

Corporate Governance Report

TRANSACTION CO., Ltd.

Last updated: December 8, 2022
TRANSACTION CO., Ltd.
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The corporate governance of TRANSACTION CO., Ltd. is as described below:

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

1. Basic views

In order to fulfill its social responsibilities as a corporation, the TRANSACTION Group (the “Group”) regards enhanced corporate governance as one of its top management priorities. With the objective of pursuing long-term, sound and sustainable growth and enhanced corporate value over the medium- to long-term, the Group is committed to ensuring transparency, soundness, and compliance in management for its various stakeholders, including shareholders and customers.

[Reasons for Non-compliance With the Principles of Japan’s Corporate Governance Code] Update

[Supplementary Principle 1-2-(4) Creation of an environment to support the electronic exercise of voting rights and preparation of an English translation of convocation notices]

Since the 36th Annual General Meeting of Shareholders held on November 29, 2022, the Company has supported the electronic exercise of voting rights and participated in an electronic voting platform. It has also published an English translation of the convocation notice of the General Meeting of Shareholders (convocation notice in a narrow sense and reference materials for the Meeting) on the Company website and the Tokyo Stock Exchange website. The details are as stated in “1. Measures to energize general meetings of shareholders and facilitate the exercise of voting rights” under section III of this report.

[Supplementary Principle 2-4-(1) Basic views/ targets/ status for ensuring diversity, including the hiring of women, foreign nationals, and mid-career workers as managers]

The Group values initiatives for sustainability and has identified as its managerial challenges key issues (materiality) to be addressed from the perspective of business, the environment, society and governance. As such, the Company is committed to the development of human capital over the medium- to long-term, with a clear personnel evaluation system and job level-based education programs, where diverse human resources and values are proactively adopted to improve corporate activities and value, regardless of nationality, gender, or creed.

To ensure diversity in hiring core human capital, the Group performs evaluations not based on individual attributes but based on individual ability.

Regarding women in managerial positions, female employees accounted for 52.9% of all employees at the end of August 2022, while female managers accounted for 23.6% of all managers vs. the target of “25.0% or more” under the 3rd medium-term management plan released on October 10, 2019.

Non-Japanese (foreign) employees and mid-career employees accounted for 9.7% and 46.8% of all employees, respectively, at the end of August 2022, while non-Japanese managers and mid-career managers accounted for 9.4% and 57.5% of all managers, respectively.

Due to the overlap between female managers and non-Japanese (foreign) managers, the percentage of female managers was replaced with the percentage of female/non-Japanese managers under the 4th medium-term management plan released on October 20, 2022, with a target of “35.0%” set for the fiscal year ending August 2025 vs. 29.3% for the fiscal year ended August 31, 2022 (actual).

Since the early days of its founding, the Group has hired new graduates, as well as mid-career workers, for business expansion and structural reinforcement, based on their experience and ability, etc., regardless of

[Translation]

nationality and gender. For this reason, it recognizes that it does not need to implement new measures or set individual targets for hiring women, foreign nationals, or mid-career workers as managers. The Group will continue to actively hire diverse personnel, regardless of their nationality, gender, or whether they are new graduates or mid-career workers.

Given its history (background) and present condition, as of the time of updating this report, the Group does not set any individual “voluntary and measurable targets” for hiring “women,” “foreign nationals,” and “mid-career workers” as managers.

Regarding the policies on the development of human resources and an internal work environment to ensure diversity and the progress thereof, the Group continues to hire new graduates and mid-career workers, enhances job level-based training programs that correspond to job titles as well as training courses for candidates for promotion, and arranges personnel exchanges between the group companies. On top of these efforts, it works on the development of a pleasant work environment for employees, by changing office layouts based on various ways of working and introducing systematization, among others. During the fiscal year ending August 2023, the Company introduced a staggered work hours system in September 2022, as part of the development of an environment to promote flexible ways of working. In addition, to encourage women in the workplace, the period of shortened work hours for childcare purposes will be extended from January 2023.

[Supplementary Principle 3-1-(3) Disclosure of initiatives related to sustainability, investment in human capital, intellectual property, etc.]

(1) Initiatives related to sustainability

The Group is committed to initiatives for the realization of a sustainable society through its business activities, under the corporate philosophy and action guidelines outlined below:

<Corporate philosophy>

To make social contributions by offering earth-conscious products through manufacturing

To make contributions to enriched lifestyles (life culture) by offering attractive products in terms of their “design,” “quality,” and “price”

To continue producing new creations with a cosmopolitan mind/sense and out-of-the-box thinking

<Action guidelines>

To continue to be a company that not only complies with laws but also is respected by society

To maintain a free and open corporate culture in order to continue to be a company that is in harmony with symbiosis

To realize welfare/well-being for customers, employees and shareholders, and more broadly, for society, through its corporate activities

The corporate slogan, “taking on a challenge is fun,” which was coined based on our wish/desire to continue offering something of value to customers down the road without ever becoming content with the status quo but with a strong drive for new “challenges,” is shared among each of our officers and employees.

For the purpose of expediting initiatives for sustainability, the Group has identified as managerial challenges 16 materiality items (key issues) to be addressed from the perspective of “business,” “the environment,” “society,” and “governance.”

Recognizing “environmental” issues as one of the key issues to be prioritized, the Group has set “environmental contribution through products” and “recycling promotion and CO2 emission reduction” as its materiality issues. Since its founding, the Group has operated its businesses through “manufacturing things,” with a focus on the development and supply of “Eco-products” such as eco bags, tumblers, and thermos bottles. It enhances the development and supply of eco-friendly products for achieving SDGs, not only by simply developing products made of environmentally-friendly materials or recyclable materials but also with philosophies “stop using disposable things” and “use reusable products,” and under the theme of “consider the environment from manufacturing.” These environmentally friendly products related to SDGs are disclosed as “Eco-products.”

The Group joined the “Renewable Energy 100 Declaration: RE Action” in October 2021. By setting a minimum goal of having renewable energy account for 50% and 100% of the Group-wide electricity consumption by 2030 and 2050, respectively, and achieving the goal as early as possible, it will make contributions to the achievement of “Renewable Energy 100.” The Group also moved up, by five years, the target deadline for achieving the goal of having renewable energy account for 50% of its electricity consumption, from 2030 to 2025, in the 4th medium-term management plan (FYE 2023/8 to FYE 2025/8) released on October 20, 2022.

[Translation]

Initiatives for sustainability, including materiality and the relationship between SDGs and the operations of the Company, are posted on the Company website.

<http://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/>

(2) Investment in human capital

With the aim of continuously growing as a corporation and contributing to the enhancement of corporate value and the realization of a sustainable society, the Group is committed to strengthening human capital and diversity promotion, through the dissemination of its corporate philosophy, action guidelines and corporate slogan.

For strengthening human capital development, the Group adopts job level-based training programs that correspond to job titles as well as training courses for candidates for promotion, and arranges personnel exchanges between the group companies, among others. In addition, for the purpose of developing next-generation management, it also provides a framework to experience what it is like to serve as a director of an operating company and opportunities to visit and participate in debates over the medium-term strategy conducted as part of an overnight program, etc. for the purpose of developing senior (manager-level) employees.

As diversity promotion, for the perspective of proactively incorporating diverse human resources and values without regard to nationality, gender, or creed, the Group will continue strategic recruitment activities by considering the balance between new graduates and mid-career workers. In order to encourage women in the workplace, the period of shortened work hours for childcare purposes will be extended from January 2023. The Group has been developing a pleasant work environment for employees introducing a staggered work hours system in September 2022, in addition to changing office layouts based on various ways of working and introducing systematization, among others.

(3) Investment in intellectual property

The Group promotes the “improvement of products/services,” “reinforcement of price competitiveness,” and “offering of products corresponding to social trends,” as stated in its materiality issues, and offers eco-friendly products through “manufacturing things.” At the same time, it makes efforts to continue offering attractive products in terms of design, quality and price, which also respond to social trends.

<Eco-products>

Development of environmentally friendly products such as bags made of Fairtrade certified cotton and organic cotton, Eco Mark certified products, recycled material products, biomass plastic and natural material products, etc., in response to “finished goods demand arising from the promotion of SDGs.”

<Lifestyle products>

Development of products under the concept of offering attractive products in terms of design and quality and making contributions to enriched lifestyles (life culture)

<Wellness products>

Development of products under the concept of “maintaining a clean and refreshing daily life”

The Company holds the names of brands and products acquired through the development of these products as intellectual property, such as patent rights, copyrights (design rights), and trademarks, and engages in business activities.

(4) Risks and opportunities related to climate change

The Group will collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on the Group’s business activities, revenue and management strategy, and prepare for disclosure in accordance with the TCFD recommendations or an equivalent framework.

As part of our response, in October 2021 the Group participated in “Renewable Energy 100 Declaration: RE Action” and set a minimum goal of having renewable energy account for 50% of the Group-wide electricity consumption by 2030 and 100% by 2050, to advance this goal as far as possible. Recently, the Group moved up, by five years, the target deadline for achieving the goal of having renewable energy account for 50% from 2030 to 2025, in the “4th medium-term management plan (FYE 2023/8 to FYE 2025/8)” released on October 20, 2022.

[Translation]

- Changes in CO2 emissions and electricity consumption

CO2 emissions (estimated values for Scope 1 and Scope 2) and electricity consumption of the Company and four domestic companies are shown in the table below. The Group will continue to work on improving the accuracy of data collection.

		Fiscal year ended Aug. 2021	Fiscal year ended Aug. 2022
CO2 emissions (t-CO2) ^{Note}	The Company and four domestic subsidiaries	389	420
Electricity consumption (kWh)	The Company and four domestic subsidiaries	775,846	829,954
Renewable energy account (electricity)		0%	0%

(Note) CO2 emissions are calculated using the “Emission factor by electric utility operator” released by the Ministry of the Environment and the Ministry of Economy, Trade and Industry, and the “List of calculation methods and emission coefficients in calculations, reports and publication system” released by the Ministry of the Environment.

- Targets for renewable energy as a percentage of electricity consumption

2025: 50%

2050: 100%

- Reduction measures

The Group is planning to install solar panels at our own factory (KRAFTWERK CO., Ltd., a printing and processing company of the Group) by the end of the fiscal year ending August 31, 2023.

[Supplementary Principle 4-10-(1) Ensuring appropriate involvement and advice by independent outside directors with respect to particularly material matters such as nomination and remuneration, through the establishment of independent advisory committees]

The Board of Directors of the Company consists of four Directors who are not Audit & Supervisory Committee members and three Directors who are Audit & Supervisory Committee members, and all three Directors who are Audit & Supervisory Committee members are independent outside directors.

Independent outside directors do not account for a majority of the Board of Directors. However, in order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee, an optional committee the majority of which is composed of independent outside directors. At the Remuneration Committee meetings, two Directors (independent outside directors) who are Audit & Supervisory Committee members delegated by the Board of Directors and Chairman and Representative Director engage in the deliberation and determination of remuneration for Directors who are not Audit & Supervisory Committee members; thus, appropriate involvement is ensured. The Company confirms that the Board of Directors has adopted a resolution on the policy for determining the details of individual remuneration, etc. for Directors, and that the details determined by the Remuneration Committee based on delegation by the Board of Directors are in line with the policy.

The nomination of Directors is adequately deliberated and determined at the Board of Directors meetings with the attendance of independent outside directors, who are in an independent and objective position and provide appropriate involvement and advice and exercise their voting rights.

The details of the Remuneration Committee, which is an optional advisory body to the Board of Directors, are as described in supplementary information in “Optional committees” under section “II. Business Management Organization and Other Corporate Governance Systems for Management Decision-Making, Execution, and Supervision” of this report.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code] Update

[Principle 1-4 Strategically-held shares]

The Company’s basic policy is to hold certain shares strategically only when it judges that its business relationship or collaboration with an investee company can be strengthened through business alliance as part of its management strategy and thereby serve to increase the corporate value of the Group over the medium to long term. For strategically-held shares, business performance, etc. are reviewed and reported to the Board of Directors on a periodic basis, and consistency between the purpose of the shareholdings and business transactions, and risks and costs entailed in the shareholdings are closely examined before the Board of Directors decides whether to

[Translation]

maintain the shareholdings. When exercising voting rights, the Company makes comprehensive judgments on each proposal in order to ensure an appropriate response, with a view to improving the medium-to-long-term corporate value of the investee company as well as the corporate value of the Company and the group companies. Given its current collaborative relationships with the issuers of the existing strategically-held shares, the Company sees adequate rationality in such shareholdings.

[Principle 1-7 Transactions with related parties]

Transactions with Directors, conflict-of-interest transactions, and competing transactions must be approved by the Board of Directors in accordance with the Regulations of the Board of Directors. For transactions with related parties, individual survey sheets are distributed to Directors of the Company and directors and auditors of consolidated subsidiaries on an annual basis to check whether they have had any related parties or such transactions. The Audit & Supervisory Committee also verifies the status of each Director using a letter of confirmation on an annual basis.

Transactions with related parties, if any, will be disclosed in accordance with relevant laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, or the rules established by the Tokyo Stock Exchange.

[Principle 2-6 Functioning as asset owners of corporate pension funds]

The Group does not adopt a defined benefit pension plan as its corporate pension program. The Group adopts an optional defined contribution pension plan as part of employee benefits and periodically offers opportunities to review investment products or for employees to obtain information related to asset management, in an effort to coordinate with fund management institutions by sharing information, etc.

[Principle 3-1 Sufficiency of disclosure information]

- (i) The Company's aims (management philosophy, etc.), management strategy, management plan
The Group's corporate philosophy and the like are as stated in "2. Other matters regarding Corporate Governance Systems, etc., (1) Corporate philosophy and basic policy on timely disclosure" under section "V. Others" of this report. The management strategy and management plan are disclosed in financial statements briefing session material twice a year or in the medium-term management plan. Please refer to the Company website as well.

Corporate philosophy

<http://www.trans-action.co.jp.e.zy.hp.transer.com/company/philosophy.html>

Corporate slogan

<http://www.trans-action.co.jp.e.zy.hp.transer.com/company/ci.html>

Corporate governance

<http://www.trans-action.co.jp.e.zy.hp.transer.com/company/corporategovernance.html>

Skills matrix of Directors

<http://www.trans-action.co.jp.e.zy.hp.transer.com/company/directo-skill-matrix.html>

Sustainability

<http://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/>

Financial statements briefing session material

<http://www.trans-action.co.jp.e.zy.hp.transer.com/ir/presentation.html>

Medium-term management plan

<http://www.trans-action.co.jp.e.zy.hp.transer.com/ir/strategy.html>

- (ii) Basic views and policy on corporate governance
The Group's basic views on corporate governance are as stated in "1. Basic views" under section I of this report.
- (iii) Policy and procedures for determining remuneration for top-level executives and Directors
The Company's policy and procedures for determining remuneration for Directors are as stated in "Disclosure of policy on determining the amount and calculation method of remuneration (details)" in "1. Organizational structures and operations, [Director remuneration]" under section II of this report.

[Translation]

(iv) Policy and procedures for appointing/dismissing top-level executives and nominating candidates for Directors/Audit & Supervisory Board Members

For inside Directors, regardless of age/gender/nationality, the Company nominates qualified candidates with expertise, experience and knowledge as businesspersons, which are qualities required to enhance the Group's corporate value, and who, as Directors, are capable of fulfilling the fiduciary responsibility delegated by shareholders. For outside Directors, the Company nominates qualified candidates with extensive knowledge and practical experience, who are capable of raising issues and providing advice on overall management, including growth strategy and governance enhancement, from an independent and objective point of view. Based on this policy, the Board of Directors carefully reviews and selects candidates to be submitted to the General Meeting of Shareholders as proposals. Further, in such General Meeting of Shareholders, the Audit & Supervisory Committee makes a statement on the nomination of Directors who are not Audit & Supervisory Committee members.

For dismissal, where any wrongdoing or serious violation of laws and regulations is found in the execution of duties or where the Company judges that he/she cannot fully perform his/her duties, he/she is dismissed upon a resolution of the Board of Directors after deliberation.

(v) Explanations on individual appointments/dismissals and nominations when the Board of Directors appoints/dismisses top-level executives and nominates candidates for Directors/Audit & Supervisory Board Members

The reasons for the election of all the candidates for Directors are described in the reference materials for the convocation notice of the General Meeting of Shareholders. The reasons for the election of outside Directors are also disclosed in the securities report (in Japanese only).

[Supplementary Principle 3-1-(2) Promotion of providing English language disclosures bearing in mind the ratio of foreign shareholders]

Summary of financial results for the fiscal year ended August 31, 2022 and financial statements briefing session material for the fiscal year ended August 31, 2022 as well as the 4th medium-term management plan and review of the 3rd medium-term management plan have been translated into English and disclosed on the Company website, etc. This report will be also translated into English and disclosed on the Company website, etc. The details are as stated in "2. IR activities" under section III of this report.

[Supplementary Principle 4-1-(1) Outline of the scope of delegation to management]

The matters to be resolved by the Board of Directors of the Company include those set forth in laws and regulations or in the Articles of Incorporation, as well as the execution of important business. The criteria/standards for such decisions are stipulated in the Regulations of the Board of Directors and clearly defined in the Board of Directors Submission and Reporting Criteria as those for matters to be discussed by the Board of Directors according to their level of impact on and importance for management.

The Decision-Making/Approval Authority Regulations also set out the decision-making/approval authority for matters arising from business operations.

[Supplementary Principle 4-8 Qualification for and composition of independent outside directors]

The Board of Directors of the Company consists of four Directors who are not Audit & Supervisory Committee members and three Directors who are Audit & Supervisory Committee members. All three Directors who are Audit & Supervisory Committee Members are independent outside directors who meet the criteria for independence stipulated by the Tokyo Stock Exchange, and the ratio of such outside directors is more than one-third of the total of Directors.

[Principle 4-9 Criteria for assessing the independence of independent outside directors and their qualification]

When nominating candidates for independent outside directors, the Company selects persons who meet the independence criteria specified by the Tokyo Stock Exchange.

[Supplementary Principle 4-11-(1) Views on the balance, etc. of overall knowledge/experience/abilities of the Board of Directors]

Pursuant to the Articles of Incorporation, the Company sets the number of Directors to no more than 15 (including setting the number of Directors who are not Audit & Supervisory Committee members to no more than 10 and the number of Directors who are Audit & Supervisory Committee members to no more than 5). The Board of

[Translation]

Directors consists of seven Directors in total, four Executive Directors and three Directors who are Audit & Supervisory Committee members. The composition of the Board of Directors allows for diversity in terms of knowledge, experience, abilities, etc., and includes two women. Three Directors are Audit & Supervisory Committee members and outside Directors, who meet the independence criteria specified by the Tokyo Stock Exchange and are thus appointed as independent officers. With their varied knowledge and experience in accounting, finance, laws, corporate management, etc., they are able to perform audit and supervisory functions and offer comprehensive advice on Group management. As for Executive Directors, for the purpose of promoting efficiency in group management, representative directors of the major Group subsidiaries concurrently serve as Directors of the Company.

The skills, etc. possessed by Directors of the Company are listed in the “Skills Matrix of Directors” on the Company website.

<http://www.trans-action.co.jp/e.zy.hp.transer.com/company/directo-skill-matrix.html>

[Supplementary Principle 4-11-(2) Concurrent positions of Directors and Audit & Supervisory Board Member s]
Candidates for Directors and significant concurrent positions of Directors are disclosed each year in the business report, reference materials for the convocation notice of the General Meeting of Shareholders, the securities report and others.

[Supplementary Principle 4-11-(3) Implementation of analysis and evaluation of the overall effectiveness of the Board of Directors]

The Company recognizes that the Board of Directors performs its expected supervisory functions as it is composed of seven Directors, including three Directors who are Audit & Supervisory Committee members (all three are independent outside directors).

In addition, for the purpose of reviewing the present state of the functions of the Board of Directors to boost its effectiveness, the Company has conducted an effectiveness evaluation of the Board of Directors since the fiscal year ended August 31, 2021. The following is a summary of the method and results of the effectiveness evaluation for the fiscal year ended August 31, 2022:

(1) Method of evaluation

A survey/questionnaire was issued to all the Directors who were members of the Board of Directors (including Audit & Supervisory Committee members). (They answered questions based on a five-point scale and made comments freely by question category and summed-up their comments at the end.) The results of the evaluation were reported by the full-time Audit & Supervisory Committee member to the Board of Directors, based on the results collected and reported by an external institution. The Board of Directors then verified the findings, identified issues, and had a full discussion about a policy to make further improvements, etc.

For the record, in order to secure frank opinions and objective analysis, the collection and counting of the survey/questionnaire was outsourced to an external institution, as in the previous year.

(2) Summary of the results

As a result, the Company confirmed that the Board of Directors is operated effectively, and that its effectiveness increased from the previous year. The scores for diversity of the composition of the Board of Directors, sufficiency of deliberations in the meetings, risk management, and effectiveness of the Remuneration Committee, which had been positively evaluated in the previous year, showed even further improvement.

The issues that had been identified in the previous year were evaluated as improvement in progress for the reason that they were discussed during the process of developing a new medium-term management plan based on the account of the single-year policy provided to outside Directors, and because periodic meetings with institutional investors were reported. However, the development, etc. of the next top-level executives was identified as an issue again.

Based on these results, the Company will pursue further enhanced effectiveness of the Board of Directors by continuously making improvements.

[Supplementary Principle 4-14-(2) Policy on training for Directors and Audit & Supervisory Board Members]

For Directors, including outside Directors, to perform their roles and duties, the Company provides and arranges opportunities for learning essential knowledge about the Company, such as its business, finances and organizations, expected roles and duties as an officer of a listed company, and knowledge about relevant

[Translation]

laws/regulations and compliance, as well as for training, which is updated as necessary on a continual basis, at the expense of the Company. When outside Directors take office, the business lines and organizational structures of the Group are explained to them, and information is provided as needed thereafter. For internally-appointed Directors, when and after they assume office, opportunities for internal training or training by outside lecturers such as lawyers are provided for them to fully understand their expected roles and duties as Directors.

[Principle 5-1 Policy on constructive dialogue with shareholders]

The Company believes that it is important to develop a system to facilitate constructive dialogue with shareholders and investors for sustainable growth and enhanced corporate value and assigns IR operations for shareholder/investor support to the Corporate Planning Department. In addition, the General Affairs Department also provides support for shareholders as a point of contact.

With the Corporate Planning Department and the General Affairs Department acting as a direct point of contact, operations are supervised by a Director in charge of the administration division.

In order to be able to have productive/fulfilling dialogue with shareholders and investors, the Corporate Planning Department and the General Affairs Department gather information and exchange opinions on a regular basis, and cooperate in preparing disclosure materials, whose content is reviewed with Chairman and Representative Director.

Through the Group-wide Management Meetings, etc., they also work together to gather information and exchange opinions based on their own expertise, in connection with disclosures and explanations about the Group companies, their operations, account closings, and so on.

For shareholders and investors, the disclosure of easy-to-understand information about the Company's business, within a reasonable scope, is ensured at the General Meeting of Shareholders. Financial results briefings are held twice per year, while letters/communications to shareholders, disclosures via the Company website, interviews with institutional investors, telephone interviews, etc. are conducted so that they can deepen the understanding of the Company's management strategy and business environment. Since October 2022, summaries of financial results, financial statements briefing session material, medium-term management plans, and convocation notices in a narrow sense as well as reference materials for the General Meeting of Shareholders have been translated into English and disclosed on the Company website, etc. This report will be also translated into English and disclosed on the Company website, etc.

The outcomes of IR activities, including topics discussed in the dialogue with shareholders/investors as well as opinions, are compiled and reported to top-level executives, as needed, while the dialogue with institutional investors is reported to the Board of Directors.

In order to ensure substantial equality for shareholders and investors, the Company makes efforts to provide fair information disclosures. Material information about the Company is disclosed in a timely and impartial manner, and information control is ensured so that it is not given only to certain shareholders/investors.

[Translation]

2. Capital structure

Percentage of shares held by foreign investors	Less than 10%
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[Major shareholders]

Name of shareholder	Number of shares held (shares)	Ownership interest (%)
Satoshi Ishikawa	8,683,500	29.84
Custody Bank of Japan, Ltd. (Trust account)	2,654,400	9.12
Aoi Ishikawa	2,169,000	7.45
Arata Ishikawa	2,164,000	7.44
The Master Trust Bank of Japan, Ltd. (Trust account)	1,621,100	5.57
Chikako Ishikawa	864,000	2.97
Development Bank of Japan Inc.	772,400	2.65
Nippon Life Insurance Company	762,600	2.62
BNP Paribas Securities Services Luxembourg/JASDEC Securities/UCITS ASSETS (Standing proxy: HSBC Tokyo Branch)	737,000	2.53
TRANSACTION Group Employee Shareholding Association	535,300	1.84

Existence of controlling shareholders (excl. parent company)	—
Existence of parent company	None

Supplementary information

3. Corporate attributes

Listed stock exchange and market segment <input type="button" value="Update"/>	Tokyo: Prime
Fiscal year end	End of August
Type of business	Other products
Number of employees at the end of the previous fiscal year (consolidated)	500 to less than 1,000
Sales during the previous fiscal year (consolidated)	¥10 billion to less than ¥100 billion
Number of consolidated subsidiaries at the end of the previous fiscal year	Less than 10 companies

[Translation]

4. Guidelines for measures to protect minority shareholders in the event of transactions with controlling shareholders

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5. Other particular conditions that may materially affect corporate governance

[Translation]

—II. Business Management Organization and Other Corporate Governance Systems for Management Decision-Making, Execution, and Supervision

1. Organizational structures and operations

Organizational form	Company with an Audit & Supervisory Committee
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[Directors]

Number of Directors pursuant to the Articles of Incorporation	15
Term of Directors pursuant to the Articles of Incorporation	1 year
Chairperson of the Board of Directors <input type="button" value="Update"/>	Chairman (excluding concurrently serving as President)
Number of Directors <input type="button" value="Update"/>	7
Election of outside Directors	Elected
Number of outside Directors <input type="button" value="Update"/>	3
Number of outside Directors designated as independent officers <input type="button" value="Update"/>	3

Relationship with the Company (1) <input type="button" value="Update"/>

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Toshiro Sasaki	From another company											
Takeo Tochimoto	Certified Public Accountant											
Yumiko Matsuo	Attorney at law											

* Categories for Relationship with the Company

* ○ indicates that the person presently falls or has recently fallen under the category. △ indicates that the person fell under the category previously.

* ● indicates that the person's immediate family member presently falls or has recently fallen under the category (except h to j). ▲ indicates that the person's immediate family member fell under the category (except h to j) previously.

- a. An executive officer of the Company or its subsidiary
- b. An executive officer or non-executive director of the parent of the Company
- c. An executive officer of a fellow subsidiary of the Company
- d. A person whose primary customer/supplier is the Company or who is an executive officer thereof
- e. A primary customer/supplier of the Company or an executive officer thereof
- f. A consultant, accounting expert or legal expert who receives significant monetary consideration or other assets from the Company, in addition to remuneration as a Director
- g. A principal shareholder of the Company (if the principal shareholder is a legal entity, an executive officer of such legal entity)
- h. An executive officer of the customer/supplier of the Company (which does not fall under any of d, e, or f) (the Director himself/herself only)
- i. An executive officer of a company, between which and the Company outside Directors are appointed on a reciprocal basis (the Director himself/herself only)
- j. An executive officer of an entity that receives a donation from the Company (the Director himself/herself only)
- k. Other

[Translation]

Relationship with the Company (2)

Name	Member of Audit & Supervisory Committee	Independent officer	Supplementary information	Reasons for election
Toshiro Sasaki	○	○	No special notes.	Based on his extensive experience and knowledge as a company owner and an auditor, he is expected to contribute to ensuring the soundness and adequacy of the Company's management, by drawing on his valuable input and candid assessments of the Company's operations.
Takeo Tochimoto	○	○	No special notes.	By drawing on his extensive experience at the Bank of Japan as well as broad knowledge as a certified public accountant, he has provided a number of companies with advice and supervision on management from an independent point of view. Such wealth of experience should, in terms of diversity in corporate management, contribute to ensuring the soundness and adequacy of the Company's management.
Yumiko Matsuo	○	○	No special notes.	With her expertise and considerable practical experience as a lawyer, she has provided many companies with advice and supervision on management from an independent standpoint and thus is expected to contribute to ensuring the soundness and adequacy of the Company's management.

[Audit & Supervisory Committee]

Committee members and attributes of chairperson

	Total members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	Chairperson
Audit & Supervisory Committee	3	1	0	3	Outside Director

Existence of Directors and employees who assist with the duties of the Audit & Supervisory Committee when required	None
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Reasons for adopting the current system

The Audit & Supervisory Committee does not have specific employees who assist with its duties as it performs audits in coordination with the Internal Audit Office. When the Audit & Supervisory Committee needs them, certain employees are assigned upon discussion with the Committee, and such assignment must be agreed to by the Committee. The Internal Audit Office staff also provides assistance, where necessary, upon receiving directions related to matters concerning audit operations. In such cases, the employee is supervised by the Audit

[Translation]

& Supervisory Committee and maintains his/her independence from Directors who are not Audit & Supervisory Committee members.

Cooperation between the Audit & Supervisory Committee, independent auditors, and the internal audit division

For coordination between the Audit & Supervisory Committee and the Internal Audit Office, they exchange opinions when drafting an annual internal audit plan, and reports on audit results are submitted by the Office to the Committee on a monthly basis during the fiscal year. For coordination between the Audit & Supervisory Committee and independent auditors, they exchange opinions at the time of quarterly account closing and year-end account closing and share information at the time of audits during the fiscal year to confirm financial positions, revisions to laws, etc. Furthermore, the Audit & Supervisory Committee and the Internal Audit Office are both present, if necessary, at inventory clearance at the time of account closing, and the Office makes a report on internal audits as appropriate, in an effort to ensure proactive coordination with independent auditors.

[Optional committees]

Establishment of optional committees equivalent to Nominating Committee or Remuneration Committee	Established
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Status of establishment of optional committees, committee members, and attributes of chairperson of the committee

	Optional committee equivalent to Nominating Committee	Optional committee equivalent to Remuneration Committee
Name of the committee	–	Remuneration Committee
Total members (persons)	–	3
Full-time members (persons)	–	2
Inside Directors (persons)	–	1
Outside Directors (persons)	–	2
Outside experts (persons)	–	0
Other (persons)	–	0
Chairperson	–	Inside Director

Supplementary information

[Remuneration Committee]

(1) Roles and structures

In order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee as an optional advisory body to the Board of Directors. The Remuneration Committee consists of three members who are elected by the Board of Directors, and a majority of the members must be independent outside directors (Audit & Supervisory Committee members). The Chairperson is appointed by the Board of Directors.

Regarding the policy and method of determining remuneration, etc. for Directors who are not Audit & Supervisory Committee members and individual remuneration amounts, etc., in accordance with the policy for determining the details of individual remuneration, etc. for Directors adopted by the Board of Directors, Chairman and Representative Director and Directors who are Audit & Supervisory Committee members (independent outside directors), who constitute the Remuneration Committee delegated by the Board of

[Translation]

Directors, deliberate on and decide the scope of the delegation based on the resolution of the General Meeting of Shareholders and the resolution of the Board of Directors.

(2) Activities

The Committee met four times in the fiscal year ended August 31, 2022:

- Deliberated and determined the individual remuneration, etc. for the Directors who are not Audit & Supervisory Committee members (revised in December 2021)
- Confirmed the remuneration for the directors of subsidiaries
- Discussed the future direction of stock compensation (medium-term incentives)

The attendance of the members was as follows:

Satoshi Ishikawa (Chairman and Representative Director)	4/4 (attendance rate: 100%)
Toshiro Sasaki (Outside Director / Full-time Audit & Supervisory Committee member)	4/4 (attendance rate: 100%)
Takeo Tochimoto (Outside Director / Audit & Supervisory Committee member)	4/4 (attendance rate: 100%)

[Independent officers]

Number of independent officers <input type="button" value="Update"/>	3
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Other matters relating to independent officers

The Company has designated all three outside Directors as independent officers, as they are all qualified as independent officers.

[Incentives]

Implementation of measures to provide incentives to Directors	<input checked="" type="checkbox"/> Adoption of performance-linked remuneration plan <input checked="" type="checkbox"/> Other
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Supplementary information

Please refer to “Disclosure of policy on determining the amount and calculation method of remuneration (details)” in “1. Organizational structures and operations, [Director remuneration]” under section II.

Grantees/recipients of stock options

Supplementary information

[Translation]

[Director remuneration]

Disclosure of individual Directors' remuneration	<input checked="" type="checkbox"/> Individual remuneration is not disclosed
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Supplementary information	<input type="button" value="Update"/>
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Director remuneration in the fiscal year ended August 31, 2022

	Total amount of remuneration	Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc. (stock compensation)	Number of Directors who are grantees/recipients (persons)
Directors who are not Audit & Supervisory Committee members	117,469	73,290	36,060	8,119	4
Directors who are Audit & Supervisory Committee members (outside Directors)	19,800	19,800	–	–	5
Total	137,269	93,090	36,060	8,119	9
(Outside Directors)	(19,800)	(19,800)	(–)	(–)	(5)

Existence of policy on determining the amount and calculation method of remuneration <input type="button" value="Update"/>	Yes
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Disclosure of policy on determining the amount and calculation method of remuneration (details) <input type="button" value="Update"/>

At the Board of Directors meeting held on February 26, 2021, the Company adopted a resolution on the policy for determining the details of individual remuneration, etc. for Directors. The policy is as described below:

(1) Basic policy on remuneration, etc. for Directors

The basic policy on remuneration for the Directors of the Company is to set up a remuneration system linked to shareholder returns so that it fully functions as an incentive to increase Director motivation for continuous and medium-to-long-term improvement of earnings and the achievement of sustainable improvement in the corporate value of the entire Group, in accordance with the management policy, in an environment where risk taking is allowed, and to set individual Director remuneration at a proper level in view of their respective duties.

Remuneration for Directors, except outside Directors and Directors who are Audit & Supervisory Committee members (hereinafter called “Executive Directors”), is composed of “fixed remuneration,” “performance-linked remuneration,” which is linked to short-term earnings, and “stock compensation,” which is a medium-term incentive that is provided on condition that certain targets are met. Remuneration for non-Executive Directors, outside Directors, and Directors who are Audit & Supervisory Committee members consists only of fixed remuneration, given their duties.

(2) Composition of remuneration for Executive Directors

a. Fixed remuneration

The amount is determined by comprehensively considering a Director’s rank, roles, years of experience, changes in the business environment, etc.

b. Performance-linked remuneration

For the purpose of increasing awareness regarding improving earnings on a fiscal year basis and clarifying the results and responsibilities of Directors, the amount is determined based on earnings figures. More specifically, using two figures as earnings figures, namely, the consolidated profit before income taxes and the sum of profit before income taxes of the operating companies that a Director is in charge of, and in

accordance with the “standard for performance-linked remuneration” that defines the amount of remuneration corresponding to earnings figures, it is determined in proportion to the actual results for the previous fiscal year. The consolidated profit before income taxes is applied to remuneration for Representative Director and the Director in charge of the administration division of the Company. On the other hand, with respect to remuneration for Directors who concurrently serve as the representative director of an operating company, the consolidated profit before income taxes and the sum of profit before income taxes of the operating company and other operating companies that he/she is in charge of are both applied. These figures are used because they are emphasized in enhancing the Group’s profitability, and because the results and responsibilities of Directors should be clearly defined.

c. Non-monetary remuneration, etc. (stock compensation)

As an incentive to achieve targets under the medium-term management plan and increase motivation to contribute to enhancing corporate value more than before, non-monetary remuneration, etc. is provided in the form of shares with a transfer restriction (with performance conditions). When such compensation is granted, a certain performance condition is set as a condition subsequent to the transfer restriction so that it functions as an incentive to achieve targets. The amount and the number of shares to be granted are determined by considering a Director’s rank, expected roles, stock price movements, etc.

The details of the stock compensation with a transfer restriction (with performance conditions) granted to Executive Directors in accordance with the resolution of the 33rd Annual General Meeting of Shareholders held on November 28, 2019 are as follows. Consolidated net income is adopted as a figure for performance conditions because the Company emphasizes the payout ratio when making a decision on dividends for shareholders.

• Resolution on allotment (dated November 28, 2019)

(a) Transfer restriction period

From December 25, 2019 to the time of retiring from the position of director or auditor of the Company or its subsidiaries

(b) Conditions subsequent to transfer restriction

An eligible director has continuously remained in the position of Director of the Company during the period from December 25, 2019 to immediately before the conclusion of the 36th Annual General Meeting of Shareholders (FYE 2022/8), and the aggregate consolidated net income stated in the securities report of the Company for the three fiscal years from the 34th fiscal year (FYE 2020/8) to the 36th fiscal year (FYE 2022/8) amounts to ¥5.31 billion or more.

With respect to one of the conditions subsequent to the transfer restriction stated above, its performance condition, which is the aggregate consolidated net income for the 34th fiscal year (FYE 2020/8) to the 36th fiscal year (FYE 2022/8), has been achieved as it amounted to ¥5.90 billion.

• Resolution on allotment (dated December 6, 2022)

(a) Transfer restriction period

From December 28, 2022 to the time of retiring from the position of director or auditor of the Company or its subsidiaries

(b) Conditions subsequent to transfer restriction

An eligible director has continuously remained in the position of Director of the Company during the period from December 28, 2022 to immediately before the conclusion of the 39th Annual General Meeting of Shareholders (FYE 2025/8), and the aggregate consolidated profit stated in the securities report of the Company for the three fiscal years from the 37th fiscal year (FYE 2023/8) to the 39th fiscal year (FYE 2025/8) amounts to ¥8.23 billion or more.

d. Policy for determining the percentage of remuneration

To encourage Executive Directors to take on challenges, the structure is based on performance-linked remuneration, which is linked to short-term earnings and stock compensation with a transfer restriction as an incentive to achieve medium-term management plans, with a certain amount of fixed remuneration as a base. Considering the balance of each type of remuneration, Chairman and Representative Director and Directors (independent outside directors) who are Audit & Supervisory Committee members, who constitute the Remuneration Committee delegated by the Board of Directors (the “Remuneration Committee members”), determine the details of the individual remuneration, etc. for Directors.

[Translation]

- (3) Resolution of the General Meeting of Shareholders related to the determination of remuneration for Directors
The maximum amount of remuneration for Directors who are not Audit & Supervisory Committee members was approved at ¥200 million per year (including a maximum of ¥20 million per year for outside Directors; for a total of five Directors at the time of the resolution, including one outside Director) at the 30th Annual General Meeting of Shareholders held on November 29, 2016. In addition, at the 33rd Annual General Meeting of Shareholders held on November 28, 2019, the total amount of monetary compensation claims to be issued for the grant of shares with a transfer restriction to Executive Directors was approved at up to ¥60 million per year (for a total of four Directors at the time of the resolution), separately from the foregoing maximum remuneration amount, with the total maximum number of common shares as 80,000. Employee salary for the employee who concurrently serves as a Director is not included in the maximum remuneration amount or the total amount of monetary compensation claims.

The maximum amount of remuneration for Directors who are Audit & Supervisory Committee members was approved at ¥50 million per year (for a total of three Directors at the time of the resolution, including three outside Directors) at the 30th Annual General Meeting of Shareholders held on November 29, 2016.

- (4) Process of determining the amount of remuneration, etc. for Directors

In order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee, which is composed of three members, a majority of whom are independent outside directors (Audit & Supervisory Committee member), as an optional advisory body to the Board of Directors. For individual remuneration, etc., the determination of the details is delegated to the Remuneration Committee members based on the resolution of the Board of Directors. They are authorized to determine the amount of fixed remuneration for Directors and the amount of performance-linked remuneration based on the actual results of the business that each Director is in charge of.

The Board of Directors has established the Remuneration Committee Regulations so that authority is appropriately exercised by the Remuneration Committee members. The Regulations provide that the Committee shall consist of three members, including one Representative Director, and two Directors (independent outside directors) who are Audit & Supervisory Committee members and constitute a majority, and that the Committee shall report on the execution of its duties to the Board of Directors, and so on. The Board of Directors judges that the details of individual remuneration, etc. for the current fiscal year have been adequately deliberated and determined by the Remuneration Committee based on the policy adopted by the Board of Directors, and that they are in line with the foregoing policy.

Meanwhile, for stock compensation with a transfer restriction, the number of shares to be individually allotted to Directors is resolved by the Board of Directors in view of the decision made by the Remuneration Committee.

The remuneration, etc. for Directors who are Audit & Supervisory Committee members is determined at meetings of the Audit & Supervisory Committee, within the scope of the resolution of the General Meeting of Shareholders.

The Remuneration Committee met four times in the fiscal year ended August 31, 2022, with all members in attendance. The individual remuneration, etc. for the current fiscal year for Directors who are not Audit & Supervisory Committee members was reviewed and decided on by the Remuneration Committee, based on the proxy resolution of the Board of Directors meeting held on November 26, 2021. The future direction of stock compensation (medium-term incentives) was also discussed, and the remuneration for directors of subsidiaries was confirmed.

The following are the members of the Remuneration Committee:

Chairperson	Chairman and Representative Director	Satoshi Ishikawa
Member	Outside Director (Full-time Audit & Supervisory Committee member)	Toshiro Sasaki
Member	Outside Director (Audit & Supervisory Committee member)	Takeo Tochimoto

[Support system for outside Directors]

The General Affairs Department provides support for outside Directors, such as giving advance notice of the Board of Directors meetings and materials, in an effort to facilitate deliberations and resolutions at the meetings

[Translation]

as well as to ensure effective administration. Other necessary reports and communications are made, as appropriate, on a cooperative basis by full-time Audit & Supervisory Committee members and the General Affairs Department to avoid any information gap.

2. Matters pertaining to functions relating to business execution, auditing and supervision, nomination, and decisions regarding remuneration (outline of the current corporate governance system) Update

In order to increase transparency and objectivity related to the Group's management and further strengthen the supervisory functions of the Board of Directors and corporate governance to further enhance corporate value, the Company has adopted the structure of a company with an Audit & Supervisory Committee, establishing the Board of Directors, Audit & Supervisory Committee, and independent auditors as an entity under the Companies Act, along with the Remuneration Committee, Management Meeting, Compliance Risk Management Committee, and Internal Audit Office.

(1) Board of Directors

The Board of Directors consists of four Directors who are not Audit & Supervisory Committee members and three Directors who are Audit & Supervisory Committee members (all of whom are outside Directors and independent officers). It meets on a monthly basis, with ad-hoc meetings held as necessary, decides material management matters in accordance with laws, the Articles of Incorporation, and the Regulations of the Board of Directors, and receives reports on business execution from Directors who are not Audit & Supervisory Committee members in order to supervise their execution of duties.

Each Director who is not an Audit & Supervisory Committee member performs his/her duties properly, in compliance with laws and the Articles of Incorporation and based on resolutions of the Board of Directors, and mutually monitors the validity and conformity with laws and the Articles of Incorporation of the execution of duties by other Directors who are not Audit & Supervisory Committee members.

Directors who are Audit & Supervisory Committee members monitor the ideal state of governance and its operation status and audit and supervise the execution of duties by Directors who are not Audit & Supervisory Committee members, by attending key managerial meetings such as the Board of Directors meetings, Management Meetings, and Compliance Risk Management Committee meetings, and receiving reports from or interviewing employees or Directors who are not Audit & Supervisory Committee members.

The Board met 16 times in the fiscal year ended August 31, 2022.

(2) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of one full-time outside Director and two outside Directors, and all three members are independent officers. By holding monthly regular meetings, and ad-hoc meetings as necessary, for exchanging views on audit results, etc. and cooperating with independent auditors and the Internal Audit Office, the Committee is engaged in effective auditing activities. For the purpose of facilitating these activities and reinforcing the audit and supervisory functions of the Committee, one full-time Audit & Supervisory Committee member has been appointed. Two non-full-time (part-time) members possess substantial knowledge about the fields of finance, accounting, and law through their professional background and considerable practical experience as a banker, certified public accountant, and attorney at law.

The Committee met 14 times in the fiscal year ended August 31, 2022.

(3) Internal Audit Office

As an independent department that reports directly to Chairman and Representative Director, the Internal Audit Office consists of one person. In accordance with the Internal Audit Rules, audits are categorized into business operation audits, accounting audits, and audits on efficiency and economy, compliance, and internal controls, and conducted onsite at least once a year, in principle, in the divisions of the Company and the divisions and sales offices of subsidiaries, in line with an annual audit plan that is approved by Chairman and Representative Director and reported to the Board of Directors.

(4) Independent auditors

For accounting audits, under the audit engagement agreement signed between KPMG AZSA LLC and the Company, which is effective until November 29, 2022, KPMG AZSA LLC expresses its opinions on financial statements from an independent and fair point of view. The Company has entered into an audit engagement agreement with Grant Thornton Taiyo LLC, based on the resolution of the 36th Annual General Meeting of Shareholders held on the same day.

[Translation]

(5) Remuneration Committee

In order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee as an optional advisory body to the Board of Directors. The Remuneration Committee consists of three members who are elected by the Board of Directors, and a majority of the members must be independent outside directors (Audit & Supervisory Committee members). The Chairperson is appointed by the Board of Directors. Regarding the policy and method of determining remuneration, etc. for Directors who are not Audit & Supervisory Committee members and individual remuneration amounts, etc., in accordance with the policy for determining the details of individual remuneration, etc. for Directors adopted by the Board of Directors, Chairman and Representative Director and Directors who are Audit & Supervisory Committee members (independent outside directors), who constitute the Remuneration Committee delegated by the Board of Directors, deliberate on and decide the extent of the delegation based on the resolution of the General Meeting of Shareholders and the resolution of the Board of Directors.

The Committee met four times in the fiscal year ended August 31, 2022.

(6) Management Meeting

Composed of the Company's Directors (full-time) and full-time Audit & Supervisory Committee members, presidents of subsidiaries, and heads of departments/offices of the Group companies, the Management Meeting is held on a monthly basis primarily to confirm the budget status regarding the execution of material matters related to the Group's management and to report on and review the Group's business operations, for the purpose of sharing managerial information and boosting efficiency in business execution.

The Meeting was held 15 times in the fiscal year ended August 31, 2022.

(7) Compliance Risk Management Committee

Chaired by Chairman and Representative Director of the Company and composed of Directors (full-time) who are not Audit & Supervisory Committee members of the Company, as well as full-time Audit & Supervisory Committee members, presidents/directors/auditors of subsidiaries, and heads of departments/offices of the Company, the Compliance Risk Management Committee meets four times per year, with ad-hoc meetings held as necessary. The Committee makes efforts to ensure the management of compliance risks in the Group's business activities and secure continuous and stable business growth and eliminate and alleviate conflict-of-interest factors among stakeholders, in compliance with laws/ordinances/the Articles of Incorporation/basic policy on developing internal control systems/internal rules/other rules required in society in general.

The Committee met four times in the fiscal year ended in August 31, 2022.

3. Reasons for adopting the current corporate governance system

The Company has adopted the current system because it believes that it can strengthen supervisory functions over the Board of Directors/Directors and corporate governance, by establishing the Audit & Supervisory Committee and granting voting rights at the Board of Directors meetings to Directors who are Audit & Supervisory Committee members, and that it can ensure transparency, soundness, and compliance with laws in management and achieve further enhanced corporate value through mutual coordination between the bodies, including the Audit & Supervisory Committee.

[Translation]

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to energize general meetings of shareholders and facilitate the exercise of voting rights

Update

		Supplementary information
<input checked="" type="checkbox"/>	Early distribution of convocation notice of the General Meeting of Shareholders	The convocation notice of the General Meeting of Shareholders is mailed three weeks prior to the date of the Meeting and disclosed on the Company website and the Tokyo Stock Exchange website from the day when it is mailed. The convocation notice of the 36th Annual General Meeting of Shareholders dated November 29, 2022 was mailed on November 8 and posted on the Company website and the Tokyo Stock Exchange website on the same day.
<input checked="" type="checkbox"/>	Exercise of voting rights by electronic means	In order to improve convenience for shareholders, the Company supports the exercise of voting rights by electronic means such as websites and platforms for voting designated by the Company.
<input checked="" type="checkbox"/>	Measures for participation in electronic voting platforms and other improvement of the voting environment for institutional investors	The Company participates in an electronic voting platform operated by ICJ, Inc.
<input checked="" type="checkbox"/>	Providing convocation notices in English (summary)	The convocation notice in a narrow sense and reference materials for the Meeting are translated into English and posted on the websites of the Company, the Tokyo Stock Exchange, etc. together with the Japanese version.
<input checked="" type="checkbox"/>	Others	The Company makes efforts to energize the General Meetings of Shareholders, by presenting business reports using projectors/slides and voice-over narration, etc. at the Meetings.

2. IR activities

Update

		Supplementary information	Explanation by Representative
<input checked="" type="checkbox"/>	Holding Regular Investor Briefings for Analysts and Institutional Investors	<p><Investor briefing summary></p> <p>Dates April and October every year</p> <p>Speaker Chairman and Representative Director</p> <p>Content (1) Summary of financial results and forecast of business performance (2) Future management strategy (3) Business description and business model, etc.</p> <p>Participants Institutional investors, analysts, media representatives, etc.</p>	Yes

		Supplementary information	Explanation by Representative
<input checked="" type="checkbox"/>	Posting IR materials on website	<p><IR information> http://www.transaction.co.jp.e.zy.hp.transer.com/ir/</p> <p>Account closing information, summaries of financial results, quarterly financial results, financial statements briefing session material, medium-term management plans, securities reports, quarterly reports, convocation notices of the General Meeting of Shareholders, notices of resolutions, letters/communications to shareholders, financial highlights, status of dividends, shareholder benefit plans, IR calendars, timely disclosure materials, PR information, etc. are posted. Summaries of financial results, convocation notices in a narrow sense and reference materials for the General Meeting of Shareholders, financial statements briefing session material, and medium-term management plans are also published in English. This report will be also translated into English and disclosed on the Company website, etc.</p> <p><Initiatives for sustainability (SDGs)> http://www.transaction.co.jp.e.zy.hp.transer.com/business/sustainability/</p> <p><Corporate governance> http://www.transaction.co.jp.e.zy.hp.transer.com/company/corporategovernance.html</p> <p>Basic views on and system for corporate governance Corporate governance reports</p> <p><Skills matrix of Directors> http://www.transaction.co.jp.e.zy.hp.transer.com/company/directorskill-matrix.html</p>	
<input checked="" type="checkbox"/>	Establishment of department and/or manager in charge of IR	<p><Officer in charge of IR> Director Yoshinari Kitayama</p> <p><Department in charge of IR> Corporate Planning Department</p> <p><Contact for IR administrations> General Manager of Corporate Planning Department Masaru Sugaya</p>	

3. Measures to ensure due respect for stakeholders Update

		Supplementary information
☑	Establishing provisions concerning due respect for stakeholders in internal rules, etc.	<p>The Company adheres to the following as its action guidelines: “to continue to be a company that not only complies with laws but also is respected by society,” “to maintain a free and open corporate culture to continue to be a company in harmony with symbiosis,” and “to realize welfare/well-being for customers, employees and shareholders, and more broadly, for society, through its corporate activities.”</p> <p>Due respect for stakeholders is also set forth in the “Basic Compliance Policy,” “Materiality for Achieving SDGs,” and others.</p>
☑	Implementation of environmental conservation activities, CSR activities, etc.	<p>For the purpose of expediting initiatives for sustainability, the Company has identified as managerial challenges 16 materiality items (key issues) to be addressed from the perspective of “business,” “the environment,” “society,” and “governance.”</p> <p>Please refer to the following for initiatives for sustainability, including materiality and the relationship between SDGs and the operations of the Company. http://www.trans-action.co.jp/e.zy.hp.transer.com/business/sustainability/</p> <p>One of the Group’s corporate philosophies is “to make social contributions by offering earth-conscious products through manufacturing,” and the Group is committed to the conservation of the earth’s environment through its business. Since its foundation, it has operated its business through “manufacturing (things),” with a focus on the development and supply of “Eco-products.” It strengthens the development and supply of eco-friendly products, not only by simply developing products made of environmentally-friendly materials or recyclable materials but also with philosophies “stop using disposable things” and “use reusable products,” and under the theme of “consider the environment from manufacturing.” The Group joined the “Renewable Energy 100 Declaration: RE Action” in October 2021 and set a minimum goal of having renewable energy account for 50% and 100% of the Group-wide electricity consumption by 2030 and 2050, respectively. The Company also moved up, by five years, the target deadline for achieving the goal of having renewable energy account for 50% of its electricity consumption (the new deadline: by 2025) in the “4th medium-term management plan (FYE 2023/8 to FYE 2025/8)” released on October 20, 2022.</p>
☑	Formulation of policy on information provision to stakeholders	<p>Regarding information disclosure to stakeholders, with the provision on “timely and fair disclosure of corporate information to customers/suppliers, employees and shareholders in pursuit of transparent management” set forth in the “Basic Compliance Policy,” the Company performs timely, appropriate, and fair information disclosure.</p>

IV. Matters related to Internal Control Systems, etc.

1. Basic views on internal control systems and progress of system development Update

Internal control is a process to be carried out by everyone in a company in order to achieve its four goals: effectiveness and efficiency in business operations, credibility of financial statements, compliance with laws related to business activities, and asset safeguarding. Based on such recognition, regarding the development of systems, etc. for ensuring proper business operations, the Company has set down the “Basic Policy on Building Internal Control Systems,” as outlined below:

- (1) System to ensure that the execution of duties by directors/employees of the Company and its subsidiaries conforms to laws and the Articles of Incorporation
 - (i) The Group companies have clearly defined job authority and duties/responsibilities for sound check and balance functions to interact between and within organizations.
 - (ii) The Group has established the “Basic Compliance Policy” as a basic policy on compliance and a code of conduct for directors and employees and ensures to communicate that compliance with laws is the basis of all corporate activities.
 - (iii) The Group has established and operates the Compliance Risk Management Committee to review material matters, etc. related to Group-wide compliance and provides directors and employees with compliance training, as needed, in an effort to foster compliance awareness.
 - (iv) The Group has established the “Compliance Consultation Desk” (contact: General Affairs Department) as a whistle-blowing system to detect and correct compliance issues early through a self-purification process and the “Compliance Helpline,” for which the legal counsel of the Company serves as a point of contact.
- (2) System for the storage and management of information relating to the execution of duties by Directors of the Company
The Board of Directors meeting minutes, approval requests, and other information relating to the execution of duties by Directors are properly managed and stored in accordance with the “Document Management Rules.” Directors and Audit & Supervisory Committee members may view this information at any time.
- (3) Rules on the management of risk of loss to the Company and its subsidiaries and other systems
 - (i) The Group has established the “Risk Management Rules,” which stipulate the management of and response to various risks arising from the execution of business to ensure the security of management and pursue enhanced corporate value.
 - (ii) In the event of a contingency (unforeseen situation) that causes a grave impact on management and business operations, a special task force, etc. will respond to the crisis in accordance with the “Crisis Management Rules.”
- (4) System to ensure efficient execution of duties by directors of the Company and its subsidiaries
 - (i) In accordance with the “Regulations of the Board of Directors,” regular Board meetings are held on a monthly basis, with ad-hoc Board meetings held as necessary. As a body that receives reports and reviews management plans and measures of the Group companies, their progress, and material matters in business operations, the Management Meeting is held on a monthly basis, with Directors (full-time), full-time Audit & Supervisory Committee members, presidents of subsidiaries, and heads of departments/offices of the Group companies in attendance.
 - (ii) The Group companies formulate a medium-term management plan and annual budget plan for each year based on their own business environments and clarify their own targets to achieve/challenges.
- (5) System to ensure proper business operations in the corporate group consisting of the Company and its subsidiaries
 - (i) In accordance with the “Subsidiary Management Rules,” the Company makes efforts to ensure proper and efficient business operations and make improvements across the Group and provides appropriate guidance and supervision as the parent company.
 - (ii) With the General Affairs Department controlling group-wide compliance management and the Corporate Planning Department controlling risk management, the Group takes appropriate measures at the Group companies in connection with these operations and provides necessary guidance and support to them.

[Translation]

- (iii) Internal Audit Office conducts internal audits of the Group companies in accordance with the “Internal Audit Rules” and promptly submits a report on such results to Chairman and Director. Reporting channels to the Board of Directors and to the Audit & Supervisory Committee are secured as well.
- (6) Matters regarding employees who assist with the duties of the Audit & Supervisory Committee of the Company when required and matters regarding the independence of such employees from Directors of the Company
When the Audit & Supervisory Committee needs employees to assist with its duties, the Company assigns staff to provide such assistance upon discussion with the Committee, and such assignment must be agreed to by the Committee. For the present, Internal Audit Office staff shall provide assistance, where necessary, upon receiving directions related to matters concerning audit operations from the Audit & Supervisory Committee. When following the directions of the Audit & Supervisory Committee, the Internal Audit Office staff member is supervised by the Audit & Supervisory Committee and thus maintains his/her independence from Directors (excluding those who are Audit & Supervisory Committee members).
- (7) System for directors/employees of the Company and its subsidiaries to report to the Audit & Supervisory Committee and systems for other reporting to the Audit & Supervisory Committee
 - (i) Audit & Supervisory Committee members attend key managerial meetings such as the Board of Directors meetings and Management Meetings to receive reports on decisions (matters to be determined) and matters of concern to the Group.
 - (ii) If an event that causes a grave impact on the Group companies occurs or might occur, any illegal or fraudulent act by officers/employees is found, or any other matters for which the Audit & Supervisory Committee require reporting take place, directors and employees shall promptly report such details to the Audit & Supervisory Committee.
 - (iii) The Group prohibits a person who makes a report to the Audit & Supervisory Committee from being treated disadvantageously on account of the report.
- (8) If an Audit & Supervisory Committee member makes a request to the Company for an up-front payment of an expense under Article 399-2, Paragraph 4 of the Companies Act for the execution of his/her duties, the Company promptly processes such expense or debt, except when the expense or debt incurred in connection with the request is deemed not necessary for the execution of duties by the Audit & Supervisory member.
- (9) Other systems to ensure effective execution of audits by the Audit & Supervisory Committee of the Company
 - (i) Directors and employees of the Group companies deepen their understanding of the Audit & Supervisory Committee audits and make efforts to develop the auditing environment in order to ensure the effectiveness of the audits.
 - (ii) The Audit & Supervisory Committee exchanges views with (respective) Representative Directors of the Company on a periodic basis and ensures close coordination with independent auditors and the Internal Audit Office, in an effort to communicate appropriately and carry out effective audit operations.

2. Basic views towards the elimination of antisocial forces and progress of related efforts

Upholding the “exclusion of antisocial forces” as its basic policy in the “Basic Compliance Policy,” the Group firmly excludes antisocial forces that threaten public order and safety. In line with this policy, the Group assigns staff in charge of legal affairs to the General Affairs Department of the Company, who conduct an antisocial-force check on customers/suppliers/outsourcing service providers (contractors)/vendors for administration divisions, to make sure to prevent any transactions with antisocial forces.

Furthermore, the Company has joined Tokubouren (association of special violence prevention measures) and built systems for close cooperation with authorities/parties concerned, including the police.

[Translation]

V. Others

1. Adoption of defense against takeover bids

Adoption of defense against takeover bids	None
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Supplementary information

2. Other matters regarding Corporate Governance Systems, etc. Update

<Overview of timely disclosure system>

The Company's structure regarding the timely disclosure of Company information is as follows:

(1) Corporate philosophy and basic policy on timely disclosure

As a fables manufacturer, the Group conducts consistent business operations from planning/design to production (contract-based production)/product quality management/distribution, in the manufacturing of "Eco-products," "Lifestyle products," and "Wellness products." The Group's business lines such as environmentally friendly Eco-products (SDGs products), Lifestyle products that support "tangible goods consumption" originating from intangible goods consumption, and Wellness products associated with the reduction of health risks are closely linked to the economy, society, environment, and human health due to their nature. To fulfill its social responsibilities, the Company believes that it must earn the confidence of the public at large, including a variety of stakeholders such as customers, shareholders, and investors.

Based on this recognition, the Company upholds the following as its corporate philosophy:

- To make social contributions by offering earth-conscious products through manufacturing
- To make contributions to enriched lifestyles (life culture) by offering attractive products in terms of their "design," "quality," and "price"
- To continue producing new creations with a cosmopolitan mind/sense and out-of-the-box thinking

The Group's social roles are not only fully understood by officers/employees, but constantly shared and disseminated through occasions such as welcoming ceremonies, internal training courses, and meetings.

Under the corporate slogan, "taking on a challenge is fun," the Group's officers and employees are working together to maximize corporate value by making social contributions through manufacturing and toward building a responsible company.

The Group has the "Basic Compliance Policy," which is a code of conduct for companies, officers, and employees to adhere to in order to engage in corporate activities, and has set out the "timely and fair disclosure of corporate information to customers/suppliers, employees, shareholders, etc. in pursuit of transparent management" as a policy on information disclosure to stakeholders. In accordance with the Policy, the Group is fully aware that the disclosure of timely and appropriate company information to investors is fundamental to healthy securities markets and strives to enhance internal systems for making appropriate disclosure of prompt, accurate and fair company information, always from an investor's point of view. In this way, the Group is sincerely committed to timely and appropriate disclosure of company information for investors.

(2) Company structure regarding timely disclosure

In its internal system for timely disclosure, with Chairman and Representative Director as a chief officer, the Director in charge of the Corporate Planning Department as an information management officer, and the Corporate Planning Department as a controlling division for information management, the Company has adopted procedures for "information collection," "analysis and judgment," "reporting/disclosure," and "education," as outlined below:

(i) Information collection

In order to promptly and exhaustively collect information of different types/features dispersed in the Group's divisions (departments/offices of the Company and subsidiaries), the head of each department/office of the Company and the president and the head of department/office of each subsidiary are appointed as information management officers. In addition, the information management officer

[Translation]

makes a report to the controlling division for information management on information judged as requiring review for disclosure, in accordance with the Timely Disclosure Rules and relevant laws/regulations.

In addition, the controlling division for information management, through subsidiary management operations, attends meetings held at each subsidiary as an observer, as necessary, in an effort to improve the accuracy and freshness of the information about subsidiaries.

(ii) Analysis and judgment

The information collected from the divisions of the Company and subsidiaries by the controlling division for information management is reported by the information management officer to the chief officer. The chief officer and the information management officer then have discussions on whether the information constitutes a material fact under the Timely Disclosure Rules or relevant laws/regulations, or needs to be voluntarily disclosed for investor convenience, in order to ensure the timeliness, legitimacy, and accuracy of disclosure.

After the foregoing discussions, the chief officer makes a decision on timely disclosure: its necessity, details, timing, and method.

(iii) Procedures for reporting/disclosure

Based on the decision on disclosure by the chief officer, the information management officer conducts disclosure of timely information through the financial instruments exchange and publishes the disclosed information on the website or by the determined method.

(iv) Education

Company information management and in-company education about timely disclosure are conducted by the head of the controlling division for information management based on the instructions of the information management officer.

For in-company education/training, the corporate philosophy and the Insider Trading Management Rules are posted on the intranet, and educational training courses are held for officers/employees of the Group, including subsidiaries, to ensure the communication of rules on the management of various information, the prevention of leakage and unauthorized use, and the systems/procedures for timely disclosure.

(3) Monitoring related to timely disclosure

At the Company, business operations are monitored through internal audits by the Internal Audit Office. Internal Audit Office audits the timely disclosure of company information to see if the information is disclosed in a timely, lawful, and accurate manner in accordance with the Timely Disclosure Rules, relevant laws/regulations, and the Insider Trading Management Rules, from the point of view of business operations and compliance auditing.

The results of internal audits are reported to Chairman and Director in the form of an audit report and notified to the head of the Corporate Planning Department, which is an audited division. The Board of Directors and the Audit & Supervisory Committee also receive the report.

The head of the audited division prepares a response to the findings, etc. listed in the audit report, by the method specified in the Internal Audit Rules, and submits it to an officer in charge of the audit, who compiles the submitted responses and reports them to Chairman and Director.

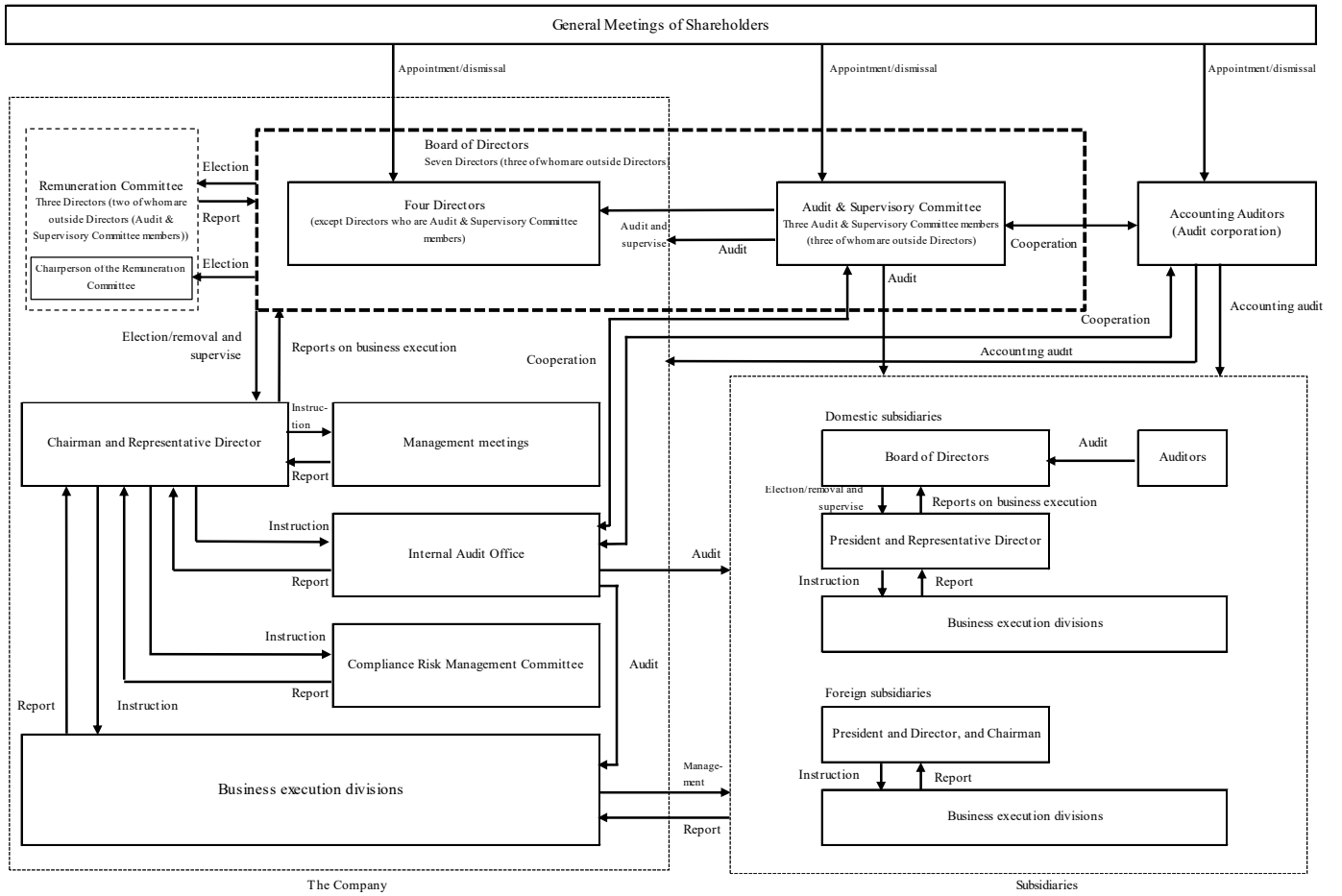
In addition, the officer in charge of the audit checks the response(s) to the findings, etc. in a timely manner, and summarizes and reports such results to Chairman and Director.

(4) Handling of information for timely disclosure and insider trading management

The Company has the Insider Trading Management Rules, which set out the handling of material facts, to ensure the prevention of insider trading. Regarding material facts for timely disclosure, the Group ensures information management and strictly prohibits their unauthorized use. If the relevant fact is deemed to constitute an undisclosed material fact, the trading of the Company's shares, etc. is prohibited until the fact is made public.

[Translation]

[Figure: Corporate Governance System]



[Translation]

[Overview of Timely Disclosure System]

Company Information Disclosure Flow

