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## Corporate Governance Report

CORPORATE GOVERNANCE

AS ONE CORPORATION

**Last Update:** June 28, 2022

### AS ONE CORPORATION

Takuji Iuchi, President and Representative Director

**Contact:** Public and Investor  
Relations  
Department

**Securities code:** 7476

<https://www.as-1.co.jp/en/>

The corporate governance of AS ONE CORPORATION (the “Company”) is described below.

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

### 1. Basic Views

Our basic approach to corporate governance is to pursue management efficiency to maximize corporate value while also reinforcing corporate ethics and increasing management transparency to increase the trust we earn from all our stakeholders.

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

[Principle 2.6 Fulfilling the function as an asset owner of corporate pension plans]

To ensure stable pension benefits to the beneficiaries for the future, the Company manages pension assets with the objective of securing the necessary comprehensive income over the long term while taking risks into consideration, and determines the composition ratio of pension assets based on the opinions of asset management institutions. The Company periodically monitors the investment status of pension plan assets and reviews the composition of pension plan assets. The Company evaluates and monitors investment institutions comprehensively, taking into consideration their management performance, management policy, management system, and management process.

[Principle 4.1 Roles and responsibilities of the Board of Directors (1)]

Supplementary Principle 4.1 (3)

The Company acknowledges that the systematic development of management executive candidates, including the President, is an essential part of the Company's efforts to achieve sustainable growth and enhance its corporate value over the medium- to long-term. As for management executive candidates, the Company strives to nurture them by providing them with opportunities to experience a variety of internal operations from the time they become executive employees and to hone their management sense, necessary knowledge, and skill acquisition. In nominating candidates for the Board of Directors, the Board of Directors determines, in a transparent and fair manner, which candidates it deems appropriate and who meet the criteria for appointment. The Nomination and Compensation Committee and the Board of Directors will continue to hold numerous discussions on succession planning.

[Principle 4.3 Roles and responsibilities of the Board of Directors (3)]

Supplementary Principle 4.3 (3)

The Company does not have uniform evaluation criteria or requirements for dismissal of the President.

In the unlikely event that the President violates laws and regulations or the Articles of Incorporation, is deemed to have significantly caused damage to the Company's corporate value, or is otherwise objectively found to be appropriate for dismissal, the Board of Directors, of which the majority is composed of independent Outside Directors, after consulting with the Nomination and Compensation Committee, will make a resolution after thorough deliberation.

[Principle 4.11 Prerequisites for ensuring the effectiveness of the Board of Directors and Board of Auditors]  
Supplementary Principle 4.11 (3)

In principle, the Company holds a meeting of the Board of Directors at least once a month to deliberate and make resolutions on important matters, and receives active questions and advice from Outside Directors (including Audit and Supervisory Committee Members) regarding the business execution and supervision systems, which are reflected in the execution of duties by Directors as appropriate, thereby ensuring appropriateness. The Company will consider the analysis and evaluation of the effectiveness of the Board of Directors as a whole and its disclosure.

### **Disclosure Based on the Principles of the Corporate Governance Code Updated**

#### **[Principle 1.4 Strategic shareholdings]**

<Our policy on strategic shareholdings>

The Company's strategic shareholding policy for shares is as follows and is set at the minimum required holding level.

- The Company does not conduct strategic shareholding as a mere stable shareholder from the viewpoint of corporate governance.
- Shares are held only for the purpose of obtaining business benefits, such as the smooth promotion of business operations and the possibility of future business collaboration, and only when we believe that holding such shares will contribute to the enhancement of our medium- to long-term corporate value and sustainable growth.
- We will periodically review each individual share to determine whether the purpose of holding the stock and the benefits and risks associated with holding the stock are commensurate with the cost of capital, and will reduce the number of stocks held, focusing on those that are no longer necessary.

<Criteria for exercising voting rights on the Company's strategic shareholdings>

When exercising voting rights on the Company's strategic shareholding, we confirm whether or not the proposed agenda item will result in any damage to shareholder value. Then, after considering the investee company's situation, etc., we will decide whether to approve or disapprove the proposal and exercise our voting rights. When necessary, such as when confirming the purpose of a proposal, we hold discussions with the investee company.

[Principle 1.7 Transactions between related parties]

We manage transactions with related parties based on the "Related Party Transaction Management Regulations."

We both identify and investigate in advance transactions with related parties that have a special relationship with the Company, such as our affiliated companies and close relatives of directors and officers, and when initiating or continuing a transaction with such related parties, the Board of Directors examines the necessity and appropriateness of the transaction.

In addition, we disclose related-party transactions by including them in securities reports in accordance with the "Accounting Standard for Related Party Disclosures" and other rules and regulations.

[Principle 2.4 Securing diversity, including promotion of women's activities]

Supplementary Principle 2.4 (1)

Based on "Respect for human rights\* in our Code of Conduct," the Company has instituted a "Human Resource Development Policy" and an "Policies to Enhance the Workplace Environment" to secure diversity. In addition, the Company discloses the status of its efforts to promote diversity by including such information in its Integrated Report.

Regarding the promotion of women to management positions, the ratio of female managers is 5.0% on a non-consolidated basis as of the end of the fiscal year ending March 31, 2022, and the Company has disclosed a target of raising the ratio to 10% by the fiscal year ending March 31, 2025.

The ratio of foreign nationals in management positions is 0.7% on a non-consolidated basis as of the end of the fiscal year ending March 31, 2022, but since domestic sales account for the majority of the Company's sales, the Company does not disclose a target for this category.

The ratio of mid-career hires in management positions is 42.6% on a non-consolidated basis as of the end of the fiscal year ending March 31, 2022, and since the majority of mid-career hires in position of General Manager or higher, the Company does not disclose the target.

#### **I. Ensuring Diversity**

For the Company to enhance its corporate value over the medium- to long-term through contributing to the creation of a sustainable society, it is essential to consider ideas from a variety of perspectives. We shall respect the values of a diverse range of human resources and build a corporate culture and internal environment that maximizes the power of human resources, our most important management resource. The Company will conduct recruitment activities and human resource development based on respect for human rights in its Corporate Code of Conduct. The Company will also implement various measures based on the status of its efforts to ensure diversity, including the promotion of women, foreign nationals, and mid-career hires to management positions. Furthermore, we will support the success of our human resources through our unique personnel and benefit systems.

\* "Respect for human rights in our Code of Conduct,"

We respect all human rights mandated by law and outlined in the Universal Declaration of Human Rights and international labor standards. We do not discriminate based on race, skin color, creed, religion, nationality, age, gender, or place of birth. We also do not accept or allow such discrimination.

## II. Human Resource Development Policy

Our basic approach to human resources development and specifics of our human resources development program are disclosed in the "Human Resources Development" section of the Company's website (in Japanese)  
<https://www.as-1.co.jp/csr/society/employee/nurturing/>

## III. Internal Environmental Improvement Policy

Details regarding our internal environmental improvements are described in the "Office Environment and Various Systems" section of the Company's website (in Japanese). <https://www.as-1.co.jp/csr/society/employee/systems/>

[Principle 3.1 Enhancement of information disclosure]

(i) Company goals (management philosophy, etc.), management strategies, and management planning

We disclose the Company's management philosophy, management strategies, and management planning on the Management Information page of the Company's website and in the Convocation Notice of the Annual Meeting of Shareholders for each year. [https://www.as-1.co.jp/en/ir/\(Management Information\)](https://www.as-1.co.jp/en/ir/(Management%20Information))

We also actively provide explanations at "earnings results briefings" held twice a year and at "company information sessions for individual investors" held as needed.

(ii) Basic views and basic policies on corporate governance

As stated in the outset of "1. Basic Views" above.

(iii) Policies and procedures for determining the compensation of senior management and directors

### 1) Basic policy

The Company's basic policy for the compensation of Directors who are not Audit and Supervisory Committee Members is to ensure that the compensation is linked to the Company's performance and reflects their responsibilities and achievements. Specifically, the compensation system consists of monthly compensation as fixed compensation, bonuses as performance-linked compensation, and non-monetary compensation in the form of restricted stock compensation and the board benefit trust (BBT). Outside Directors who are not Audit and Supervisory Committee Members are not paid bonuses, restricted stock compensation and stock benefit trust, as their role is to assume a supervisory function and monitor management from an independent standpoint. The amount of compensation for Directors who are Audit and Supervisory Committee Members is determined through deliberation by Directors who are Audit and Supervisory Committee Members and the maximum amount of compensation for Directors who are Audit and Supervisory Committee Members is limited to a total of ¥100 million per year (determined at the 60th Annual Meeting of Shareholders held on June 25, 2021). The following describes the policy for determining the compensation of Directors who are not Audit and Supervisory Committee Members

### 2) Policy on the determination of monthly compensation

The monthly compensation of the Company's Directors who are not Audit and Supervisory Committee Members shall be determined based comprehensively on criteria such as the responsibilities of each position, the management environment, management ability, and level of contribution, while also taking into consideration the level of employee payroll, and other factors.

### 3) Policy on the determination of performance-linked compensation

Bonuses are linked to the Company's business performance. Specifically, an amount calculated based on consolidated operating profit for each fiscal year and taking into consideration dividends, employee bonus levels, trends at other companies, medium- to long-term business performance, and past bonus payments, etc., are paid at a certain time each year. The board benefit trust (BBT) is paid as non-monetary compensation. The BBT grants points equivalent to shares of stock in accordance with the Board Benefit Regulations established by the Company, with the achievement of the annual plan in the Medium-term Management Plan as a condition for the grant of points. The Board of Directors decides at a certain time each year whether or not to grant the points to the BBT based on sales and operating profit, which are easy-to-understand indicators of the degree of achievement under the Medium-term Management Plan.

### 4) Policy on the determination of restricted stock compensation

Restricted stock compensation is a system under which shares are granted by the Company to Directors as non-monetary compensation, with restrictions such as the inability to sell the shares (restriction on transfer) for a certain period of time that is initially set. The amount to be paid is calculated based on comprehensive consideration of the responsibilities of each position, the management environment, management ability, and level of contribution, etc., and is paid at a certain time each year.

### 5) Guaranteeing objectivity and transparency based on the deliberations of the Nomination and Compensation Committee

In determining the policies described in 2), 3), and 4), the Nomination and Compensation Committee, which is composed of a majority of independent Outside Directors, shall deliberate on comparisons with the compensation levels of other companies and the appropriateness of the coefficients for each position, etc., before making decisions. The objectivity and transparency of these policies shall be guaranteed.

### 6) Matters concerning the determination of the amount of compensation to be paid to each individual

The total amount of compensation to directors who are not Audit and Supervisory Committed Members shall be within the range set forth in the resolution of the 60th General Meeting of Shareholders held on June 25, 2021, as follows.

- a. The maximum amount of compensation for directors who are not Audit and Supervisory Committee Members is 500 million yen per year (of which the maximum amount of compensation for Outside Directors is 100 million yen per year).
- b. The amount of board benefit trust, which is separate from a., is not more than ¥200 million for five fiscal years.
- c. The amount of restricted stock compensation, which is separate from a and b, is within the limit of 100 million yen per year or less.

The ratio of compensation by type for individual Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) shall be such that the percentage of performance-linked compensation shall increase with the higher the position. The guideline for the ratio of each type of compensation, etc. shall be as follows: monthly compensation: performance-linked compensation (bonus): non-monetary compensation = 6:2:2.

The specific ratio of each type of compensation and the amount of compensation for each individual shall be reviewed as a guide by the President and the Director in charge of human resources, and Takuji Iuchi, the President, shall be delegated the responsibility of determining the specific details of the ratio of each type of compensation, in accordance with a resolution of the Board of Directors and in accordance with the above limits. The details of such authority shall be determined in accordance with the above decision-making policy. The details of such delegation of authority include the specific type of compensation ratio for each individual, the amount of monthly compensation, the allocation of bonuses based on performance, and the amount of restricted stock compensation to be paid. The reason for delegating this authority to the President is that he is best suited to determine the amount of compensation for Directors in a comprehensive manner, while taking a holistic view of the Company's business environment and management status, etc.

In determining the ratio and amount of compensation by specific type for each individual, from the perspective of ensuring objectivity and transparency, the appropriateness, etc. of compensation shall be consulted with the Nomination and Compensation Committee in advance, and the findings of said Committee shall be respected.

(iv) Nomination policies and procedures for appointment/dismissal of management personnel and Directors and Auditors

<Nomination policy for appointment>

In the appointment of management personnel and nomination of candidates for directors, the Company comprehensively examines from the perspective of having the right person in the right position, taking into consideration accurate and prompt decision-making, appropriate risk management, monitoring of business activities, and a balance of covering each function of the Company and each business corporation. In nominating candidates for Directors who are Audit and Supervisory Committee Members, the Company comprehensively examines them from the perspective of having the right person in the right position, while ensuring a balance between their knowledge of finance and accounting, their extensive knowledge not limited to the Company's business fields, and their diverse perspectives.

<Nomination procedures for the appointment of directors>

The Nomination and Compensation Committee will review the nominees in accordance with the above basic policy, and the Board of Directors will make their selections. Directors who are Audit and Supervisory Committee Members are subject to the prior consent of the Audit and Supervisory Committee.

<Dismissal policies and procedures>

When circumstances arise that require the dismissal of a Director in light of Principle 3-1 (iv) <Nomination policy for appointment>, the Board of Directors, after consulting with the Nomination and Compensation Committee and after timely and appropriate deliberation, will submit a proposal for dismissal to the General Meeting of Shareholders. The dismissal of a director who is not an Audit and Supervisory Committee Member will be made by an ordinary resolution, while the dismissal of a director who is an Audit and Supervisory Committee Member will be made by a special resolution. The Board of Directors' deliberations will take into consideration the opinions of independent Outside Directors.

(v) Explanation of director nominations

The background of each candidate for director and the reasons for their appointment are set forth in the Reference Documents for the Annual Meeting of Shareholders. The "Reasons for the nominations" of Directors whose election was proposed at the 60th and 61st Annual Meeting of Shareholders are as follows.

<Directors who are not Audit and Supervisory Committee Members >

Takuji Iuchi

Since he assumed the office of Representative Director of the Company, he has played a key role in expanding the Company's business and increasing corporate value. He has made many achievements as a manager, increasing sales by 1.9 times, net profit per share by 2.9 times, and net assets per share by 2.1 times. He has served successively as manager in sales, merchandising, purchasing, international, and IT-related sections in the Company. The Company judges that he is ideally suited to be corporate manager to promote the Medium-term Management Plan aimed by the Company.

Kazuhito Yamada

As he has experience and a track-record, having served as manager in sales, merchandising and IT-related sections in the Company, the Company judges that he is ideally suited to be corporate manager to promote the Medium-term Management Plan aimed by the Company.

Mitsushige Kimura

As he has abundant experience and a track-record in financial areas at other companies, and has experience as manager of sales and administration, the Company judges that he is ideally suited to be corporate manager to promote the Medium-term Management Plan aimed by the Company.

Keisuke Nishikawa

As he has served as a manager in marketing and corporate planning sections of the Company, the Company judges that he is ideally suited to be corporate manager to promote the Medium-term Management Plan aimed by the Company.

Kazuhiko Odaki

He has a wide ranging experience and professional knowledge having served as an official at the Ministry of Economy, Trade and Industry, and also as professor of economics at universities, the Company judges that he will continue to provide appropriate supervision of management and offer effective advice.

Michiko Kanai

She has professional knowledge as a lawyer, and the Company judges that she will provide supervision of management and offer effective advice making use of her abundant experience and extensive knowledge.

Yumie Endo

She has a wealth of experience and extensive knowledge, including specialized knowledge and study abroad, cultivated through IR activities at Sojitz Corporation. By utilizing this, the Company judges that she will provide effective advice to the entire management.

<Directors who are Audit and Supervisory Committee Members>

Kazutaka Suzuki

He has abundant experience and knowledge in the area of finance. Including the period of tenure as Outside Auditor (full-time), he has provided strict management supervision and advice from the perspective of corporate governance. The Company judges that he will continue to provide appropriate supervision of management and offered effective advice, and therefore nominates him as a candidate for Outside Director who is Audit and Supervisory Committee Member.

Hideaki Mihara

As he has professional knowledge and extensive experience as a certified public accountant and tax accountant, and the Company judges that he will continue to provide appropriate supervision of management and offer effective advice.

Toshiki Hara

He has extensive experience and broad insight as a management executive at other companies, and has given us advice on how to expand our business partners based on his extensive network, as well as advice on data security and other issues based on his knowledge of operating a data center associated with finance in his current position. The Company judges that he will provide appropriate supervision of management and offer effective advice.

Supplementary Principle 3.1 (3)

We have established a basic sustainability policy and is working to promote sustainability. Also, an overview of our sustainability activities, human capital, and intellectual capital are described in the Value Creation Story and ESG-related pages of our Integrated Report.

<Sustainability Basic Policy>

We aim to enhance our corporate value over the medium- and long-term by contributing to the creation of a sustainable society based on our Management Philosophy of "Innovation and Creation." Details are disclosed in the "Sustainability Basic Policy" on the Company's website (in Japanese).

<https://www.as-1.co.jp/csr/basicpolicy/>

With regard to the impact of risks and opportunities related to climate change on the Company's business activities and earnings, we have agreed to the TCFD's final recommendations and have disclosed information within the framework of the TCFD. Details are disclosed in the "Climate Change" section of the Company's website (in Japanese).

<https://www.as-1.co.jp/csr/environment/climatechange/>

Integrated Report [https://www.as-1.co.jp/en/ir/ir\\_library/integrated\\_report/](https://www.as-1.co.jp/en/ir/ir_library/integrated_report/)

[Principle 4.1 Board of Directors' roles and responsibilities (1)]

Supplementary Principle 4.1 (1)

We have established the Board of Directors Regulations and the Agenda Items for the Board of Directors Criteria and clarify the scope and content of matters to be judged and decided by the Board of Directors. Matters not included in these Regulations and Criteria are delegated to management based on the Administrative Authority Criteria, depending on the scale and nature of the transaction and business activities.

[Principle 4.9 Criteria for independence and qualifications]

This is described in “II 1. [Matters Concerning Independent Officers] Other Matters Concerning Independent Officers” in this report.

[Principle 4.10 Utilization of optional systems]  
Supplementary Principle 4.10 (i)

This is described in “II 1. [Voluntary Established Committee(s)]” of this report.

[Principle 4.11 Approach to the entire Board of Directors]  
Supplementary Principle 4.11 (1)

After identifying the skills that Directors should possess in light of the management strategy, the Board of Directors establishes the approach related to the balance of knowledge, experience, and abilities, diversity, and size of the entire Board of Directors, and presents a so-called skills matrix, which lists the knowledge, experience, and abilities of each Director, which is included in the Convocation Notice of the General Meeting of Shareholders, integrated reports, etc.

Page 11 of the 61st Convocation Notice <https://ssl4.eir-parts.net/doc/7476/announcement1/80097/00.pdf>  
Integrated Report [https://www.as-1.co.jp/en/ir/ir\\_library/integrated\\_report/](https://www.as-1.co.jp/en/ir/ir_library/integrated_report/)

In addition, the Independent Outside Directors include those who have management experience at other companies. Under the current structure, Mr. Toshiaki Hara falls under this category.

[Principle 4.11 Approach to the entire Board of Directors]  
Supplementary Principle 4.11 (1)

The Board of Directors has a policy that it shall be composed of an appropriate number of members, taking into consideration the knowledge, experience, and abilities of each member in the areas of general management, general affairs, accounting, finance-related, sales-related, merchandising, overseas business-related, IT, purchasing, and logistics-related, while at the same time ensuring diversity and a good balance throughout the Board of Directors. In addition, independent Outside Directors are invited through the procedures described in [Principle 3.1 Enhancement of information disclosure] (iv) and must meet the criteria for independence as an Outside Director (see "II 1. [Matters Concerning Independent Officers] Other Matters Concerning Independent Officers" in this report) and can actively express their opinions and propose issues regarding growth strategies and the enhancement of governance while taking into account the perspectives of various stakeholders, and who can fully fulfill the advisory and supervisory functions of the management.

Supplementary Principle 4.11 (2)

The status of Directors' concurrent positions with other companies has traditionally been appropriately disclosed in business reports, etc., and we believe that all such positions are within a reasonable range in terms of the time and effort required to serve on the Board of Directors or Audit and Supervisory Committee.

[Principle 4.14 Director & Auditor Training]  
Supplementary Principle 4.14 (2)

We appoint directors from internally and externally who are capable of fulfilling the roles and responsibilities expected of directors. For new officers who are promoted from within the company, we provide and facilitate training opportunities to promote understanding of their roles and responsibilities, including legal knowledge, which they should acquire as management executives. Outside Directors are provided with opportunities to gain an understanding of the company's business and functions. In addition, we provide opportunities for information exchange and mutual study as an opportunity to update their knowledge after assuming office.

[Principle 5.1 Policy on constructive dialogue with shareholders]

With the aim of promoting constructive dialogue with shareholders, we have formulated a vision for the Company's sustainable growth and medium- to long-term enhancement of corporate value, and endeavor to clearly explain the Company's management policies in an easy-to-understand manner so that they can be understood by shareholders.

<Designation of management team for dialogue with shareholders>

At the Company, the President plays a central role in the dialogue with shareholders and investors, assisted and promoted by the director in charge of IR and the Public Relations & Investor Relations Division.

<Initiatives for organic cooperation among internal divisions>

In promoting dialogue with shareholders and investors, the Company's director in charge of investor relations and the Corporate Communications & Investor Relations Division play a central role, with the accounting, general affairs, and business divisions cooperating to support this effort. In addition, the director in charge of IR or the Public Relations & Investor Relations Division attends important meetings and organically collaborates with each division in order to contribute to the realization of timely and appropriate dialogue.

<Initiatives to enhance means of dialogue beyond individual meetings>

In addition to the Company's financial results presentation meetings for analysts and investors at the end of the fiscal year and after the second quarter financial results are released, we hold company information meetings using securities companies' conferences and remote meetings via the Internet, etc. In addition, through the use of webinars and other means, the Company holds "company information sessions for individual investors" from time to time in an effort to achieve closer communication with shareholders and investors.

<Initiatives for feedback of shareholders' opinions and concerns>

The director in charge of IR provides feedback to the Board of Directors and other important meetings on opinions and concerns about the Company that have been identified through dialogues with shareholders and investors.

<Initiatives for the management of insider information>

This is described in "V. Others 2. Other Matters Concerning the Corporate Governance System" of this report.

## 2. Capital Structure

Foreign Shareholding Ratio **Update** 30% or more

### Status of Major Shareholders **Update**

Name or Company Name	Number of Shares Owned	Percentage (%)
IUCHISEIEIDO, Ltd.	5,183,146	13.82
The Master Trust Bank of Japan, Ltd. (Trust account)	4,922,100	13.13
Resona Bank, Limited	1,852,850	4.94
SSBTC CLIENT OMNIBUS ACCOUNT	1,778,372	4.74
Custody Bank of Japan, Ltd. (Trust Account)	1,682,852	4.49
JP MORGAN CHASE BANK 380055	1,491,540	3.98
Ikue Iuchi	959,886	2.56
GOLDMAN SACHS & CO. REG	912,220	2.43
Hideo Iuchi	786,238	2.10
JP MORGAN CHASE BANK 385632	659,224	1.76

Name of Controlling Shareholder, if applicable (excluding Parent Company) ---

Name of Parent Company, if applicable None

### Supplementary Explanation **Update**

- The above shows the status of major shareholders as of March 31, 2022.
- Percentage is calculated by deducting treasury stock (3,877,736 shares) from the total number of shares issued and outstanding.
- Treasury shares (3,877,736 shares) does not include the Company's shares (112,752 shares) held by the "Board Benefit Trust (BBT) (for directors)" and the "Stock Benefit-type ESOP Trust."
- The number of shares held in trust for trust bank and other trust business activities is not exhaustively available for the Company, so the number of shares held in the name on the shareholders' register is shown.
- The Company conducted a 2-for-1 stock split of shares of common stock on January 1, 2022.
- The above-mentioned shares held by the Custody Bank of Japan, Ltd. (Trust Account) include 112,752 Company shares held by the "Board Benefit Trust (BBT) (for directors)" and the "Stock Benefit-type ESOP Trust."
- Although, in the large volume holding report revision report made available for public inspection on October 16, 2013, states that International Value Advisers, LLC held 1,034,800 shares (shareholding ratio: 5.00%) as of October 9, 2013, the Company is unable to confirm the actual number of shares held as of March 31, 2022, so this is not included in the above status of major shareholders.
- Although, in the large volume holding report revision report made available for public inspection on December 22, 2020 states that Resona Bank, Ltd. and Resona Asset Management, Ltd. jointly held 1,195,855 shares (shareholding ratio: 5.78%) as of December 15, 2020, the Company is unable to confirm the actual number of shares held as of March 31, 2022, and is therefore not included in the above status of major shareholders.
- Although in the large volume holding report revision report made available for public inspection as of March 18, 2021, Kaboutor Management, LLC is listed as owning 995,847 shares (shareholding ratio: 6.05%) as of March 12, 2021, the Company is unable to

confirm the actual number of shares held as of March 31, 2022 and is therefore not included in the above status of major shareholders.

10. Although in the large volume holding report made available for public inspection on September 21, 2021, JPMorgan Asset Management (Japan) Limited and joint holders are listed as owning a total of 1,061,886 shares (shareholding ratio: 5.13%) as of September 15, 2021, the Company is unable to confirm the actual number of shares held as of March 31, 2022, and is therefore not included in the above status of major shareholders.

11. Although in the large volume holding report made available for public inspection on April 7, 2022, Mizuho Securities Co., Ltd. and its joint holders are listed as owning a total of 2,135,400 shares (shareholding ratio: 5.16%) as of March 31, 2022, the Company is unable to confirm the actual number of shares held as of March 31, 2022, and is therefore not included in the above status of major shareholders.

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	TSE Prime Market
Fiscal Year-End	March
Business Sector	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	500 or more and fewer than 1,000
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

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### 5. Other Special Circumstances which May have Material Impact on Corporate Governance

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

### 1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee
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#### Directors

Number of Directors Stipulated in Articles of Incorporation	17
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors <b>Update</b>	10
Election of Outside Directors	Elected
Number of Outside Directors	6
Number of Independent Directors	6

#### Outside Directors' Relationship with the Company (1) **Update**

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuhiko Odaki	From another company											
Michiko Kanai	From another company											
Yumie Endo	From another company											
Kazutaka Suzuki	From another company								△			
Hideaki Mihara	From another company											
Toshiki Hara	From another company								△			

\* Categories for "Relationship with the Company".

(Use "○" 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 in addition to director/Audit and Supervisory Board Member compensation 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

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Kazuhiko Odaki		○	Not applicable	He has a wide ranging experience and professional knowledge having served as an official at the Ministry of Economy, Trade and Industry, and also as professor of economics at universities, the Company judges that he will continue to provide appropriate supervision of management and offer effective advice. In addition, since the criteria for independence of outside officers in the Company are satisfied, the Company has judged that there is no risk of a conflict of interest between general shareholders and the Company, and has appointed him as an independent officer.
Michiko Kanai		○	Not applicable	She has professional knowledge as a lawyer, and the Company judges that she will provide supervision of management and offer effective advice making use of her abundant experience and extensive knowledge. In addition, since the criteria for independence of outside officers in the Company are satisfied, the Company has judged that there is no risk of a conflict of interest between general shareholders and the Company, and has appointed her as an independent officer.
Yumie Endo		○	Not applicable	She has a wealth of experience and extensive knowledge, including specialized knowledge and study abroad, cultivated through IR activities at Sojitz Corporation. By utilizing this, the Company judges that she will provide effective advice to the entire management. In addition, since the criteria for independence of outside officers in the Company are satisfied, the Company has judged that there is no risk of a

				conflict of interest between general shareholders and the Company, and has appointed her as an independent officer.
Kazutaka Suzuki	○	○	<p>He has experience working for Resona Bank, Ltd., a bank with which the Company does business, and it has been more than nine years since his retirement.</p> <p>As of March 31, 2022, the Company's total outstanding loans amounted to 3,100 million yen, 3.2% of total assets, and 16.6% of total cash and deposits, indicating a low dependence on loans. Furthermore, borrowings from the bank are a mere 1,220 million yen, or about 1.3% of total assets, and can be adequately replaced by other means of sourcing.</p>	<p>He has extensive experience and insight in the financial sector, and has provided strict supervision and advice on management from the perspective of corporate governance since his appointment as Outside Auditor (full-time) in June 2013. The Company has judged that he will continue to provide appropriate supervision and effective advice on the management of the Company.</p> <p>The amount of borrowings from Resona Bank is minimal and can be adequately replaced by other means of sourcing. In addition, since the criteria for independence of outside officers in the Company are satisfied, the Company has judged that there is no risk of a conflict of interest between general shareholders and the Company, and has appointed him as an independent officer.</p>
Hideaki Mihara	○	○	Not applicable	<p>Because of his professional knowledge and extensive experience as a certified public accountant and tax accountant, the Company judged that he will continue to provide appropriate supervision and effective advice on the Company's management.</p> <p>In addition, because he meets the criteria for independence of outside officers at the Company, we judged that there is no risk of a conflict of interest between general shareholders and the Company, and appointed him as an independent officer.</p>
Toshiki Hara	○	○	<p>He is a former Executive Vice President of Resona Bank, Limited, a bank with which the Company does business, and a former director of Resona Holdings, Inc., the parent company of Resona Bank, Limited, and it has been more than four years since his retirement from each.</p> <p>As of March 31, 2022, the Company's total outstanding loans amounted to 3,100 million yen, 3.2% of total assets, and 16.6% of total cash and deposits, indicating a low dependence on loans. Furthermore, borrowings from the bank total 1,220 million yen, or about 1.3% of total assets, and can be adequately replaced by other means of sourcing.</p>	<p>Because of his extensive experience and broad insight as a management executive at other companies, the Company has judged that he will provide appropriate supervision and effective advice on management.</p> <p>Currently, we have received advice on how to expand our business partners from his extensive network and advice on data security and other matters from his knowledge of operating a data center incidental to finance in his current position.</p> <p>The amount of borrowings from Resona Bank is minimal and can be adequately replaced by other means of sourcing. As a result, the criteria for independence of an outside officer at the Company are met, and there are no independence issues, and it is judged that there is no risk of a conflict of interest with general shareholders or the Company, and he is therefore appointed as an independent officer.</p>

## Audit and Supervisory Committee

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

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	3	1	0	3	Outside Director
Appointment of Directors and/or Staff to Support the Supervisory Committee	Not Appointed				

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

Although we have not appointed any directors or employees to provide full-time assistance at this time, as the Company always coordinates with the Internal Audit Department and, as appropriate, the Administration Division, the Company has established a full-time (appointed) Audit and Supervisory Committee Member who attends major internal meetings and conducts field visits to various divisions to ensure that adequate audits are conducted. If the Audit and Supervisory Committee requests the appointment of assistant staff, such staff shall be appointed as necessary, and the directors who are not Audit and Supervisory Committee Members and the Audit and Supervisory Committee shall exchange opinions regarding the appointment of such assistant staff in advance. In such cases, such support staff shall not concurrently serve as employees of other divisions, but shall exclusively follow the orders of the Audit and Supervisory Committee.

### Status of Coordination between Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Department

The Audit and Supervisory Committee holds meetings on a regular basis (in principle every other month) to determine audit policies, plans, and assignments; exchange opinions based on reports from full-time (appointed) Audit and Supervisory Committee Members on business activities, reviews and deliberates on internal control based on reports from the internal auditing division, deliberates on the legality of regular Board of Director meeting proposals, and shares information on risk issues and other matters. For proposals that require information to be shared with Outside Directors, who are not Audit and Supervisory Committee Members, Outside Directors, who are not Audit and Supervisory Committee Members attend as observers and engage in communication.

Audit and Supervisory Committee Members regularly communicate with the Accounting Auditor and the Internal Audit Department, receive reports and explanations on the status and results of audits, and exchange opinions.

Each Audit and Supervisory Committee Member performs their duties in accordance with the Audit Policy, allocation of duties, and other plans established by the Audit and Supervisory Committee during the term, and asks questions and expresses their opinions as appropriate at meetings of the Board of Directors in order to audit the execution of duties by Directors.

One full-time (appointed) Audit and Supervisory Committee Member makes visits to each division and subsidiary throughout the year, attends major meetings such as Executive Officer Committee and General Managers' Meeting, and inspects the minutes of important meetings and other important documents. If there are any questions, they receive explanations from Directors and employees, seeks reports from them, and expresses their opinions. In addition, they attend on-site audits by the accounting auditor, conduct joint audits with the Internal Audit Department, and exchange opinions as appropriate to enhance the effectiveness of audits through mutual cooperation.

## Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or compensation Committee	Established
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### Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	5	2	2	3	0	0	Inside Director

Voluntarily Established Committee Equivalent to compensation Committee	Nomination and Compensation Committee	5	2	2	3	0	0	Inside Director
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#### Supplementary Explanation

The Nomination and Compensation Committee was established in June 2021 as an advisory body to the Board of Directors for the purpose of enhancing corporate governance by strengthening the fairness, transparency, and objectivity of the procedures related to the nomination and compensation of the Company's directors. The Nomination and Compensation Committee is entrusted by the Board of Directors to fully deliberate on matters related to nomination and compensation and report to the Board of Directors. The committee consists of the President, Director who is General Manager of Administration Division, and three Outside Directors.

### Matters Concerning Independent Directors

Number of Independent Directors	6
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#### Other Matters Concerning Independent Directors

##### <Criteria for independence of outside officers>

In order to ensure objectivity and transparency necessary for proper governance of the Company, the Company considers it desirable for our Outside Directors to have as much independence as possible, and only if none of the following items apply to Outside Directors of the Company shall the Company consider them to be independent.

- a) A person who does not fall under the requirements under the laws and regulations
- b) A party to whom the Group is a principal business counterparty (which receives payment from the Group accounting for 2% or more of the annual consolidated net sales of the party in the most recent business year), or the parent company or a significant subsidiary thereof, or when such party is a company, executive director, executive, executive officer or, manager or other employee thereof
- c) A party that is a principal business counterparty (except for those under item d)) of the Group (which made payments to the Group accounting for 2% or more of the annual consolidated net sales of the Group in the most recent business year), or the parent company or a significant subsidiary thereof, or when such party is a company, executive director, executive, executive officer or, manager or other employee thereof
- d) Director, auditor, accounting advisor, executive, executive officer or, manager or other employee of a financial institution and other large account creditor that is indispensable to the funds procurement of the Group and on which the Group relies to the extent that there is no alternative, or the parent company or a significant subsidiary thereof
- e) Consultant, accounting expert such as a certified public accountant, legal expert such as a lawyer, and other expert that has received 10 million yen or more in monies and other property per year in average for the past three years from the Group, in addition to compensation as officer
- f) A party that receives a donation or a subsidy from the Group in an amount of 10 million yen or more per year from the Group
- g) A major shareholder of the Company (that directly or indirectly holds 10% or more of the total voting rights) or if the major shareholder is a corporation, director, auditor, accounting advisor, executive, commissioner, executive officer or, manager or other employee of the relevant major shareholder or the parent company or a significant subsidiary thereof
- h) Financial auditor of the Group or member, partner or employee of tax accounting firm of the Group
- i) Director, auditor, accounting advisor, executive or executive officer of a company that accepts directors (irrespective of whether full-time or part-time) from the Group, or the parent company or a subsidiary thereof
- j) Relative within the second degree of kinship of a director of the Group
- k) A party that used to fall under any of b) to j) of the above in the most recent five years
- l) Any other party that may have a conflict of interest with the collective general shareholders of the Company due to circumstances other than the reasons considered in items b) through l) above

## Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked compensation Scheme, Other

Supplementary Explanation for Applicable Items

The Company has established a bonus plan as a performance-linked monetary compensation, and a board benefit trust (BBT) scheme as a non-monetary compensation. In addition, a restricted stock compensation plan, which is non-monetary compensation, has been introduced as a post-grant incentive.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

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## Director compensation

Status of Disclosure of Individual Directors' compensation

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items **Update**

Total amount of compensation for directors in FY 2021: 275 million yen (including 37 million yen for Outside Directors)

Number of Directors: 11 (including 3 Outside Directors)

Breakdown of compensation

Fixed compensation: 191 million yen (monetary compensation: 165 million yen (including 37 million yen for Outside Directors), non-monetary compensation: 25 million yen (including - yen for Outside Directors))

Performance-linked compensation: 84 million yen (monetary compensation: 68 million yen (including - yen for Outside Directors), non-monetary compensation: 15 million yen (including - yen for Outside Directors))

The following information is disclosed for directors whose total amount of compensation exceeds 100 million yen.

Relevant person: Takuji Iuchi, President

Total amount of compensation: 102 million yen

Breakdown

Fixed compensation: 66 million yen (monetary compensation: 54 million yen, non-monetary compensation: 12 million yen)

Performance-linked compensation: 36 million yen (monetary compensation: 31 million yen, non-monetary compensation: 5 million yen)

Policy on Determining compensation Amounts and the Calculation Methods Thereof

Established

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

**Described in “I. Disclosure Based on the Principles of the Corporate Governance Code [Principle 3.1 Enhancement of information disclosure] (iii) Policies and procedures for determining the compensation of senior management and directors.”**

## Support System for Outside Directors

Although no special full-time staff is assigned, each division of the Administration Division plays a central role in providing support as needed.

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

The Company has adopted a corporate governance structure as a Company with Audit and Supervisory Committee Members. The adoption of this corporate governance structure strengthens oversight functions by making Audit and Supervisory Committee Members, the people responsible for the audit and oversight of business execution by directors, members of the Board of Directors.

This strengthening of our monitoring functions will further enhance corporate governance and enable the broad consignment of business execution tasked to the Board of Directors to various directors. This shift will not only increase the speed of decision-making related to business execution, it will also allow the Board of Directors to focus on decisions related to critical management matters such as the Medium-Term Management Plan. Overall, this shift will contribute to improvement in our corporate value.

We also established a Nomination and Compensation Committee to increase transparency for the evaluation and decision-making processes related to director nomination and compensation.

#### <Board of Directors>

The Board of Directors is comprised of 10 Directors, consisting of 10 directors (including six outside Directors and two female Directors), who are in charge of making managerial decisions and supervising the execution of duties. By inviting independent Outside Directors who have no vested interest in the Company, we have enhanced the supervisory function of the Board of Directors. In principle, a meeting of the Board of Directors is held once a month, and extraordinary meetings of the Board of Directors are held as needed. The Company's corporate governance structure is shown in the diagram on the final page of this document.

#### <Audit & Supervisory Committee>

The Audit and Supervisory Committee consists of three Audit and Supervisory Committee Members (all Outside Directors, including one full-time member). Each Audit and Supervisory Committee Member conducts audits in accordance with the audit policy, audit plan, etc. established by the Audit and Supervisory Committee, as described in "(3) Status of Audits (i) Status of Audit and Supervisory Committee Audits".

#### <Nomination and Compensation Committee>

The Nomination and Compensation Committee has been established as an advisory body to the Board of Directors for the purpose of enhancing corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation, etc., of the Company's directors. The Nomination and Compensation Committee is delegated by the Board of Directors to fully deliberate on matters concerning nomination and compensation and report to the Board of Directors. The committee consists of the President, Director who is General Manager of Administration Division, and three Outside Directors.

#### <Executive Officer Committee>

The Executive Officer Committee is a meeting body that supplements the decision-making process for business activities with the aim of speeding up the decision-making process by substantially delegating authority from the Board of Directors to the executive directors, and is composed of executive directors and executive officers. A full-time Audit and Supervisory Committee Member attends the meetings as an observer.

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

The Company has opted to be a Company with Audit and Supervisory Committee, and six of the ten members of the Board of Directors are independent Outside Directors, who oversee the execution of the directors' duties. Based on the Company's basic philosophy on corporate governance, the Company has adopted the current corporate governance system, judging it to be appropriate in light of the Company's size and business activities.

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

### 1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights **Update**

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	A Convocation Notice of the General Meeting of Shareholders is sent out at least one day before the statutory date and posted on the Company's website one day before the date of dispatch.
Scheduling of the General Shareholders Meeting During Non-Peak Days	Held on June 24, 2022
Electronic Exercise of Voting Rights	Shareholders may exercise their voting rights via the Internet by accessing the Company's designated voting website from a personal computer, smartphone or cell phone. It is also possible to exercise voting rights through the electronic voting platform operated by ICJ, Inc.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in an electronic voting platform operated by ICJ, Inc. and posts the Convocation Notice and its English translation.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	As mentioned above, an English translation of the Convocation Notice (simplified version) is posted on the electronic voting platform, and an English translation of the Convocation Notice is also posted on the Company's website.
Other	We endeavor to provide easy-to-understand information by making the Convocation Notice in colors other than simply black and white and visually clear.

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

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	We have formulated an IR Basic Policy, which is available on the Company's website. <a href="https://www.as-1.co.jp/en/ir/ir_library/">https://www.as-1.co.jp/en/ir/ir_library/</a>	
Regular Investor Briefings held for Individual Investors	Individual Investor Briefings (Held 3 times: FY 2021 results)	Held
Regular Investor Briefings held for Analysts and Institutional Investors	Distributed a video presentation of the financial results and the second quarter financial results during the COVID-19 pandemic	Held
Regular Investor Briefings held for Overseas Investors	Held small meetings on an irregular but frequent basis.	Not Held
Online Disclosure of IR Information	<a href="https://www.as-1.co.jp/en/ir/ir_library/">https://www.as-1.co.jp/en/ir/ir_library/</a> Convocation Notice of the General Meeting of Shareholders, financial statements, timely disclosure materials, annual securities reports, quarterly reports, shareholder newsletters, financial results briefing materials, transcripts of financial results briefings, financial highlights, Mid-term Management Plan, Integrated Report, etc.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Division in charge of IR: Public and Investor Relations Department Person in charge of information handling: Director, Head of Administration Division Contact: Public and Investor Relations Department	
Other	Meetings with institutional investors and analysts (total of more than 370: FY2021 results)	

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

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Stipulated in our “Corporate Code of Conduct, “ and “Code of Ethics”
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company's Osaka Head Office, Tokyo Office, Osaka Distribution Center, Smart DC, Tokyo Distribution Center, and Rental & Calibration Center have obtained ISO 14001 certification. We are working on the following priority environmental themes (1) Effective use of resources and energy (2) Sales of environmentally friendly products (3) Improvement of catalog quality (4) Improvement of logistics efficiency/ordering efficiency (5) Improvement of business operations efficiency In addition, as part of our CSR activities, we are engaged in activities with a view to coexistence with society and the environment. (1) Catalog recycling (2) Donations to social contribution organizations (17 million yen in total) (3) Sponsorship of the "Black Eagles" American football team (4) Support activities for the Osaka Philharmonic Orchestra (5) Continuous supply of medical supplies to medical institutions
Formulation of Policies, etc. on Provision of Information to Stakeholders	Stipulated in our “Corporate Code of Conduct, “ and “Code of Ethics.” In addition, we have established an IR Basic Policy.

## IV. Matters Concerning the Internal Control System

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

We have established the following “Basic Policy for Internal Control System” for the development of a system to ensure the appropriateness of business activities, including those of its subsidiaries. An overview of which is provided below.

1. Systems to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries (hereinafter referred to as the "Group") is in compliance with laws, regulations, and the Articles of Incorporation
  - (1) Matters concerning the entire Group

The "Corporate Code of Conduct," "Code of Ethics," and "Compliance Manual," which set forth the standards and norms of conduct to be taken by the directors and employees of the Group, shall be established for each company.
  - (2) Matters concerning the Company's directors
    - The Board of Directors shall establish the Board of Directors Regulations and shall make decisions on the execution of business activities of the Company in accordance with these Regulations.
    - The President shall make decisions on the execution of the business activities of the Company as delegated by the Board of Directors, and shall perform their duties in accordance with such decisions and resolutions of the Board of Directors.
    - In order for the Board of Directors to supervise the execution of duties by directors, directors shall report the status of business activities of the Company to the Board of Directors in accordance with the Board of Directors Regulations, and shall mutually monitor and supervise the execution of duties by other directors.
    - The status of the execution of duties by directors shall be subject to audit by the Audit and Supervisory Committee Members in accordance with the Audit and Supervisory Committee audit standards and audit plans.
    - The Company shall appropriately manage transactions between the Company and related parties in accordance with laws and regulations and the "Related Party Transaction Management Regulations."
  - (3) Matters concerning employees of the Company
    - The Company shall ensure and supervise the proper execution of business activities by its employees, and in the event of a problem, the Company shall take appropriate disciplinary action in accordance with the Company's employment regulations.
    - The division in charge of training shall conduct compliance education and training.
    - The Internal Audit Department shall periodically conduct internal audits, provide feedback on the results to the audited divisions, and report the results to the President and the Audit and Supervisory Committee Members as appropriate.
    - The Company shall establish a whistleblowing system that allows directors and employees to report directly to the Company or outside attorneys.
  - (4) Matters concerning directors and employees of subsidiaries
    - Subsidiaries shall operate their Boards of Directors and monitor and supervise the execution of directors' duties in accordance with the system to ensure that the execution of duties by the Company's directors complies with laws and regulations and the Company's Articles of Incorporation as set forth above.
    - The Company shall assign an appropriate number of Audit and Supervisory Committee Members in accordance with the size and business conditions of the subsidiaries.
    - The Company's Internal Audit Department shall, in principle, conduct an internal audit of each subsidiary once a year.
    - The Company's Audit and Supervisory Committee or the Internal Audit Department shall conduct audits of subsidiaries as necessary.
    - The Company shall establish a whistleblower system to enable directors and employees of subsidiaries to report directly to the Company or external attorneys.
2. Systems concerning the storage and management of information regarding the execution of duties by the Company's directors
  - The Company shall properly record information related to the execution of duties by directors, including records related to decision-making at meetings of the Board of Directors and other important meetings, and documents approved by each director in accordance with the Rules on Administrative Authority, and store such information for the period specified by law and the "Document Management Rules" and other relevant rules.
  - The Company shall establish "Information Security Regulations" and "Information Security Measures Standards" and properly manage information.
3. Regulations and other systems for managing the risk of the Group's losses
  - The Company shall establish the Risk Management Regulations, which stipulate the development of a management system for preventing the occurrence of risks and the response to risks that do occur.
  - The Company shall establish a Risk Management Committee, chaired by the President and Representative Director, to oversee the risk management business activities of each division and to determine basic policies, promotion systems, and other important matters concerning risk management.
  - Directors and employees who are the heads of each division of the Company shall, under the risk management system established in their respective divisions, organize the business activities for which they are responsible, identify, analyze, and evaluate inherent risks, and implement appropriate countermeasures, as well as supervise and periodically review the status of such risk management.
  - To prepare for potential risks that may have a significant impact on the Company's management, we have established the necessary response policies in advance, and respond as necessary to minimize losses due to the occurrence of such risks.
  - The Risk Management Committee shall oversee the risk management business activities of the subsidiaries and determine basic risk management policies, promotion systems, and other important matters.
  - The Company shall identify, analyze, and evaluate risks inherent in subsidiaries through reports from directors of subsidiaries, and implement appropriate countermeasures, while supervising and periodically reviewing the status of such risk management.



4. Systems to ensure the efficient execution of duties by the Company's directors
  - The Company's Board of Directors shall establish internal regulations such as "Organization Regulations," "Rules on Division of Duties," and "Rules on Administrative Authority" to clarify directors' responsibilities and improve efficiency in the execution of their duties.
  - The Company's Board of Directors shall establish a Medium-term Management Plan and annual budget, and the directors shall execute their duties to achieve the Plan and budget, and the Board of Directors shall manage the performance of the Plan and budget.
  - Through the Company's General Managers' Meeting and other meeting bodies, we ensure that the Company's management policies are known and communicated within the Company.
  - The subsidiaries shall also establish internal rules and regulations in line with those of the Company, and establish the necessary systems to comply with such rules and regulations.
  - The Company's Board of Directors shall formulate a Medium-term Management Plans and annual budgets for the subsidiaries and manage their performance.
  
5. Systems concerning reporting to the Company of matters related to the execution of duties by the directors of subsidiaries
  - The Company shall implement appropriate management control over its subsidiaries in accordance with the "Regulations Concerning Affiliate Company Management."
  - The Company shall require its subsidiaries to report regularly on their operating results, financial status and other important information.
  
6. Matters concerning directors or employees who are requested by the Audit and Supervisory Committee Members to assist them in their duties (hereinafter referred to as "assistant staff"); and matters concerning the independence of such assistant staff from directors who are not Audit and Supervisory Committee Members, and matters concerning the effectiveness of the Audit and Supervisory Committee's instructions to such assistant staff
  - If an Audit and Supervisory Committee Member requests the assignment of the assistant staff, the member of the assistant staff shall be appointed as necessary.
  - If the Audit and Supervisory Committee requests the assignment of assistant staff, the directors who are not Audit and Supervisory Committee Members and the Audit and Supervisory Committee shall exchange opinions in advance regarding the assignment of such assistant staff.
  - The assistant staff members shall not concurrently serve as employees of other divisions, and shall exclusively follow the instructions and orders of the Audit and Supervisory Committee Members.
  
7. Systems for reporting to the Audit and Supervisory Committee by the Company's directors and employees, and other systems concerning reporting to the Audit and Supervisory Committee
  - Directors who are not Audit and Supervisory Committee Members and employees shall report the status of business activities of the Company to the Audit and Supervisory Committee upon its request.
  - When a director who is not an Audit and Supervisory Committee Member discovers a fact, etc., that has the potential to cause significant damage to the Company, they shall immediately report it to the Audit and Supervisory Committee in accordance with laws and regulations.
  - Audit and Supervisory Committee Members shall attend meetings of the Board of Directors and other important meetings, including General Managers' Meetings, as necessary, in order to gain an understanding of the important decision-making process and the status of business activities.
  - The department in charge of the whistleblower system shall regularly report the whistleblower status to the Audit and Supervisory Committee Members.
  
8. Systems concerning reporting to the Audit and Supervisory Committee by persons who receive reports from Directors, Auditors, and employees of subsidiaries or persons receiving reports from them.
  - Directors, Auditors, and employees of subsidiaries shall report the status of business activities of their subsidiaries upon request of the Company's Audit and Supervisory Committee.
  - When Directors and Auditors of subsidiaries discover facts, etc. that may cause significant damage to the Company or its subsidiaries, they shall immediately report such facts to the Company's Audit and Supervisory Committee of in accordance with laws and regulations.
  - Audit and Supervisory Committee Members of the Company shall attend meetings of the Board of Directors of the subsidiaries and other important meetings of the subsidiaries as necessary in order to understand the process of important decision-making and the status of business activities.
  - The department in charge of the whistleblower system of the Company shall regularly report to the Company's Audit and Supervisory Committee on the status of subsidiaries' whistleblower systems.
  
9. Systems to ensure that persons who report to the Audit and Supervisory Committee are not treated disadvantageously for having made such a report
  - The Company shall prohibit any person who makes a report to the Audit and Supervisory Committee or any related person from being dismissed or otherwise treated disadvantageously because of such report.
  - The Company shall give due consideration to the privacy of persons who report to the Audit and Supervisory Committee and the content of such reports, and shall strictly manage such information.

10. Matters concerning the policy for procedures for prepayment or reimbursement of expenses incurred in the execution of duties of the Audit and Supervisory Committee and other matters concerning the processing of expenses or liabilities incurred in the execution of such duties
  - When the Audit and Supervisory Committee makes a request to the Company for prepayment of expenses in accordance with Article 399-2, paragraph (4) of the Companies Act with respect to the execution of its duties, the department in charge shall, after deliberation, promptly dispose of the relevant expenses or debts, unless such expenses or debts are deemed not to be necessary for the execution of the duties of the Audit and Supervisory Committee.
  - In the event that the Audit and Supervisory Committee requests its own external professionals (attorneys, certified public accountants, etc.) to serve as advisors to the Audit and Supervisory Committee, the Company shall bear the costs of such advisors, except in cases where such advisors are deemed not necessary for the performance of the duties of such Audit and Supervisory Committee
  - The Company shall establish a budget of a certain amount each year to pay for expenses incurred in the performance of duties by Audit and Supervisory Committee.
11. Other systems to ensure that the Audit and Supervisory Committee's audits are conducted effectively
  - The Audit and Supervisory Committee shall meet with the President as appropriate to exchange opinions on important audit issues, etc.
  - The Audit and Supervisory Committee shall work closely with the Internal Audit Department, which is the internal auditing division, in an effort to enhance the internal auditing division.
  - The Audit and Supervisory Committee shall inspect and request key approval documents, reports, and other important documents concerning the execution of business activities, and when necessary, request explanations from directors who are not Audit and Supervisory Committee Members or employees.
  - The Audit and Supervisory Committee shall meet with the Accounting Auditor on a quarterly basis to exchange opinions and information, and request reports from the Accounting Auditor as necessary.
12. Details concerning the development of a system for the elimination of anti-social forces
  - The Company shall take a resolute stance against anti-social forces or groups that engage in illegal activities that pose a threat to the order and safety of civic life, and shall not have any relationship with such groups.
  - The Company shall endeavor to collect information on anti-social forces in normal times, and in the event of an emergency, shall take appropriate measures in cooperation with the police and other external specialized agencies.
  - Subsidiaries of the Company shall also establish the necessary systems to eliminate antisocial forces in accordance with the rules and regulations stipulated in Section 1 (1) above.

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

These views are described in Section 12 of the Basic View on Internal Control System and Status of Development.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items
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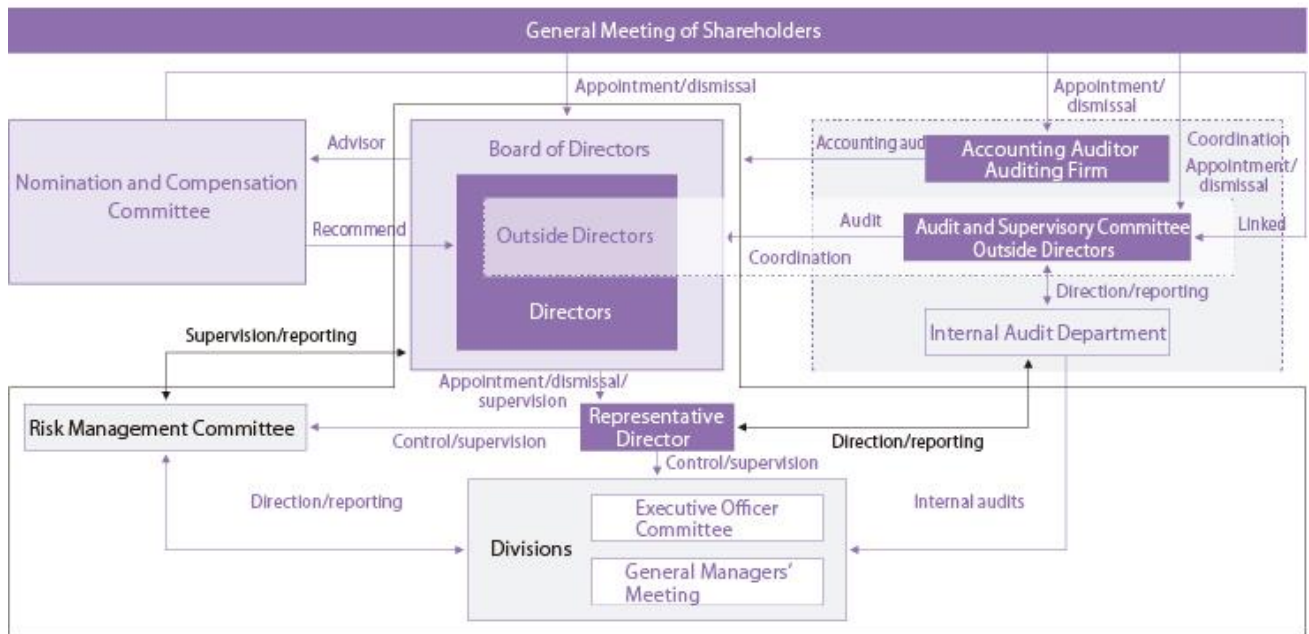
### 2. Other Matters Concerning the Corporate Governance System

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

1. As the person in charge of the handling of information, the Director who is General Manager of Administration Division of the Company is in charge of the overall management of corporate information and has filed a notification to that effect with the Tokyo Stock Exchange.
2. The person in charge of the handling of information reviews whether or not there is a need to disclose important decisions, events, etc. at the Company in accordance with the Financial Instruments and Exchange Law and other laws and regulations, as well as the Timely Disclosure Rules established by the Tokyo Stock Exchange, and the timing and method of disclosure, etc., and promptly makes an announcement after a decision by the Board of Directors or approval by the President.
3. The person in charge of the handling of information manages corporate information in the following manner.
  - (1) The person in charge of the handling of information attends meetings of the Board of Directors, the decision-making body, to ascertain important decisions.
  - (2) The person in charge of the department in which the relevant fact occurred reports the important fact to the person in charge of the handling of information.
  - (3) Information on financial results is prepared by the Accounting Department and submitted to the Board of Directors.
  - (4) Information related to subsidiaries is managed by the Corporate Planning Department and reported to the person in charge of the handling of information.
  - (5) Regarding inside information, the Company has established "Insider Trading Control Regulations" and strives to prevent insider trading by ensuring the proper management of inside information obtained by officers and employees in the course of their duties and by regulating the trading of Company stock and other transactions. In the event that a notification of trading in the Company's

- shares is submitted, the Administration Department reports to the person in charge of the handling of information and, if necessary, demands the person submitting the notification to take appropriate action, such as refraining from trading.
4. Operations for information disclosure, such as TDnet registration and press releases, are handled by the Public and Investor Relations Department.

■ Corporate Governance Structure Map



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