

Last Update: May, 15, 2023

SHIMAMURA Co., Ltd.

Makoto Suzuki, President and Representative Director

Contact:048-631-2131

Securities code:8227

Japanese: <https://www.shimamura.gr.jp/>

English: <https://www.shimamura.gr.jp/en/>

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

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

1. Basic Views

The Shimamura Group believes that the basics of our business come from dealing fairly and equitably with various stakeholders such as employees, customers, business partners, shareholders, and society.

We recognize that further strengthening the confidence and trust from stakeholders surrounding our business is necessary for business continuity and growth. Furthermore, for that purpose, we recognize the importance of enhancing corporate governance.

Moreover, in order to further increase management efficiency and profitability by developing and expanding the unique business model that we have built in the retail industry, we believe that directors who possess highly-specialized business and operational knowledge should decide on financial and business policies at the Shimamura Group while complying with laws, regulations and the Articles of Incorporation, heighten corporate value and contribute to the common interests of all stakeholders.

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

We are actively implementing initiatives to strengthen corporate governance, and we believe that we have implemented all of the principles of the Corporate Governance Code (including those for the prime market).

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

[Principle 1.4 Cross-Shareholdings]

1. The Group engages in cross-shareholding at the discretion of the Board of Directors when there is a need for business alliances, building and maintaining business relationships with important business partners, or other business activities aimed at sustainable growth.

For individual instances of cross-shareholding, the Board of Directors conducts an annual review for the rationality and economic rationality of the purpose of cross-shareholding. This review includes confirming the purpose of holding, transaction status, latest business results, and future transaction prospects, as well as consideration for selling when the purpose of holding no longer exists.

2. Regarding the exercise of voting rights with respect to cross-shareholding, the executive officers in charge of the General Administration Department will discuss each proposal while considering whether or not it would improve the corporate value of the company issuing said shares and then our corporate value, and make an appropriate decision. Their decisions will be reported to the Board of Directors.

3. When any company that holds some shares of our company expresses its intention to sell said shares, we will not hamper said sale.

[Principle 1.7 Related Party Transactions]

Transactions between a director, an Audit & Supervisory Board member, a major shareholder or the like (transactions between related parties) will be overseen appropriately according to their importance, for example, by setting a condition that said transactions shall require an approval at a meeting of the Board of Directors, involving independent outside directors, in order to secure their fairness and rationality from the viewpoint of improvement in our corporate value.

[Supplemental Principle 2.4.1 Ensuring diversity in the appointment of core human resources]

(Policy, goal, and situation for securing diversity)

Our company will develop a comfortable and rewarding working environment for all employees regardless of gender, nationality, etc.

-Promotion of female employees to management positions

As we enriched the system for developing personnel and actualizing a good work-life balance, female employees accounted for 76.4% of chiefs, including store managers, and 15.6% of managers as of February 21, 2023. In the Medium-Term Management Plan, we aim to increase the ratio in management positions to 20% or higher in fiscal 2023.

-Promotion of non-Japanese employees to management positions

Our company hires excellent personnel regardless of nationality, and will continue this stance. We operate the subsidiary named SHIMAMURA Co., Ltd. (TAIWAN) and foreign nationals accounted for 94.9% of managers of this subsidiary as of February 21, 2023.

- Promotion of mid-career employees to management positions

Our company actively promotes part-timers to full-time employees (store managers), and will continue this stance. Some employees promoted from part-timers to store managers have become managers later. As of February 21, 2023, 76.7% of store managers and 11.6% of managers are the employees promoted from part-timers to full-time employees.

(Policy for personnel development)

The Shimamura Group believes that the growth of each and every employee is indispensable for the prosperity of a company. Through human resource development, we supports the self-realization of each employee through their work. The details of personnel development are available in our corporate website.

Japanese: <https://www.shimamura.gr.jp/company/business/model.html#hr>

English: <https://www.shimamura.gr.jp/en/company/business/model.html#hr>

(Policy for developing an in-house environment)

We are striving to improve working conditions and the working environment. This will bring stability to employee's daily lives and lead to fulfilling social lives. The details of our working conditions and environment are available in our corporate website.

Japanese: <https://www.shimamura.gr.jp/sustainability/social01.html>

English: <https://www.shimamura.gr.jp/en/sustainability/social01.html>

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

In accordance with the regulations for corporate pensions, our company adopted a defined-benefit pension plan. In order to operate this system, we concluded life insurance contracts and pension trust contracts with multiple companies, to secure financial resources for pensions.

[Principle 3.1 Full Disclosure]

1. Our management philosophy is indicated in our corporate website. Our management strategies and plans are disclosed and explained at the time of announcement of financial results and also at sessions for briefing financial results.

(Management Philosophy)

Japanese: <https://www.shimamura.gr.jp/company/philosophy/>

English: <https://www.shimamura.gr.jp/en/company/philosophy/>

(Financial Results Briefing Materials)

Japanese: <https://www.shimamura.gr.jp/ir/library/result/>

English: <https://www.shimamura.gr.jp/en/ir/library/result/>

2. Our policy based on the principles of this code is written in “1.1. Basic Concept” of our corporate governance report.

3. (Director Remuneration)

Only the basic remuneration is paid. Within the total amount approved at the general meeting of shareholders, the President shall draft an appropriate standard, and a final decision is made by the Board of Directors after deliberation by the Nomination & Remuneration Committee.

(Executive Officer Remuneration)

In addition to the basic remuneration, executive officer remuneration consists of performance-linked bonuses based on company performance for each business year and performance-based stock compensation (introduced in FY2021). The total amount of payment and the amount of payment for each individual are drafted by the President in accordance with the Executive Officer Regulations. A final decision is made by the Board of Directors after deliberation by the Nomination & Remuneration Committee.

4. Candidate directors are selected by the president in accordance with the criteria described below, discussed by the Nomination & Remuneration Committee, and approved by the Board of Directors. Proposals for their appointment are submitted at a general meeting of shareholders, and adopted after an approval is obtained.

Candidate executive officers are selected by the president in accordance with the criteria described below and discussed by the Nomination & Remuneration Committee. Proposals for their appointment are submitted to the Board of Directors, and adopted after an approval is obtained.

Candidate Audit & Supervisory Board members are selected by the president in accordance with the criteria described below and determined by the Board of Directors after obtaining a consent of the Audit & Supervisory Board. Proposals for their appointment are submitted at a general meeting of shareholders, and adopted after an approval is obtained.

1) Criteria for selection

- a. Possess the strong will and high ability necessary to execute the duties of a Director.
- b. Possess the appropriate personality and insight as a Director of the Shimamura Group.
- c. Be capable of securing the time and effort necessary to properly fulfill the roles and responsibilities required of a Director of the Shimamura Group.
- d. Possess the knowledge, ability, and extensive experience for contributing to the formulation and execution of the Group's management strategy based on a deep understanding of the Group's business and management environment.
- e. Possess a high level of expertise or abundant experience in corporate management, academics, financial accounting, law and other fields. Recognized as being capable of executing duties from an independent and objective point of view.

2) Criteria for dismissal

If a candidate falls under any of the reasons for inadequacy specified in the Executive Officer Regulations of our company

5. All the biographies based on which the Board of Directors nominates candidate directors and candidate Audit & Supervisory Board members as well as the reasons for selecting candidate outside directors and candidate outside Audit & Supervisory Board members in accordance with Section 4 above are written in a convocation notice. Executive officers are selected by the Board of Directors in accordance with Section 4 above.

[Supplemental Principle 3.1.3: Initiatives to Address Sustainability, etc.]

(Initiatives to Address Sustainability)

The Shimamura Group aims to realize a sustainable society by creating value for all stakeholders through our initiatives to solve ESG issues. The details of our initiatives for sustainability are available in our corporate website.

Japanese: <https://www.shimamura.gr.jp/sustainability/>

English: <https://www.shimamura.gr.jp/en/sustainability/>

We believe that responding to climate change is an important management issue. Accordingly, we are promoting our own reasonable initiatives to reduce greenhouse gases. In addition, we have endorsed the TCFD recommendations and we disclose our efforts for them in line with the four disclosure items of the TCFD, so that institutional investors who perform ESG investment can make appropriate investment decisions.

Japanese: <https://www.shimamura.gr.jp/sustainability/environment03.html>

English: <https://www.shimamura.gr.jp/en/sustainability/environment03.html>

(Investment in human capital, intellectual property, and so on)

The Shimamura Group believes that the growth of each and every employee is indispensable for the prosperity of a company. Through human resource development, we support the self-realization of each employee through their work. The details of personnel development are available in our corporate website.

Japanese: <https://www.shimamura.gr.jp/company/business/model.html#hr>

English: <https://www.shimamura.gr.jp/en/company/business/model.html#hr>

We are striving to improve working conditions and the working environment. This will bring stability to employee's daily lives and lead to fulfilling social lives. The details of our working conditions and environment are available in our corporate website.

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English: <https://www.shimamura.gr.jp/en/sustainability/social01.html>

[Supplementary Principle 4.1.1 Scope of Delegation of Authority to Management from the Board of Directors]

The details of the range of delegation from the Board of Directors to the management are specified in the Regulations for the Board of Directors, the Executive Officer Regulations, the Regulations for Division of Duties and Authorities, etc. and the Board of Directors oversee the results thereof.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

1. Independence

The Group recognizes the independence of persons to whom none of the following items apply.

- 1) A person who is currently an executive of the Group or its subsidiaries, or had been an executive during the past ten years ("executive" as defined in Article 2, Paragraph 3, Item 6 of the Regulation for Enforcement of the Companies Act. The same applies in the following criteria).
- 2) A person for whom the Group is a main business partner, or an executive at a company for whom the Group is a main business partner. (Note)
- 3) Main business partners of the Group, or executives at main business partners of the Group. (Note)
- 4) In addition to officer remuneration from the Shimamura Group, a consultant, accounting expert, or legal expert who has received money or other property of 10 million yen or more in that person's most recent business year. (If the party who has obtained the money or other property is a corporation or organization, a person who belongs to the corporation/organization which obtains more than 2% of its net sales or total income from the Shimamura Group.)
- 5) A person to whom any of the items from 2) to 4) above has applied in the past 3 years.
- 6) A person who substantially holds 10% or more of the voting rights of the Group, or an executive at a company which holds 10% or more of the voting rights.

7) Spouse and relatives within the second degree of kinship to persons listed in any of the items from 1) to 6) above.

(Note) "Main business partners" are those whose transaction amount in the most recent business year accounts for 2% or more of the annual sales of the Group or the business partner.

2. Term of office

1) The maximum term of office for outside directors is basically 10 years.

2) The maximum term of office for outside Audit & Supervisory Board members is basically eight years (two terms).

[Supplemental Principle 4.10.1 Use of Optional Approach]

Our company established the Nomination & Remuneration Committee in which outside directors constitute the majority. This committee discusses the nomination and remuneration of each executive to a sufficient degree, to secure the fairness, transparency, and objectivity thereof.

[Supplementary Principle 4.11.1 Policies and Procedures Regarding the Appointment of Directors]

Our company selects those who possess knowledge, abilities, and experience that would contribute to the realization of our management philosophy as candidate directors. The skills expected of the Board of Directors and each director are indicated in our corporate website.

Japanese: <https://www.shimamura.gr.jp/ir/governance/#governance-06>

English: <https://www.shimamura.gr.jp/en/ir/governance/#governance-06>

[Supplementary Principle 4.11.2 Concurrent Positions Held by Directors]

If any director or Audit & Supervisory Board member of our company also serves as an executive of another company, we will disclose the situation of his/her concurrent jobs in our securities reports and business reports.

[Supplementary Principle 4.11.3 Analyses and Evaluations of Effectiveness of the Board of Directors]

The Group conducts a questionnaire-based survey of Directors and Audit & Supervisory Board members once per year in order to evaluate the effectiveness of the Board of Directors.

The Secretariat of the Board of Directors reports the analysis results of the survey to the Board of Directors. Then, after deliberating on issues and countermeasures, efforts are made to improve the effectiveness of the Board of Directors by making the necessary improvements. A summary of survey results are outlined in our corporate website.

Japanese: <https://www.shimamura.gr.jp/ir/governance/#governance-09>

English: <https://www.shimamura.gr.jp/en/ir/governance/#governance-09>

[Supplementary Principle 4.14.2 Policies for Training Directors]

When newly appointing directors and Audit & Supervisory Board members, we provide them with opportunities to comprehend our management philosophy, acquire necessary knowledge on our business, finance, organizations, etc., and sufficiently understand the roles and duties of directors and Audit & Supervisory Board members.

In addition, we offer opportunities for training suited for respective directors and Audit & Supervisory Board members and bear expenses for it, for the purpose of enabling directors and Audit & Supervisory Board members to acquire and update necessary knowledge for fulfilling their duties.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The dialogue with shareholders is held by the Planning Section that is under the direct control of the president and in charge of IR, in accordance with our policy for IR activities. If considered necessary by the president, executives other than the president, too, will attend, to have more fulfilling dialogues. In order to promote constructive dialogues with shareholders, we have set an IR policy, and disclosed it in our corporate website.

Japanese only: <https://www.shimamura.gr.jp/ir/policy/>

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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Status of Major Shareholders Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
SHIMAMURAKIKAKU Co., Ltd.	5,761,530	15.68
The Master Trust Bank of Japan ,Ltd. - client account	3,447,400	9.38
SHIMAMURAKOUSAN Co., Ltd.	3,370,180	9.17
CREATIVELIFE Co., Ltd.	2,370,377	6.45
Custody Bank of Japan, Ltd. - client account	2,173,500	5.91
Saitama Resona Bank, Limited	1,764,915	4.80
Hidejiro Fujiwara	681,100	1.85
Japan Securities Finance Co., Ltd.	512,200	1.39
State Street Bank and Trust Company 505025	502,400	1.37
Hiroyuki Shimamura	501,074	1.36

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

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Name of Parent Company, if applicable

None

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Prime Market
Fiscal Year-End	February
Business Sector	Retail Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
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 Board*

*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	10
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors Updated	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tamae Matsui	From another company												○
Yutaka Suzuki	From another company												○
Teiichi Murokubo	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.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- 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
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- 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)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Tamae Matsui	○	—	<p>Possesses extensive experience and insight in the fields of personnel policy, employee welfare, and social/environmental sustainability in the retail industry. Provides advice and recommendations based on that experience from an independent perspective outside of the Shimamura Group.</p> <p>She is designated as an independent executive, to secure high independency suited for the purpose of appointment of independent executives with no risk of a conflict of interest with general shareholders.</p>
Yutaka Suzuki	○	—	<p>Possesses extensive experience and deep insight as a corporate manager. Provides useful advice and recommendations for Group management from an independent perspective outside of the Shimamura Group.</p> <p>He is designated as an independent executive, to secure high independency suited for the purpose of appointment of independent executives with no risk of a conflict of interest with general shareholders.</p>
Teiichi Murokubo	○	Mr. Teiichi Murokubo once worked for Saitama Resona Bank, Limited, which is the main financing bank of our company, but has already retired from that bank.	<p>In addition to the deep knowledge relating to finance and accounting based on experience over many years in financial institutions, he has held positions such as Executive Director of Saitama Association of corporate Executives and has extensive insight into corporate management. Accordingly, we have appointed him as an outside executive because we have judged that he can provide advice and proposals based on that experience from an independent perspective outside our company.</p> <p>He is designated as an independent executive, to secure high independency suited for the purpose of appointment of independent executives with no risk of a conflict of interest with general shareholders.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

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 & Remuneration Committee	5	0	2	3	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination & Remuneration Committee	5	0	2	3	0	0	Inside Director

Supplementary Explanation **Updated**

The Nomination & Remuneration Committee is composed of members selected by a resolution of the Board of Directors (total of 5 members: President, 1 Director, and 3 outside Directors). In order to strengthen the fairness, transparency, and objectiveness of procedures related to the nomination & remuneration of officers, a total of 4 meetings were held in FY2022. In principle, at least twice per year.

Chairperson: Representative Director Makoto Suzuki

Members: Director/Senior Advisor Hidejiro Fujiwara, Director (outside) Tamae Matsui, Director (outside) Yutaka Suzuki, Director (outside) Teiichi Murokubo

Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit and Supervisory Board Members	4

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board members and an accounting auditor try to cooperate in various ways in order to streamline the audit process and improve its quality further.

-Audit & Supervisory Board members and an accounting auditor continue cooperation and exchange information and opinions when necessary.

-After each general meeting of shareholders, they discuss important items, the schedule of audit, etc. based on their audit plans.

-Audit & Supervisory Board members witness the audit of an accounting auditor when necessary, and cooperate in receiving explanations and reports on problems and improvements at the end of interim and term-end audits, in order to grasp the progress and results of audits.

Audit & Supervisory Board members receive reports on the status of observance of internal rules, business activities, and the appropriateness of procedures, etc. from the Audit Section (including 4 full-time employees) in charge of internal audit. Audit & Supervisory Board members receive reports on the whistleblowing system from the Legal Section in charge, in accordance with the Whistleblower Protection Regulations.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shigehisa Horinokita	CPA								△					
Tetsuya Omi	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.)

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- 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
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Shigehisa Horinokita	○	Mr. Shigehisa Horinokita once worked for KPMG AZSA LLC, which serves as an accounting auditor of our company, but has already retired from that corporation.	Possesses expertise in corporate finance as a CPA. Provides advice and recommendations regarding the strengthening of the Group audit system based on his experience and insight from an independent perspective outside of the Shimamura Group. They are designated as independent executives, to secure high independency suited for the purpose of appointment of independent executives.
Tetsuya Omi	○	Mr. Tetsuya Omi is an advisor of Takihyo Co., Ltd., which is a business partner of our company, and an executive of a subsidiary thereof, but considering the scale of transactions between our company and Takihyo, we concluded that there is no risk of influencing the judgments of shareholders and investors, and omitted the brief description thereof.	From a wide range of perspectives (mainly in the logistics industry), provides recommendations on ensuring the validity and appropriateness of decision-making by the Board of Directors. They are designated as independent executives, to secure high independency suited for the purpose of appointment of independent executives.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members 5

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

—

Incentives

Implementation Status of Measures related to Incentives Granted to Directors None

Supplementary Explanation for Applicable Items

Our company does not have measures for giving incentives to directors, but all of directors, excluding senior advisor and outside directors, serve as executive officers, and the remunerations for executive officers are composed of a fixed remuneration of the basic remuneration, bonuses as short-term incentive remuneration, and a stock compensation as medium- to long-term incentive remuneration.

Persons Eligible for Stock Options

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Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items **Updated**

The total remuneration amounts of directors and Audit & Supervisory Board members are disclosed in securities reports and business reports.

Japanese only: <https://www.shimamura.gr.jp/ir/library/>

The total remuneration amounts in the term ended February 2023 were as follows.

1. Directors (Excluding Outside directors)	212 million yen (Subjects: 5 people)
As directors portion	80 million yen (Subjects: 5 people)
As employee portion of directors who concurrently serve as employees	131 million yen (Subjects: 4 people)
2. Audit & Supervisory Board members (Excluding Outside auditors)	24 million yen (Subjects: 2 people)
3. Outside executives	42 million yen (Subjects: 5 people)

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

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

(Director Remuneration)

Only the basic remuneration is paid. Within the total amount approved at the general meeting of shareholders, the President shall draft an appropriate standard, and a final decision is made by the Board of Directors after deliberation by the Nomination & Remuneration Committee.

(Remuneration for Audit & Supervisory Board Members)

Only the basic remuneration is paid. Within the total amount approved at the general meeting of shareholders, a final decision is made based on deliberation by Audit & Supervisory Board members per valid criteria.

Support System for Outside Directors and/or Outside Audit and Supervisory Board Members

We exchange information with outside directors through a meeting of the Board of Directors, which is held once or more a month, and give explanations to them in advance if necessary.

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

1) Outline of the system for corporate governance

Our company adopted a system with the Audit & Supervisory Board, and established a corporate governance system based on the Board of Directors, the Group Management Meeting, the Audit & Supervisory Board, and arbitrary committees as the advisory body for the Board of Directors. The Articles of Incorporation stipulate that the number of directors shall be up to 10 and the number of Audit & Supervisory Board members shall be up to 5.

(Board of Directors)

The Board of Directors consists of a total of 9 members: 6 inside Directors (5 of whom concurrently serving as executive officers) and 3 outside Directors (independent officers). In order to ensure accurate and prompt management decisions and transparency, a total of 17 meetings were held in FY2022. In principle, at least one meeting was held per month.

Chairperson: Representative Director Makoto Suzuki

Members: Director Iichiro Takahashi, Director Takashi Nakahira, Director Yoshiteru Tsujiguchi,
Director Hajime Ueda, Director/Senior Advisor Hidejiro Fujiwara, Director (outside) Tamae Matsui,
Director (outside) Yutaka Suzuki, Director (outside) Teiichi Murokubo

In principle, executive officers hold group management meetings once per week. A total of 50 meetings were held in FY2022. The purpose of these meetings is to improve management efficiency and operation speed. The management meeting is chaired by the President and CEO, and is composed of inside Directors and executive officers.

(Audit & Supervisory Board)

The Audit & Supervisory Board consists of two inside Audit & Supervisory Board members (one standing Audit & Supervisory Board member) and two outside Audit & Supervisory Board members (independent officers). The board holds meetings at least once a month.

Chairperson: Standing Audit & Supervisory Board Member Hideyuki Yoshioka

Members: Audit & Supervisory Board Member Hiroyuki Shimamura,
Audit & Supervisory Board Member (outside) Shigehisa Horinokita,
Audit & Supervisory Board Member (outside) Tetsuya Omi

(Committee)

The name, purpose, authority, details and situation of activities of each committee are as follows.

-Nomination & Remuneration Committee

The Nomination & Remuneration Committee is composed of members selected by a resolution of the Board of Directors (total of 5 members: President, 1 Director, and 3 outside Directors). In order to strengthen the fairness, transparency, and objectiveness of procedures related to the nomination & remuneration of officers, a total of 4 meetings were held in FY2022. In principle, at least twice per year.

Chairperson: Representative Director Makoto Suzuki

Members: Director/Senior Advisor Hidejiro Fujiwara, Director (outside) Tamae Matsui,
Director (outside) Yutaka Suzuki, Director (outside) Teiichi Murokubo

-Management Plan Formulation Committee

The Management Plan Formulation Committee is composed of members selected by a resolution of the Board of Directors (total of 9 members, all of whom are Directors). In order to invigorate discussions related to the formulation of Long-Term and Medium-Term Management Plans and annual management plans, and to enhance the appropriateness, transparency, and objectiveness of the procedures, a total of 6 meetings were held in FY2022. In principle, at least twice per year.

Chairperson: Representative Director Makoto Suzuki

Members: Director Iichiro Takahashi, Director Takashi Nakahira, Director Yoshiteru Tsujiguchi,
Director Hajime Ueda, Director/Senior Advisor Hidejiro Fujiwara, Director (outside) Tamae Matsui,

Director (outside) Yutaka Suzuki, Director (outside) Teiichi Murokubo

2) Situation of internal audit

We have established the Audit Section (four full-time members), which is an independent internal audit department under the direct control of the President. It periodically conducts on-site audits and evaluation of all stores, transfer centers and Head Office departments (targeted at department heads and those in senior class) at least once every 18 months in regards to the situation concerning compliance with internal rules, overall business activities and the validity of procedures.

The Head of the Audit Section, the person in charge, makes weekly reports on the results of audits to the President and Full-time Audit & Supervisory Board members, thus constructing a dual reporting (two reporting channels) structure.

Moreover, the Head of the Audit Section reports the semi-annual reports to the Board of Directors twice a year and the annual results once a year to the Audit & Supervisory Board.

3) Situation of accounting audits

The certified public accountants who execute accounting audits in our company are Mr. Takaaki Kurisu and Mr. Yukio Miyaichi (designated limited liability partners and executives), who belong to KPMG AZSA LLC. Our company concluded a contract for audits to be conducted pursuant to the Companies Act and the Financial Instruments and Exchange Act with KPMG AZSA LLC.

The assistants in accounting audits of our company are 6 certified public accountants and 22 other employees.

3. Reasons for Adoption of Current Corporate Governance System

Our company established a corporate governance system based on the Board of Directors, the Group Management Meeting, the Audit & Supervisory Board, and arbitrary committees as the advisory body for the Board of Directors, and adopted a system with the Audit & Supervisory Board in which the Board of Directors supervises business execution and the Audit & Supervisory Board checks audits. In the Audit & Supervisory Board, 2 outside Audit & Supervisory Board members and a standing Audit & Supervisory Board member, who worked for our company and is versed in the affairs of our company, carry out strict audits in cooperation with an accounting auditor and the Audit Section. We chose the current system, while considering that it secures the appropriateness of our business operations.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	We send out the notice of the General Meeting of Shareholders 15 days prior to the date of the meeting. In addition, as an electronic provision measure, it is posted on our corporate website three weeks prior to the date of the event.
Scheduling of the General Shareholders Meeting During Non-Peak Days	Our account closing month is February, so the date of a general meeting of shareholders of our company does not fall on a date on which many other companies hold a general meeting of shareholders.
Electronic Exercise of Voting Rights	The method for exercising voting rights via the Internet has been used since the ordinary general meeting of shareholders held in 2020.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We have been utilizing the platform for the electronic exercise of voting rights, since the ordinary general meeting of shareholders held in 2020.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	We have been distributing the English versions of convocation notices since the ordinary general meeting of shareholders held in 2017. The English versions as well as the Japanese versions of convocation notices are available in our corporate website. Japanese: https://www.shimamura.gr.jp/ir/stock/ English: https://www.shimamura.gr.jp/en/ir/library/result/
Other	A convocation notice (including the English version) and report (document attached to the convocation notice) for each ordinary general meeting of shareholders are uploaded to our corporate website 3 weeks prior to the date of said meeting. Japanese: https://www.shimamura.gr.jp/ir/stock/ English: https://www.shimamura.gr.jp/en/ir/library/result/

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Our policy for IR activities is indicated in our corporate website. Japanese only: https://www.shimamura.gr.jp/ir/policy/	
Regular Investor Briefings held for Analysts and Institutional Investors	We hold sessions for briefing annual and quarterly financial results for analysts and institutional investors, and also a small meeting about 10 times a year.	Held
Online Disclosure of IR Information	Brief reports and overviews of financial results, reference material, summaries of questions and answers of briefing sessions, flash reports on monthly sales, etc. are available. Japanese: https://www.shimamura.gr.jp/ir/ English: https://www.shimamura.gr.jp/en/	
Establishment of Department and/or Placement of a Manager in Charge of IR	Department in charge of IR: Planning Section Executive Officer in charge of IR: President IR Administrative Liaison Officer: Planning Section General Manager	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Shimamura Group aims to realize a sustainable society by creating value for all stakeholders through our initiatives to solve ESG issues. Our management mission toward each stakeholder is described in our corporate website. Japanese: https://www.shimamura.gr.jp/company/philosophy/ English: https://www.shimamura.gr.jp/en/company/philosophy/
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The basic policy and activities for sustainability are described in our corporate website. Japanese: https://www.shimamura.gr.jp/sustainability/ English: https://www.shimamura.gr.jp/en/sustainability/
Formulation of Policies, etc. on Provision of Information to Stakeholders	Our policy for IR activities is indicated in our corporate website. Japanese only: https://www.shimamura.gr.jp/ir/policy/
Other	We make efforts to maintain or improve our long-term business performance and enrich our corporate governance. In addition, we engage in the development of a comfortable and rewarding working environment for all employees regardless of gender, nationality, etc. As of the date of submission of this report, there is one female board member.

IV. Matters Concerning the Internal Control System

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

We shall establish an internal controls system as follows to ensure directors, executive officers and employees execute their duties in conformance with laws, regulations and the Articles of Incorporation.

1. Structure to ensure directors, executive officers and employees execute their duties in conformance with laws, regulations and the Articles of Incorporation

1) Directors shall maintain a compliance structure on a company-wide basis based on our management philosophy and shall appropriately establish internal rules to fulfill our social responsibilities.

Directors and executive officers shall set the example for the Compliance Regulations. At the same time, they shall inform employees of our internal rules and make compliance with laws, regulations, the Articles of Incorporation and our internal rules a prerequisite of our corporate activities.

2) Audit & Supervisory Board members shall audit the situation concerning the construction and operation of the internal controls system and the situation concerning the execution of business by directors and executive officers.

3) The Audit Section (internal audit department) shall conduct internal audits on the situation concerning the construction and operation of the internal controls system.

4) We shall establish a point of contact for reporting as a means for employees and others to make reports about violations of laws/regulations, acts of harassment and other violations of the Work Regulations. The executive officer in charge of the Human Resources Department and the Legal Section shall establish and operate an appropriate system based on the Whistleblower Protection Regulations to ensure that those who have made reports are not treated disadvantageously, and that their reports are appropriately processed to lead to the prevention of the recurrence of violations on a company-wide basis.

5) We request persons in charge of each department to periodically submit confirmation documents or other materials for the situation concerning the appropriateness of financial reporting, compliance with laws/regulations and other matters.

6) When receiving unjust demands from antisocial forces, the Shimamura Group resolutely confronts such demands without resorting to easy solutions via payoffs.

We do not conduct any business with antisocial forces, or corporations and organizations thought to be related to antisocial forces.

2. Structure for the storage and management of information relating to the execution of duties by directors

1) We shall appropriately store and manage information relating to the execution of duties by directors, such as records of proceedings and approval documents, based on the Document Management Regulations.

In addition, we shall establish a structure which enables directors and Audit & Supervisory Board members to view those documents at all times.

2) We shall establish an information security structure by enacting the Information Security Regulations and Personal Information Protection Regulations to protect and manage our information assets.

The Information Security Committee confirms the information security compliance situation, investigates and corrects problems, and provides education and information.

3. Regulations and other structures for loss risk management

1) The Board of Directors shall establish the Risk Management Regulations and determine the basic policy for risk management. It shall then establish a structure to be able to prevent risks and to respond appropriately in the event of an emergency.

2) Executive officers shall establish, operate and evaluate the risk management structure relating to the business they are in charge of based on the basic policy for risk management determined by the Board of Directors. Moreover, executive officers shall report to the Board of Directors or Management Committee about the situation concerning risk management, risks which have newly arisen and their response to those risks.

- 3) Each department shall appropriately implement risk management in the operations they are in charge of.
- 4) The President shall promptly appoint an executive officer in charge of risks which have newly risen and take necessary measures against them.

4. Structure to ensure directors execute their duties efficiently

- 1) The Board of Directors shall meet at least once a month to make prompt decisions, determine important matters and hear reports on the situation concerning the execution of business by directors.
- 2) Directors shall periodically verify the division of duties and regulations on duties and authorities.
- 3) Audit & Supervisory Board members shall attend meetings of the Board Directors to monitor and verify whether directors are efficiently executing their duties.
- 4) Group management meetings are held once a week by executive officers to improve management efficiency and operation speed.

5. Structure to ensure the appropriateness of operations by our company and our group companies

- 1) We shall establish a structure in which officers and employees of our subsidiaries make reports to our company concerning the execution of duties.
- 2) We shall establish regulations and other structures for loss risk management of our subsidiaries.
- 3) We shall establish a structure to ensure that officers and employees of our subsidiaries execute their duties efficiently.
- 4) We shall establish a structure to ensure that officers and employees in our subsidiaries execute their duties in conformance with laws, regulations and the Articles of Incorporation.
- 5) Audit & Supervisory Board members and the Audit Section of our company shall periodically conduct audits on our subsidiaries.

6. Matters relating to employees who should assist with the duties of Audit & Supervisory Board members and the independence of those employees from directors

- 1) The Audit Section shall assist with the duties of Audit & Supervisory Board members at their request.
- 2) Personnel changes in the Audit Section shall be determined upon prior discussions between the Head of Human Resources Department and Audit & Supervisory Board members.
- 3) Directors, executive officers and employees shall appropriately respond to audits by Audit & Supervisory Board members or the Audit Section and shall not impose any unreasonable restrictions.
- 4) Audit & Supervisory Board members shall have the authority to give instructions and orders to employees who are helping them with audits.

7. Structure for making reports to Audit & Supervisory Board members

- 1) We shall establish a structure for directors, executive officers and employees to make reports to Audit & Supervisory Board members.
- 2) We shall establish a structure for those who have received reports from officers and employees in our subsidiaries to make reports to Audit & Supervisory Board members.
- 3) The Head of the Audit Section shall periodically report the results of internal audits to the Audit & Supervisory Board.
- 4) The executive officer in charge of the Human Resources Department and the Head of the Legal Section shall periodically make reports to the Audit & Supervisory Board on the situation concerning the operation of the whistleblowing system and the contents of those reports.
- 5) We will not permit disadvantageous treatment of officers and employees who have made reports to Audit & Supervisory Board members due to those reports. We shall thoroughly inform officers and employees in our company and our group companies of that fact.

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

- 1) Our company recognizes that one of corporate social responsibilities is to eliminate antisocial forces. We will break off all relationships with antisocial forces, including transactions, and deal with unreasonable demands from them in an organized manner in cooperation with external experts, such as lawyers and police officers, while clarifying the responsible department.
- 2) Status of development of systems for eradicating antisocial forces
 - We prevent damage from antisocial forces as an organization centered on the General Administration Department.
 - We attend the “lecture of the manager for preventing unreasonable demands” held by Saitama Prefecture Public Safety Commission, to develop a system for coping with unreasonable demands from antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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2. Other Matters Concerning the Corporate Governance System

The status of our in-company system for the timely disclosure of our corporate information is as follows.

1. Thorough notification of the stance and policy of employers

Our company set an “IR Policy,” which clearly describes our basic stance and system for disclosing information, and indicated it in our corporate website, to make it known to everyone inside and outside the company. For the details of the “IR Policy,” please access the following URL.

Japanese only: <https://www.shimamura.gr.jp/ir/policy/>

2. In-company system

The important information on our company is collected by the head of the Planning Section, who is responsible for handling information.

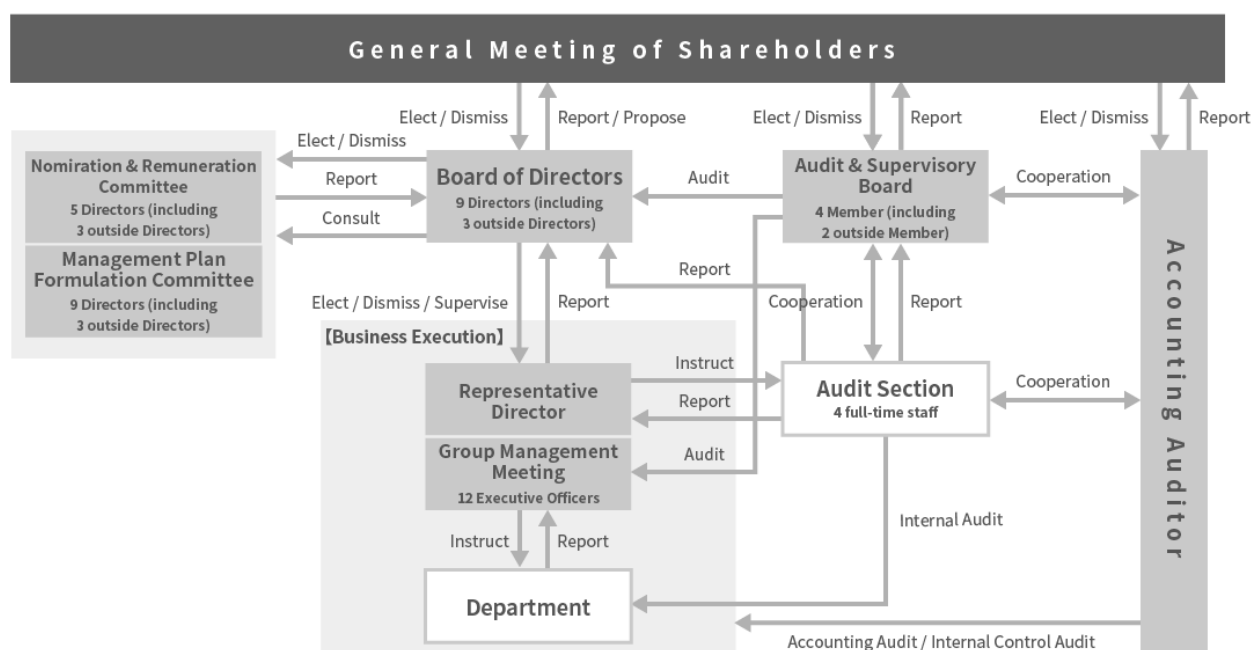
Upon receiving important information from directors, executive officers, or employees, the person in charge of information handling will report to the president or the Board of Directors, determine whether or not to disclose it, and then disclose it swiftly in accordance with laws, regulations, and the Timely Disclosure Rules set by Tokyo Stock Exchange, Inc.

3. Method for disclosing information

Our company’s information is disclosed by the head of the Planning Section, who is responsible for handling information.

If timely disclosure is considered necessary, we will register information in TDnet System provided by Tokyo Stock Exchange, Inc. without delay. After confirming the release of information via TDnet, we will upload the same information to our corporate website, to disclose the information swiftly, accurately, and fairly.

(Corporate Governance System Diagram)



END