Director, in addition to demonstrating his ability to ensure the legality of the Board of Directors' decision-making from an objective and neutral standpoint.

### [Audit and Supervisory Committee]

#### Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Internal Directors	External Directors	Committee Chair
Audit and Supervisory Committee	3	0	0	3	External Director
Appointment of Directors and/or Employees to Support the Audit and Supervisory Committee	Appointed				

#### Matters Concerning Independence of Said Directors and/or Employees from Executive Directors

The Company assigns employees to assist Audit and Supervisory Committee Members in their duties. Furthermore, the Company will consult with the Audit and Supervisory Committee Members regarding any performance assessments or personnel transfers related to these employees.

#### Status of Coordination between Audit and Supervisory Committee, Financial Auditor, and Internal Auditing Departments

The Company has entered into an audit agreement with KPMG AZSA as its financial auditor, which conducts quarterly audits of financial results from an independent standpoint and reports the results to the Audit and Supervisory Committee. Audit and Supervisory Committee Members and the financial auditor exchange opinions on audit plans and audit policies as necessary. In addition, Audit and Supervisory Committee Members also review audit implementation reports prepared by the financial auditor and attend audits and review by the financial auditor as appropriate, as part of efforts to ascertain the implementation status of audits.

### [Voluntary Established Committee(s)]

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	None
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### [Matters Concerning Independent Directors]

Number of Independent Directors	3
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#### Other matters concerning Independent Directors

Hideo Sugawara, Kaori Matsui, and Yoshiyuki Kawano all meet the requirements for independent directors.

### [Incentives]

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Plan

Supplementary Explanation for Applicable Items

As stated in "(3) Policy on Determining Performance-linked Remuneration, etc., and Non-Monetary Remuneration, etc.," under "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

[Director Remuneration]

Status of Disclosure of Individual Directors' Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

The total amounts for Internal Directors and External Directors are disclosed.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Appointed

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

At the 106th Ordinary General Meeting of Shareholders held on June 26, 2015, the Company set the maximum total amount of remuneration for Directors who are not Audit and Supervisory Committee Members at 300 million yen per annum and the maximum total amount of remuneration for Directors who are Audit and Supervisory Committee Members at 100 million yen per annum.

In addition, the Company has introduced a performance-linked stock remuneration plan for Directors (excluding External Directors) other than Directors who are Audit and Supervisory Committee Members separate to the above amount of remuneration, following the adoption of a resolution to introduce the system at the 107th Ordinary General Meeting of Shareholders held on June 28, 2016.

The objective of this plan is to raise awareness of increasing medium- to long-term business performance and enhancing corporate value by clarifying the link between remuneration and the Company's business performance and share value and ensuring that Directors share not only the benefits of rising share prices but also the risks of falling share prices with shareholders.

At a meeting of the Board of Directors held on January 20, 2021, the Company resolved to adopt the following policy for determining the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter, the same applies).

(1) Basic policy

The basic policy of the Company is to determine the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter, the same applies) such that it is suitable and appropriate in light of Directors' roles and responsibilities, taking into consideration the business performance of the Company. Specifically, remuneration for Executive Directors consists of basic remuneration and a "Board Benefit Trust (BBT)," which is a form of performance-linked stock remuneration. Remuneration for External Directors, who are primarily responsible for supervisory functions, consists solely of basic remuneration in light of their duties.

(2) Policy on determining basic remuneration (monetary remuneration)

Basic remuneration for the Company's Directors consists of fixed monthly remuneration and is determined after comprehensively taking into consideration such factors as remuneration levels at other companies, the business performance of the Company, and the levels of employee salaries, in addition to the positions, responsibilities, etc., of Directors.

(3) Policy on determining performance-linked remuneration, etc., and non-monetary remuneration, etc.

At the 107th Ordinary General Meeting of Shareholders held on June 28, 2016, a resolution was adopted in relation to a "Board Benefit Trust (BBT)" as a form of performance-linked stock remuneration for Directors (excluding External Directors and Directors who are Audit and Supervisory Committee Members; hereinafter, referred to as the "Eligible Directors" in this and the following paragraph) (furthermore, the trust established based on this plan is hereinafter referred to as the "Trust").

As set forth in the resolution, Eligible Directors are granted several points for each fiscal year, determined after taking into consideration their position, the degree of achievement of business performance targets (the degree of achievement of the target for profit before income taxes on the consolidated statement of income), and other factors, in accordance with the Officer Share Benefit Regulations (the maximum total number of points granted to Eligible Directors per fiscal year shall be 100,000 points). Furthermore, when granting the Company's shares, etc., the points granted to Eligible Directors are converted at a rate of one share of the Company's common stock per point (however, in the event of a share split, gratis allotment of shares, consolidation of shares, etc., in relation to the Company's shares, the conversion ratio shall be reasonably adjusted according to the ratio thereof, etc.). The number of points for the Eligible Directors to be used as the basis for the granting of the Company's shares, etc., is calculated by aggregating the points granted to the Eligible Directors through the time of their retirement and then multiplying the result by a predetermined coefficient set for each reason for retirement (hereinafter, the points thus calculated are referred to as the "confirmed number of points").

If an Eligible Director retires and satisfies the beneficiary requirements set forth in the Officer Share Benefit Regulations, he or she will be granted a number of the Company's shares corresponding to the "confirmed number of points" from the Trust after their retirement, when he or she completes the prescribed beneficiary confirmation procedures; provided, however, that in cases when the requirements provided for in the Officer Share Benefit Regulations are satisfied, the Eligible Director in question shall be paid cash equivalent to the market value of a certain percentage of the Company's shares, in place of the granting of those shares of the Company. The amount of remuneration, etc., to be received by Eligible Directors shall be based on the amount obtained by multiplying the total number of points granted to each Eligible Director by the book value per share of the Company held in the Trust, at the time the points are granted (however, in the event of a share split, gratis allotment of shares, consolidation of shares, etc., in relation to the Company's shares, the conversion ratio shall be reasonably adjusted according to the ratio thereof,

etc.). In addition, if deemed appropriate, this amount shall be added to any money paid in accordance with the provisions of the Officer Share Benefit Regulations.

(4) Policy on determining the ratio of the amount of basic remuneration (monetary remuneration), performance-linked remuneration, etc., or non-monetary remuneration, etc., for the amount of individual remuneration, etc., for each Director  
 In addition to basic remuneration, Executive Directors receive performance-linked stock remuneration (BBT), classified as performance-linked remuneration, etc., and non-monetary compensation, etc. However, the ratio of basic remuneration, performance-linked remuneration, and non-monetary remuneration is not set in advance given the nature of performance-linked stock remuneration (BBT), such as the fact that, as described in item 3 above, a number of points (a maximum of 100,000 points per fiscal year) are granted to Eligible Directors in accordance with the Officer Share Benefit Regulations for each fiscal year, taking into consideration their positions, the degree of achievement of business performance targets, and other factors, and a number of the Company's shares, etc., that is equivalent to the confirmed number of points at the time of retirement is granted, as well as the fact that this plan was introduced in place of the payment of retirement benefits. However, basic remuneration shall be the principal remuneration for Executive Directors.  
 Remuneration for External Directors consists solely of basic remuneration, as described in item 1 above.

(5) Matters concerning the determination of the contents of remuneration, etc. for individual Directors  
 Of remuneration, etc., for individual Directors, decisions concerning the specific amount of basic remuneration are delegated to the President and Representative Director, based on a resolution of the Board of Directors. This authority covers the setting of payment standards according to positions, responsibilities, etc., and the amount of basic remuneration for each individual based on such standards. To ensure that the President and Representative Director appropriately exercise this authority, the Representative Director shall make decisions concerning the establishment of payment standards in accordance with positions, responsibilities, etc., after consulting with and receiving reports from independent External Directors.  
 Furthermore, the specific content of performance-linked stock remuneration (BBT) for individual Executive Directors is determined in accordance with the Officer Stock Benefit Regulations.

### [Support System for External Directors]

When important meetings are held, such as meetings of the Board of Directors attended by External Directors, materials prepared in advance by the Finance & Control Center are distributed.

### [Statuses of Persons who have Retired as President and Representative Director, etc.]

Information on Persons Holding Advisory Positions (Counselors, Advisors, etc.) after Retiring as President and Representative Director, etc.

Name	Job title/position	Responsibilities	Terms and Conditions of Employment (Full/part-time, with/without remuneration, etc.)	Date when former role as President, etc., ended	Term
Naoshi Tajima	Honorary Chairman	In response to requests from the Company, Naoshi Tajima provides advice based on his experience and knowledge, but he is not involved in the management of the Company. Furthermore, he also serves as President of a subsidiary of the Company and Chairman of a sub-subsidiary.	Terms of employment: Part-time Remuneration: Yes	March 31, 2009	Renewed annually
Masato Watanabe	Advisor	In response to requests from the Company, Masato Watanabe provides advice based on his experience and knowledge, in addition to conducting employee education and training, guidance and coaching, and special duties for the President.	Terms of employment: Full-time Remuneration: Yes	June 21, 2019	Renewed annually

Number of Persons Holding Advisory Positions (Counselors, Advisors, etc.) After Retiring as President and Representative Director, etc.	2
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Other Related Matters

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

In principle, the Board of Directors meets once a month and is responsible for management functions across the entire Group, including matters stipulated by laws and regulations, matters authorized by resolution of the General Meeting of Shareholders, matters about basic policies of the Company's management, and matters about the supervision of the execution of important business operations. Audit and Supervisory Committee Members supervise the execution of business operations by Directors by holding meetings of the Audit and Supervisory Committee once a

month, in principle, in addition to attending important meetings such as the meetings of the Board of Directors. Within the Group, Internal Auditing Departments audit the status of the execution of business operations from the viewpoint of observing laws and regulations and compliance, transparent and efficient management, and provide advice and suggestions for improvements and measures to improve efficiency as appropriate.

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

The Company has judged that by strengthening functions related to the monitoring and supervision of management through appointing Directors who are Audit and Supervisory Committee Members with voting rights at meetings of the Board of Directors, it can maintain highly transparent governance systems in management, which will contribute to the continuous enhancement of the corporate value of the Group.

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

#### **1. Measures to Vitalize the General Meeting of Shareholders and Facilitate Exercise of Voting Rights**

	Supplementary Explanation
Scheduling of the General Meeting of Shareholders During Non-Peak Days	To ensure the attendance of a greater number of shareholders, the Company endeavors to avoid days expected to be peak days when many General Meetings of Shareholders are held and hold its Ordinary General Meeting of Shareholders before these peak days.
Electronic Exercise of Voting Rights	Effective from the 111th Ordinary General Meeting of Shareholders, the Company introduced the exercise of voting rights via the Internet, including smartphones.

#### **2. Status of IR-related Activities**

	Supplementary Explanation	Explanation by a representative
Formulation and Publication of Disclosure Policies	As a basic policy for information disclosure, the Group has established a Disclosure Policy, available on our website.	
Online Disclosure of IR Information	The Company posts financial results, documents related to the General Meeting of Shareholders, trends in management indicators, news releases, and other materials.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has established a team responsible for IR in the Finance & Control Center, and the Director who is Head of the center is also the manager in charge of IR.	
Other	The Company actively discloses information to shareholders through such measures as the issuance of integrated reports (business reports) and shareholder newsletters that include not only financial information but also business strategies, non-financial information, and other information, with the aim of ensuring that many stakeholders know about the Group's unique value creation.	

#### **3. Status of Measures to Ensure Due Respect for Stakeholders**

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	It is stipulated in the Mitsuuroko Group Charter of Corporate Ethics.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	We engage in activities such as environmental beautification activities around water sampling sites in the Bottled water business.
Formulation of Policies, etc. on Provision of Information to Stakeholders	As a basic policy for information disclosure, the Group has established a Disclosure Policy.

## **IV. Matters Concerning the Internal Control System**

### **1. Basic Views on Internal Control System and Status of Development**

The Company's Board of Directors has adopted a resolution concerning the "Basic Policy on Internal Controls," 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 Charter of Corporate Ethics and other rules concerning compliance systems shall constitute a code of conduct to ensure that the Board of Directors and employees comply with laws, regulations, the Articles of Incorporation, and social norms. In addition, to ensure the thorough implementation of these rules, the Administration Center shall supervise compliance efforts across the Company, and it shall also play a central role in making reports to the Board of Directors and the Audit and Supervisory Committee. The Company will also establish and operate a compliance hotline for employees to directly provide information on legally questionable activities, etc. Furthermore, if any violation of laws, regulations or the Articles of Incorporation is discovered, it shall be reported to the Board of Directors in accordance with the Compliance Rules, and the Company shall subsequently endeavor to address the matter while cooperating with external experts as necessary.

2. Systems for preserving and managing information on the execution of duties by Directors

In accordance with the Document Management Regulations, the Company records and preserves information pertaining to the execution of duties by Directors as documents or electromagnetic media (hereinafter, referred to as "documents"). The Board of Directors and Directors who are Audit and Supervisory Committee Members shall be able to inspect these documents at any time, in accordance with the Document Management Regulations.

3. Rules and other systems for managing the risk of loss

With regard to risks related to compliance, disasters and accidents, the environment, quality, information security, and other factors, the respective departments in charge shall establish rules and guidelines, conduct training, prepare and distribute manuals, etc. The Board of Directors shall address newly occurring risks by promptly designating Directors who will act as managers responsible for a response. In addition, the Board of Directors verifies the risks associated with business execution every year and reviews risk management systems as necessary.

4. Systems to ensure the efficient execution of duties by Directors

The Company clearly defines the methods by which it makes decisions in the Approval Regulations and makes decisions in ways suited to their importance. In addition, authorities and responsibilities related to the execution of duties are clearly defined in the Regulations on the Division of Duties, the Regulations on Operational Authority, and other internal regulations. In this way, duties are executed efficiently.

In addition, the Internal Auditing Office audits the status of the execution of these operations to ascertain their status and make improvements.

5. System for ensuring the appropriateness of the business operations of the corporate group consisting of the Company and its subsidiaries

In addition to appointing Directors responsible for the businesses of each segment in the Group and giving them the authority and responsibility to establish legal compliance and risk management systems, the Finance & Control Center promotes and manages these across the Company.

(1) In accordance with the Regulations on the Management of Affiliated Companies and other related regulations, the Company appoints Directors and departments to oversee subsidiaries, and subsidiaries provide reports on the execution of duties and the status of their businesses.

(2) The Company takes steps to establish compliance systems for the Company and subsidiaries and conducts ongoing compliance education and training for officers and employees of the Company and subsidiaries.

(3) The Company and subsidiaries execute business operations according to the internal regulations of each company, and the internal regulations are revised as needed.

(4) Divisions in charge of risk management are established within the Company and each subsidiary with the Company as a direct parent company. Each company also cooperates in the sharing of information.

(5) The Company's Internal Auditing Office conducts audits of the overall operations of the Company and subsidiaries and provides verification, advice, etc.

6. Systems for reporting matters pertaining to the execution of duties by Directors of subsidiary companies, etc., to the Company

In accordance with the Group Management Regulations, the Company clearly defines the matters that require approval by the Company, matters that must be reported to the Company, etc., and monitors the status of the execution thereof, while respecting the autonomy of subsidiaries.

7. Rules and other systems for managing the risk of loss at subsidiaries

(1) The Company has established basic policies on risk management for the Group as a whole.

(2) The Company will establish a department to supervise risk management for the Group as a whole and appoint responsible managers.

(3) The General Managers of each business division manage risks for the division they are in charge of, in accordance with the basic policies on risk management.

(4) Important subsidiaries establish basic policies on risk management and manage risks themselves. Important subsidiaries also provide reports to the Company on the status of risk management, at regular intervals or as necessary.

(5) Subsidiaries under the Company's direct control oversee risk management for their subsidiaries.

8. Systems to ensure the efficient execution of duties by Directors of subsidiaries, etc.

(1) The Company reviews the organizational design and business execution systems of subsidiaries at regular intervals, taking into consideration factors such as the business and scale of the subsidiaries, and their position within the Group, and supervises them to ensure that systems are established for the efficient execution of their duties.

(2) With regard to decision-making at subsidiaries, the Company has clarified the authorities and responsibilities of persons who execute business at subsidiaries in accordance with the subsidiaries' Board of Directors Regulations, the Regulations on Operational Authority, and various other regulations. The Company also provides guidance necessary to ensure the systematic and efficient execution of business operations.

(3) The Company's Board of Directors verifies internal control plans for financial reporting reported annually by the Head of the Finance & Control Center and shares this information with Group companies.

9. Systems to ensure that the Directors, etc., and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation

(1) The Company takes steps to disseminate the Group's Code of Corporate Conduct among the officers and employees of subsidiaries, to ensure that they comply with laws, regulations, the Articles of Incorporation, and internal regulations, and execute business operations honestly and fairly.

(2) The Company has established basic policies on compliance for the Group.

(3) Subsidiaries promote compliance themselves according to the Group Basic Compliance Policy.

(4) Important subsidiaries also provide reports to the Company on compliance status at regular intervals or as necessary.

(5) Subsidiaries promote the establishment of compliance systems suited to the content and scale of their businesses and other circumstances while referring to the Compliance Guidelines established by the Company.

10. Matters related to employees to assist Audit and Supervisory Committee Members in their duties, in cases when the Audit and Supervisory Committee has requested the assignment of such employees

If Directors who are Audit and Supervisory Committee Members request that employees be assigned to assist them with their duties, the Company will appoint persons deemed suitably qualified after consulting with Directors who are Audit and Supervisory Committee Members.

11. Matters Concerning the independence of said employees from Directors

(1) Directors who are Audit and Supervisory Committee Members may provide orders as necessary for audit services to employees providing assistance. If an employee providing assistance receives an order necessary for audit operations from a Director who is an Audit and Supervisory Committee Member, the employee in question will not accept any orders from Directors, the General Manager of the Internal Auditing Office, etc.

(2) The consent of the Audit and Supervisory Committee is required for decisions concerning personnel transfers, personnel evaluations, etc., for employees providing assistance.

12. Matters related to ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to Directors and employees assisting them with their operational duties

Directors and employees cooperate in developing an audit environment where employees providing assistance can perform their operational duties without issue.

13. Systems for Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees to make reports to the Audit and Supervisory Committee

The Company will establish systems to ensure that Directors and employees make prompt reports to the Audit and Supervisory Committee on statutory matters, as well as matters that significantly impact the Company and the Group, the implementation status of internal audits, and the status of reporting via the compliance hotline and the content thereof. The method of making these reports (persons to make reports, persons to receive reports, the timing of reports, etc.) shall be determined through consultation between the Board of Directors and the Audit and Supervisory Committee.

14. Systems for subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers, employees who execute business operations, other persons equivalent thereto, and employees, as well as persons who have received reports from these persons, to provide reports to the Audit and Supervisory Committee

(1) The Company will establish systems in advance with its subsidiaries whereby the Directors, Audit & Supervisory Board Members, employees, etc., of subsidiaries, or persons who have received reports from these persons, may make reports to Directors, employees, etc., of the Company, either via the Board of Directors or Audit & Supervisory Board Members of the subsidiaries or directly.

(2) The Company will establish a system in which a prompt report to the Audit and Supervisory Committee of the Company will be made when Directors, employees, etc., of the Company, receive reports from Directors, Audit & Supervisory Board Members, employees, etc., of subsidiaries, or persons who have received reports from these persons.

15. Systems to ensure that persons who make reports are not treated disadvantageously as a result of making the report

(1) There shall be an attorney at the contact point for the internal reporting system, and if an internal report is made, the attorney shall promptly report the content of the case to the Audit and Supervisory Committee Members of the Company, excluding any matters that may identify the whistleblower.

(2) The fact that a report was made may not be taken into consideration in any transfers, personnel evaluations, disciplinary actions, etc., related to the whistleblower, and the whistleblower may request the Audit and Supervisory Committee to investigate the reason for the transfer, personnel evaluation, disciplinary action, etc.

(3) The Board of Directors receives regular reports on the status of internal reports and the details of cases and revises the internal reporting system after consulting with the Audit and Supervisory Committee.

16. Matters concerning the procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit and Supervisory Committee Members and other policies pertaining to the handling of expenses or obligations incurred in the execution of said duties

When an Audit and Supervisory Committee Member requests the advance payment of expenses incurred in the execution of his or her duties, the reimbursement of expenses paid, etc., or the repayment of obligations borne, the Company complies with the request unless it can be proven that such expenses, etc., did not arise in the execution of his or her duties as Audit and Supervisory Committee Member.

17. Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

The Company establishes regular meetings to exchange opinions between the Audit and Supervisory Committee, the President and Representative Director, and Representative Directors.

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

In order to block any relations with antisocial forces, the Group stipulates the following:

(1) The Company establishes clear grounds related to unreasonable demands by antisocial forces in the Charter of Corporate Ethics, regulations, etc., and creates systems for responding to such demands across the Group, from the President and Representative Director down.

(2) The Company ensures the safety of employees responding to unreasonable demands by antisocial forces.

(3) In preparation for unreasonable demands by antisocial forces, the Company builds close cooperative relationships with external expert organizations such as the police and attorneys on a day-to-day basis.

(4) The Company eliminates all relationships with antisocial forces, including business relationships. In addition, the Company also strongly rejects any unreasonable demands by antisocial forces.

(5) The Company will respond legally, both in civil and criminal terms, to unreasonable demands made by antisocial forces.

(6) Even when unreasonable demands by antisocial forces are made based on scandals related to business activities or scandals concerning employees, the Company will not engage in any secret transactions to cover up the issue.

(7) The Company will never provide any funds to antisocial forces.

(8) The person in charge of matters related to antisocial forces in the Group is the department's General Manager responsible for compliance.



## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation for Applicable Items

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### **2. Other Matters Concerning the Corporate Governance System**

Overview of the timely disclosure system

#### 1 Policy on timely disclosure

The Company's basic policy is to disclose necessary information to stakeholders in a timely and appropriate manner. The Company will disclose "decisions," "financial information," and "occurrences" in a timely and appropriate manner, as determined by the Board of Directors, in accordance with the provisions set forth by the Tokyo Stock Exchange.

#### 2 Timely disclosure system

##### (1) Decisions

The departments in charge of disclosure in the Finance & Control Center (Finance & Control Center, Planning Team and Finance & IR Team) confirm in advance whether decisions made by management meetings (the Board of Directors and the Management Committee) of the Company and its subsidiaries are subject to timely disclosure. If the decision is subject to timely disclosure, then, after a management meeting makes a decision, the departments in charge of the disclosure will promptly disclose the information in accordance with the instructions of the Head of the Finance & Control Center, who is the manager responsible for disclosure.

##### (2) Occurrences

If any events that should be disclosed in a timely manner occur at the Company and its subsidiaries, the departments in charge of disclosure in the Finance & Control Center confirm whether the occurrence is subject to timely disclosure, after persons in charge promptly notify the Head of the Finance & Control Center. If the occurrence is subject to timely disclosure, then, after a decision has been made concerning disclosure by a management meeting of the Company or its subsidiaries, it will be promptly disclosed by the departments in charge of disclosure in accordance with the instructions of the Head of the Finance & Control Center.

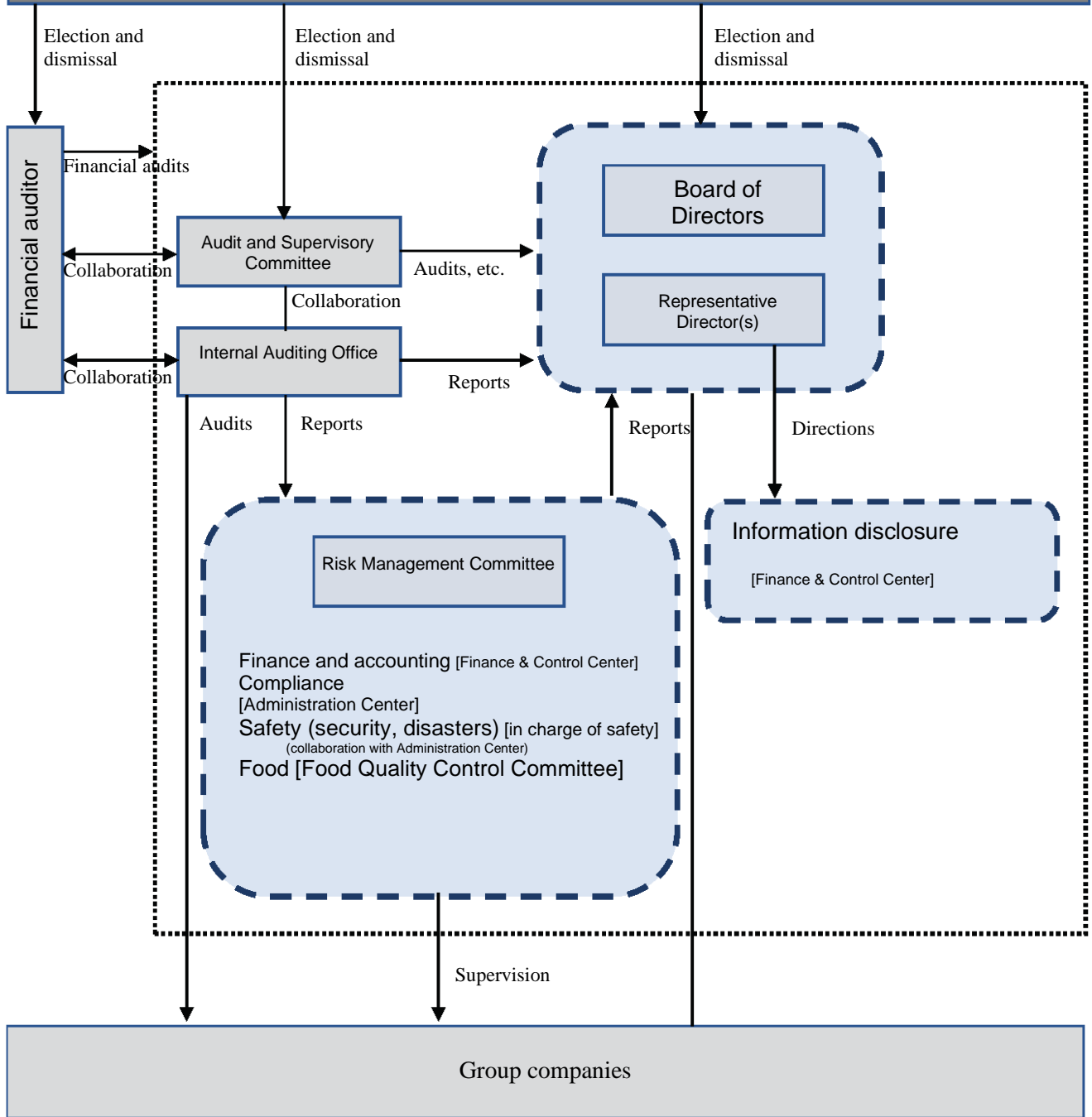
##### (3) Financial information

After a decision has been made by a management meeting (the Board of Directors and the Management Committee) of the Company or its subsidiaries, financial information is promptly disclosed by the departments in charge of disclosure in accordance with the instructions of the Head of the Finance & Control Center, who is the manager responsible for disclosure.

#### 3 Handling of timely disclosure information

Timely disclosure information is strictly controlled in accordance with the Company's Information Management Regulations. In addition, the Company makes thorough efforts to prevent insider trading in accordance with the Regulations for Prevention of Insider Trading.

# General Meeting of Shareholders



# Overview of Timely Disclosure System

