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CORPORATE GOVERNANCE

Kamigumi Co., Ltd.

Last Updated: June 30, 2023
Kamigumi Co., Ltd.

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 Ticker Code: 9364
<https://www.kamigumi.co.jp/>

Discussed below is the current state of corporate governance at the Company.

Basic Outlook on Corporate Governance, Capital Composition, Company Attributes, and Other Basic Information

1. Basic Outlook on Corporate Governance

We strive to enhance and strengthen corporate governance based on a policy that emphasizes efficient management systems, stable and long-term growth founded on swift, appropriate decision-making and execution, and the interests of diverse stakeholders, including shareholders. To ensure Kamigumi and its Group member companies are managed in accordance with laws and regulations under consolidated management and as part of our good-faith efforts to fulfill our corporate social responsibilities, we have developed an internal control system that addresses various business management risks.

[Reasons for Not Implementing Various Principles of Corporate Governance Code] **UPDATED**

[Supplementary Principle 4.1.3] Formulating a Succession Plan

We currently lack a concrete plan for identifying a CEO successor. When the need arises, we will choose the best candidate from among potential successor candidates, based on a consideration of their personal qualities, experience, and track record. However, we are formulating and documenting a succession plan and working to achieve a more systematic approach to the selection and development of successor candidates.

[Supplementary Principle 4.3.3] CEO Dismissal Procedures

At this time, we have not set forth uniform evaluation criteria or requirements concerning the dismissal of the CEO. However, Directors (CEO included), Audit & Supervisory Board Members, and management executives are nominated by the Board of Directors based on an overall judgment of their experience, knowledge, and ability, and we can dismiss the CEO immediately if a clear violation of laws or ordinances is identified. We are progressing with documenting the standards and procedures for dismissal.

[Supplementary Principle 5.2.1] Basic Policy on Business Portfolio in Formulating a Corporate Strategy, Etc.

Our business portfolio is organized into the Logistics Business, centered on our core business of port & harbor transportation, and Other Businesses. We manage and analyze profitability along the two axes of businesses and cargo handled. We continually strive to raise corporate value, thus consider the restructuring of our business portfolio and advancing portfolio management in ways consistent with our long-term management strategies to be important topics. We will proceed with efforts to address these topics as we move to formulate the next medium-term management plan.

[Disclosure Based on Various Principles of Corporate Governance Code] **UPDATED**

[Principle 1.4] Cross-Shareholdings

We acquire and hold cross-shareholdings only in cases judged to be effective in preserving and reinforcing relationships with transaction partners or achieving business synergies, thus contributing to medium- to long-term enhancements of our corporate value. Regarding the pros and cons of maintaining specific cross-shareholdings, we review trading status, dividends, and other matters annually and weigh the benefits of holding individual shares. The Board of Directors makes comprehensive decisions on whether to maintain cross-shareholdings. While we have adopted a basic policy of reducing cross-shareholdings, we are currently considering how to establish and disclose standards for maintaining and reducing cross-shareholdings based on the related capital cost, as well as setting targets and timelines for reducing such holdings.

[Principle 1.7] Related Party Transactions

Based on our comprehensive system of management in accordance with our Board of Directors Regulations and in-house rules, competing transactions and conflicts of interest with related parties such as Directors and major shareholders are subject to prior approval by the Board of Directors, and the results of such transactions, once implemented, are reported to the Board of Directors. In this way, we maintain a monitoring structure to prevent conflicts of interest with shareholders and with the Company.

[Supplementary Principle 2.4.1] Ensuring of Internal Diversity, Women's Empowerment Included

1. Basic concept of ensuring diversity

We espouse the following as our management philosophy: "By keeping up with the times and carefully responding to the demands of an ever-changing business environment, we take on challenges that are one step ahead of present-day needs. As a result, we strive to enhance our corporate value and the stability of our management, ultimately contributing to the realization of an affluent society." Additionally, we aspire to realize perpetual corporate growth as a total logistics company that supports the social infrastructure. To that end, we believe that securing a workforce based on a diverse personnel makeup and work styles, innovation borne of diverse values, and flexible and innovative ideas are essential. To accommodate the declining working population expected to occur and the diversification of values surrounding work styles and

duties, we will strive to free ourselves from an earlier outlook characterized by unvarying employee profiles and work styles; encourage flexible styles of work by fostering a corporate culture accepting diverse human resources and enhancing employee work life balance; and pursue diversity management so that our employees can demonstrate their ability, expertise, and individuality.

2. Measurable targets

Based on the “Basic concept for ensuring diversity” referred to above, Kamigumi has identified the following as a key goal: *Creating attractive workplace environments in which diverse human resources can thrive*. It has established related topics, KPIs, and numerical targets to achieve this goal. In light of current conditions for the training and promotion of women employees within the Company, we have set a target of women occupying 4% of managerial positions by the end of the fiscal year ending March 2035 (vs. 1.81% at the end of the fiscal year ending March 2023). For other targets, see the materiality topics on our website.

Regarding the appointment of non-Japanese personnel to managerial positions, we are making progress on the local hiring of personnel for top management posts and other managerial positions at local corporations based overseas. Based on our perception that we have managed to ensure the internal promotion of non-Japanese employees in the Kamigumi Group as a whole, we have set no quantitative targets for this aspect. We will also consider the need to establish such targets with a view to enhancing diversity.

3. Human resource development policy, internal environment improvement policy, and status thereof

(1) Human resource development

We promote enhanced measures to support various human resources, including female employees and midcareer hires, so that these individuals can build diverse careers tailored to their environment/surroundings and fully demonstrate their abilities and skills. While we are currently administering training for employees in managerial positions and other forms of position-specific training, we plan to enhance training opportunities for women in career positions and other target groups selected based on different perspectives and to expand e-learning training curriculum.

(2) Internal environment improvement

Based on shifting values surrounding work styles and duties, which have become increasingly diverse in recent years, we promote a corporate culture accepting diverse human resources and strive to enhance the work life balance of our employees. To foster a corporate culture accepting diverse human resources, we have educated our employees based on our Charter of Corporate Behavior. In the future, we will consider measures targeting deeper penetration and entrenchment, including training on unconscious biases. To enhance the work life balance, in addition to pursuing the normalization of working hours by enhancing work efficiency, we are currently encouraging flexible work styles that include staggered shifts adapted to different workplaces. Moreover, we are considering introducing other measures to enhance support systems for employees with small children.

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

We have introduced a defined contribution pension system. We do not manage reserves for corporate pensions.

[Principle 3.1] Full Disclosure

(1) Management philosophy, management strategy, and management plans

We disclose our corporate philosophy and medium-term management plan on our website and elsewhere.

(2) Basic outlook and policies on corporate governance

We disclose our basic outlook on corporate governance under “I-1. Basic Outlook” in this Report.

(3) Policy and procedures for determining remuneration of management executives and directors

Our policy and procedures for determining the remuneration of management executives and Directors are stated in “II-1. Director Remuneration” in this Report.

(4) Policy and procedures for electing and dismissing management executives and nominating Director and Audit & Supervisory Board Member candidates

Upon the nominations of Director and Audit & Supervisory Board Member candidates and management executives, the Board of Directors makes a decision based on an overall evaluation of the individual experience, knowledge, and ability and the balance of comprehensive knowledge and skills achieved on the Board of Directors. We also select as external Director candidates individuals characterized by marked independence in accordance with our independence standards and having experience in company management and deep insights in specialized fields, whose proactive recommendations would enhance corporate governance.

We established the Nomination and Remuneration Committee effective June 29, 2023. This Committee will provide advice to the Board of Directors on decisions regarding nomination of management executives, including officers.

(5) Reasons for electing and dismissing management executives and nominating, electing and dismissing Director and Audit & Supervisory Board Member candidates

We disclose reasons for electing or dismissing individual officers in Reference Documents for the General Meeting of Shareholders in the Notices of Convocation of Ordinary General Meeting of Shareholders of Kamigumi Co., Ltd. and elsewhere.

[Supplementary Principle 3.1.3] Sustainability Initiatives, Etc.

(1) Sustainability initiatives

Based on the recognition that sustainability issues are key to realizing our corporate vision, the Board of Directors has formulated a fundamental policy on sustainability and selected priorities (materiality items) the Company must address as top priorities. The Environmental Protection Promotion Headquarters, an organization under the control of the Board of Directors, is responsible for promoting sustainability and handles tasks such as the analysis of the management environment, drafting topics to address, formulating sustainability promotion plans, and raising awareness of these issues in the Company.

With regard to response to climate change, we support the Task Force on Climate-related Financial Disclosures (TCFD). We have prepared various information for disclosure, including targets and measures for greenhouse gas reductions, based on an analysis of the risks, opportunities, and impacts on business strategy associated with climate change in line with the TCFD framework.

Various information on sustainability is posted on our website.

- Sustainability information: <https://www.kamigumi.co.jp/english/sustainability/>

(2) Investments in human capital and intellectual property

Kamigumi recognizes that its people are key assets in achieving sustained corporate growth based on our heritage of technologies and expertise combined with innovations. We identify enhanced efforts to secure and develop human resources as a priority strategy in the medium-term management plan for the fiscal years 2021-2025. We plan to invest proactively in reforms of our human resource systems, including efforts to strengthen training and education systems. In addition, to further diversity and sustainability, we are working to develop systems and environments that promote women in the workplace.

With regard to investments in intellectual property, based on a priority strategy identified in the medium-term management plan—to enhance business through digital transformation (DX)—we will invest proactively in DX fields, enhance the business infrastructure, and boost customer satisfaction.

- Medium-term management plan: <https://www.kamigumi.co.jp/english/ir/management/midtermbusiness.html>

[Supplementary Principle 4.1.1] Scope of Delegation to Management

We delegate decision-making responsibilities for the execution of business affairs other than matters considered exclusively by the Board of Directors based on laws and regulations to an Executive Officers Committee composed of Executive Officers and Audit & Supervisory Board Members or to the President, depending on the gravity of the matter.

We also distinguish among these various responsibilities in the Board of Directors Regulations and other internal rules.

[Principle 4.9] Independence Standards and Qualification for Independent Directors

We select independent external officer candidates marked by a strong independent outlook, to whom none of the following items applies:

1. He/she currently serves or has previously served in the last ten years as a person who has executed business of the Company or its consolidated subsidiary.
2. He/she currently falls under any of the following items from (1) to (6), or has fallen under such items in the last three years:
 - (1) a business partner or a person who executing business of such business partner in which the amount of the transactions with the Company for one fiscal year exceeds 2% of the consolidated net sales of the Company or the business partner
 - (2) a major shareholder of the Company holding over 5% of the ownership of the Company or a person who executing business of such shareholder
 - (3) a major creditor of the Company or a person who executing business of such creditor
 - (4) a person who has received annual donations of over 10 million yen from the Company or belongs to an organization that has received annual donations of over 10 million yen from the Company
 - (5) a lawyer, certified public accountant, certified tax accountant, or consultant who has received remuneration of over 10 million yen (other than officers' compensation) from the Company (if it is a judicial person and other similar organization, a person who belongs to the organization in which compensation provided from the Company exceeds 2% of the annual revenue of the organization)
 - (6) When a person who executing the Company's business concurrently serves as a director of other company, a person who executing business of the other company
3. Spouse or relative within the second degree of kinship of a person described in 1. and 2. above.

[Supplementary Principle 4.10.1] Establishment of Voluntary Advisory Committee

The nomination and remuneration of Directors is currently determined by resolution of the Board of Directors, as stated in Principle 3.1 above. To ensure transparency and impartiality in decisions related to nomination and remuneration, we established the Nomination and Remuneration Committee effective June 29, 2023. The Nomination and Remuneration Committee will advise the Board of Directors concerning decisions on the nomination of management executives, including Directors.

[Supplementary Principle 4.11.1] Expanding the Diversity and Capabilities of the Board of Directors

In light of the roles assigned to the Board of Directors, we have defined the specializations and other properties to be possessed by the Board and prepared a skills matrix listing the knowledge, experience, and other qualities expected of individual directors and other executives. The skills matrix is disclosed in the Reference Documents for the General Meeting of Shareholders in the Notices of Convocation of Ordinary General Meeting of Shareholders of Kamigumi Co., Ltd.

At present, women represent 25% of Directors and 25% of Audit & Supervisory Board Members. To maximize diversity in management perspectives, we will promote gender diversity on the Board of Directors by maintaining or increasing these levels in the future.

[Supplementary Principle 4.11.2] State of Concurrent Duties Served by Directors and Audit & Supervisory Board Members

We disclose the state of concurrent positions served by Directors and Audit & Supervisory Board Members at other listed companies in the Business Report and Reference Documents for the General Meeting of Shareholders in Notices of Convocation of Ordinary General Meeting of Shareholders of Kamigumi Co., Ltd.

[Supplementary Principle 4.11.3] Analysis and Evaluation of Effectiveness of Board of Directors

Each year, to verify the effectiveness of the Board of Directors, we survey the Directors attending meetings of the Board of Directors via questionnaires about the composition and the state of operations of the Board. Analyses and evaluations based on FY2022 survey responses indicate that Directors believe the Board functions as an effective body. The following opinions and recommendations were offered regarding further improvements in the Board's effectiveness:

<Opinions on the Effectiveness of the Board of Directors>

- (1) The composition of the Board should be studied on a continual basis in areas including raising gender diversity and reviewing the skills matrix.
- (2) Detailed discussion and deliberation should be undertaken for revision of the business portfolio to inform medium- to long-term management strategies.
- (3) Training for Directors, including external Directors, should be further enhanced.

Based on the above, we will consider and implement necessary measures as appropriate with the aim of further improving the effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2] Policy on Training for Directors and Audit & Supervisory Board Members

As part of training for Directors and Audit & Supervisory Board Members, we have newly-appointed Directors participate in external seminars to deepen their understanding of their responsibilities. Other Directors and Audit & Supervisory Board Members strive to cultivate their knowledge by participating in appropriate external seminars. Additionally, for external officers, we hold tours of facilities and briefings on our businesses to deepen their knowledge and understanding of our operations.

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

Our policy on constructive dialogue with our shareholders is as follows:

- (1) Designation of management for dialogue with shareholders and (2) Initiatives for organic cooperation between internal departments
IR operations are supervised by the director in charge of administration department. The IR/SR Section spearheads efforts to engage in dialogue with shareholders in cooperation with the Management & Planning Department, the Corporate Communication Department, and other departments.

- (3) Initiatives for enhancing dialogue besides individual meetings

To promote dialogue, in addition to individual meetings, we disclose information through financial results briefings and on our website. We will also consider holding investor briefings and other events in the future.

- (4) Initiatives for passing on shareholder opinions/concerns

Of the opinions/requests we receive from our shareholders, we pass on those believed to contribute to the management of our company to the Board of Directors, where they are shared.

- (5) Initiatives for managing insider information

Upon engaging in dialogue with shareholders, we set forth internal rules, manage insider information appropriately, and strive to prevent leaks of such information.

[Efforts to realize a management outlook cognizant of capital costs and share prices]

The Company is striving to ascertain its cost of equity using Capital Asset Pricing Model (CAPM) theory. Given the basic recognition that the level of ROE secured must exceed the cost of equity, our current medium-term management plan (that ends in the fiscal year ending March 2025) sets an ROE target of at least 6.5% in the final fiscal year of the plan, and in the 7% range thereafter. See the overview of the medium-term management plan on our website for capital policies aimed at achieving this target ROE.

· Medium-term management plan: <https://www.kamigumi.co.jp/english/ir/midtermbusiness/>

Our ROE and business performance have improved along with steady progress on the medium-term management plan. However, our price to book value ratio (PBR) remains below 1.0, and we take the resulting valuation on the stock market very seriously. To achieve a PBR exceeding 1.0, we believe it is essential to satisfy the following three requirements simultaneously: further improving ROE, developing a long-term growth narrative, and enhancing ESG initiatives. We have begun efforts to achieve each of these goals. With regard to ROE, we are making every possible effort to surpass the target level through steadily achieving the financial indicators called for in the medium-term management plan. Regarding the narrative for growth, in the process of formulating the next medium-term management plan, we will identify a clear long-term vision and ideal future form and formulate various measures by back casting from these. We are implementing Companywide efforts to achieve various ESG initiatives, centered on the new promotion structure established in April 2023.

[Status of efforts to implement shareholder dialogue, etc.]

Reviewed below is the status of efforts to implement shareholder dialogue in FY2023.

(1) Key participants in shareholder dialogue

The key participants in shareholder dialogue include the IR/SR Section staff, as well as executive officers responsible for IR oversight.

(2) Summary of shareholders involved in dialogue

In addition to IR discussions with sell-side analysts and domestic and international institutional investors (including participation in telephone interviews and conferences) throughout the year, we also held two briefings during the year for analysts and institutional investors.

In addition, we solicited SR interviews (including online interviews) with the staff who oversee ESG and the exercise of voting rights at domestic institutional investors.

(3) Major themes of dialogue

Shareholders showed strong interest in the long-term growth vision and in the capital policies and ROE targets indicated in the medium-term management plan. They also commented on our efforts to enhance ESG initiatives and nonfinancial disclosure.

(4) Feedback to the Board of Directors, etc.

The results of such exchanges are reported to the Board periodically and referred to in discussions of matters such as the medium-term management plan and ESG.

2. Capital Composition

Foreign shareholding ratio	Over 30%
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[Status of Major Shareholders] UPDATED

Shareholders' Name	Number of Shares	Ratio of Shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,248,000	12.94
Custody Bank of Japan, Ltd. (Trust Account)	7,412,300	6.73
Kamigumi Customers and Subcontractors Shareholding Association	7,347,171	6.67
Kamigumi Employees Shareholding Association	3,345,088	3.03
National Mutual Insurance Federation of Agricultural Cooperatives	2,772,000	2.51
The Murao Educational Foundation	2,456,222	2.23
Nippon Life Insurance Company	2,271,643	2.06
Sumitomo Life Insurance Company	2,250,500	2.04
State Street Bank And Trust Company 505103	2,144,173	1.94
Aioi Nissay Dowa Insurance Co., Ltd.	2,021,302	1.83

Presence of controlling shareholders (parent excluded)	_____
Presence of parent	None

Supplementary Explanation

3. Company Attributes

Listed exchange and market classification	Tokyo Stock Exchange, Prime Market
Fiscal year end	March
Business category	Warehousing and transport-related businesses
Number of employees at the end of the most recent business year (consolidated)	1,000 or greater
Net sales at the end of the most recent business year (consolidated)	¥100 billion or greater but less than ¥1 trillion

Number of consolidated subsidiaries at the end of the most recent business year (consolidated)	10 or more but less than 50
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4. Guidelines on Measures to Protect Minority Interests in Transactions with Controlling Shareholders

5. Other Special Circumstances with Potential to Materially Impact Corporate Governance

II Status of Business Administration Organizations Pertaining to Management Decision-Making, Execution and Auditing, and Other Corporate Governance Structures

1. Matters Pertaining to Organizational Structure and Operation

Organizational configuration	Company with auditors
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[Directors]

Quorum for Directors according to Articles of Incorporation	20
Term of Directors according to Articles of Incorporation	1 year
Chairman of meetings of Board of Directors UPDATED	President
Number of Directors UPDATED	8
Election status of external Directors	Elected
Number of external Directors UPDATED	3
Number of external Directors designated as independent officers UPDATED	3

Relationship to Company (1) **UPDATED**

Name	Attribute	Relationship to Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Nobuko Ishibashi	Attorney-at-law													
Osamu Hosaka	Other													
Harumi Matsumura	Possesses background with another company.													

*Items selected regarding relationship with Company

*Items true for the person now or recently are marked with a "○." Items true for the person previously are marked with a "△."

*Items true for a close relative now or recently are marked with a "●." Items true for a close relative previously are marked with a "▲."

a Executor of business affairs at the Company or a subsidiary thereof

b Executor of business affairs or director not involved in business decision-making at the parent of the Company

c Executor of business affairs at sibling company of the Company

d Party for whom the Company is a main business partner or an executor of business affairs thereof

e Main business partner of the Company or an executor of the business affairs thereof

f Consultant, accounting specialist, or legal specialist paid large monetary sums or other property other than officer remuneration from the Company

g Main shareholder of the Company (in cases in which the said main shareholder is a corporation, an executor of business affairs of that corporation)

h Executor of business affairs of a business partner of the Company (to whom none of d, e, or f applies) (person in question only)

i Executor of business affairs of a company for which an external officer of the company concurrently serves as external officer of the Company and vice versa (person in question only)

j Executor of business affairs of an organization to which the Company makes donations (person in question only)

k Other

Relationship to Company (2) **UPDATED**

Name	Independent Officer	Supplementary Explanation of Compliance Matters	Reason for Appointment
Nobuko Ishibashi	○	The Company engages in no transactions with the Kobe City Law Office where Ms. Ishibashi serves as a Representative Employee Lawyer; with Takamatsu Construction Group Co., Ltd., where she serves as an External Director; or with Fukuoka Financial Group, Inc., where she serves as an External Director serving as an Audit & Supervisory Committee Member.	Ms. Ishibashi brings wide-ranging experience and extensive knowledge as an attorney. While she does not have experience with direct involvement in corporate management except as an external director, she was appointed an external Director in expectations that she will provide valuable advice, mainly from a compliance perspective, and will help strengthen and advance Company governance through meetings of the Board of Directors and other opportunities. No known conflicts of interest exist between the Company and Ms. Ishibashi. Her appointment as an external Director reflects the fact that she satisfies the independence criteria of the stock exchange and criteria established by the Company for determination of independence.
Osamu Hosaka	○	The Company engages in no transactions with Yutaka Shipping K.K., where Mr. Hosaka serves as Advisor.	Mr. Hosaka brings considerable knowledge, primarily related to resupply and transport, gained from experience as a high-ranking officer in the Japan Ground Self-Defense Force. While he lacks experience with direct involvement in corporate management in the past, Mr. Hosaka was appointed an external Director in expectations that he will help strengthen and advance Company governance through meetings of the Board of Directors and other opportunities. No known conflicts of interest exist between the Company and Mr. Hosaka. His appointment as an external Director reflects the fact that he satisfies the independence criteria of the stock exchange and criteria established by the Company for determination of independence.
Harumi Matsumura	○	The Company engages in no transactions with Rock Field Co., Ltd., where Ms. Matsumura serves as an external Director. While the Company engages in ordinary banking transactions, such as deposits with Hiroshima Bank, Ltd., where Ms. Matsumura serves as an External Audit & Supervisory Board Member, the amount of fees and other payments we make to Hiroshima Bank, Ltd. represents less than 1% of its consolidated operating revenues, therefore there are no conflicts of interest between us and the bank.	Ms. Matsumura brings considerable knowledge based on her experience in managing a snacks maker and a manufacturer of residential equipment. Ms. Matsumura was appointed an external Director in expectations that she will help strengthen and advance Company governance through meetings of the Board of Directors and other opportunities. No known conflicts of interest exist between the Company and Ms. Matsumura. Her appointment as an external Director reflects the fact that she satisfies the independence criteria of the stock exchange and criteria established by the Company for determination of independence.

Presence of voluntary committee equivalent to nomination committee or remuneration committee UPDATED	Established
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 Establishing the Voluntary Advisory Committee, its Membership, and its Chairperson **UPDATED**

	Committee name	Total members (persons)	Full-time members (persons)	Internal Directors (persons)	External Directors (persons)	External experts (persons)	Others (persons)	Chairperson
Voluntary committee equivalent to nomination committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Internal Director
Voluntary committee equivalent to remuneration committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Internal Director

The Company has established a Nomination and Remuneration Committee to advise the Board of Directors.

As requested by the Board, the Nomination and Remuneration Committee reviews the following matters concerning nomination, remuneration, etc. and advise the Board.

(1) Matters related to nomination

Matters related to topics such as appointment and dismissal of Directors and officers delegated business execution authority (matters subject to resolution in General Meetings of Shareholders), the composition of the Board of Directors, and succession planning (including successor development)

(2) Matters related to remuneration

Matters related to topics such as remuneration systems and remuneration levels for Directors and officers delegated business execution authority

The Nomination and Remuneration Committee consists of four or more members chosen by resolution of the Board of Directors. At least one-half of its membership consists of External Directors. Its chairperson is chosen from among committee members by the resolution of the Board of Directors.

[Membership]

Yoshihiro Fukai (Chairperson, President and Representative Director)

Toshihiro Horiuchi (member, Representative Director)

Nobuko Ishibashi (member, External Director)

Osamu Hosaka (member, External Director)

Harumi Matsumura (member, External Director)

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Quorum for Audit & Supervisory Board Members according to Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Status of Cooperation among Audit & Supervisory Board Members, Independent Auditor and Internal Audit Department

Audit & Supervisory Board Members regularly hold report meetings and otherwise engage in exchanges of opinions and information with the independent auditor and the internal audit department.

Election status of external Audit & Supervisory Board Members	Elected
Number of External Audit & Supervisory Board Members	3
Number of External Audit & Supervisory Board Members designated as independent officers	3

Relationship to Company (1)

Name	Attribute	Relationship to Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takumi Nakao	Attorney-at-law													
Ai Kuroda	Attorney-at-law													
Tomokazu Hideshima	Certified Tax Accountant													

*Items selected regarding relationship with Company

*Items true for the person now or recently are marked with a "○." Items true for the person previously are marked with a "△."

*Items true for a close relative now or recently are marked with a "●." Items true for a close relative previously are marked with a "▲."

a Executor of business affairs at the Company or a subsidiary thereof

b Director not involved in business decision-making or an accounting advisor at the Company or subsidiary thereof

c Executor of business affairs or director not involved in business decision-making at the parent of the Company

d Auditor at the parent of the Company

e Executor of business affairs at sibling company of the Company

f Party for whom the Company is a main business partner or an executor of business affairs thereof

g Main business partner of the Company or an executor of business affairs thereof

h Consultant, accounting specialist, or legal specialist paid large monetary sums or other property other than officer remuneration from the Company

i Main shareholder of the Company (in cases in which the said main shareholder is a corporation, an executor of business affairs of that corporation)

- j Executor of business affairs of a business partner of the Company (to whom none of f, g, or h applies) (person in question only)
- k Executor of business affairs of a company for which an external officer of the company concurrently serves as external officer of the Company and vice versa (person in question only)
- l Executor of business affairs of an organization to which the Company makes donations (person in question only)
- m Other

Relationship to Company (2)

Name	Independent Officer	Supplementary Explanation on Compliance Matters	Reason for Appointment
Takumi Nakao	○	No known conflicts of interest exist between the Company and Mr. Nakao.	<p>Mr. Nakao was appointed an external Audit & Supervisory Board member based on the judgment that he will help strengthen and advance Company governance through various activities, including audit implementation and viewpoints expressed at meetings of the Board of Directors and other opportunities, reflecting his high degree of independence vis-à-vis the Company and experience gained from a long career as a prosecutor and expertise as an attorney.</p> <p>No known conflicts of interest exist between the Company and Mr. Nakao. His appointment as an external Audit & Supervisory Board member reflects the fact that he satisfies the independence criteria of the stock exchange and criteria established by the Company for determination of independence.</p>
Ai Kuroda	○	No known conflicts of interest exist between the Company and Ms. Kuroda.	<p>Ms. Kuroda brings considerable experience and extensive knowledge as an attorney, as well as practical experience in corporate law, including experience with the Companies Act and work in overseas offices. While she lacks experience with direct involvement in corporate management, she was appointed an external Audit & Supervisory Board member in expectations that she will contribute to overall audits of business activities as an external Audit & Supervisory Board member of the Company, which engages in business activities in global markets, and will help strengthen and advance Company governance through meetings of the Board of Directors and other opportunities.</p> <p>No known conflicts of interest exist between the Company and Ms. Kuroda. Her appointment as an external Audit & Supervisory Board member reflects the fact that she satisfies the independence criteria of the stock exchange and criteria established by the Company for determination of independence.</p>
Tomokazu Hideshima	○	No known conflicts of interest exist between the Company and Mr. Hideshima.	<p>Mr. Hideshima was appointed an external Audit & Supervisory Board member based on the judgment that he will help strengthen and advance Company governance through various activities, including audit implementation and viewpoints expressed at meetings of the Board of Directors and other opportunities. While lacking experience with direct involvement in corporate management, he will draw on his various qualifications, including many years of experience with tax administration and expertise in corporate taxation gained as a certified tax accountant.</p> <p>No known conflicts of interest exist between the Company and Mr. Hideshima. His appointment as an external Audit & Supervisory Board member reflects the fact that he satisfies the independence criteria of the stock exchange and criteria established by the Company for determination of independence.</p>

[Independent Officers]

Number of independent officers

UPDATED

6

Other Items Related to Independent Officers

We have designated all persons qualified as independent officers to serve as independent officers.

[Incentives]

State of implementation of measures for granting incentives to Directors

Introduction of performance-linked compensation system, etc.

Supplementary Explanation on Applicable Matters

Regarding Director remuneration, we have adopted a remuneration system under which a certain portion of the monetary remuneration is coupled to performance and contributions to business performance for the fiscal term in question, in addition to a basic amount as consideration for the responsibilities of each officer and the performance of their duties.

Additionally, at the 80th Ordinary General Meeting of Shareholders convened on June 27, 2019, we decided to implement a compensation plan to grant restricted stock to our Directors (external Directors excluded) separately of the above remuneration for the purpose of granting incentives to facilitate sustained improvements in corporate value and to share shareholder value.

Details on this matter are stated under "II- 1. Director Remuneration" in this Report.

Persons eligible for granting of stock options

Supplementary Explanation of Applicable Matters

[Director Remuneration]

State of disclosure (of individual Director Remuneration)

Partially disclosed

Supplementary Explanation of Applicable Matters

The Financial Report and the Business Report disclose total remuneration figures for each Director, Audit & Supervisory Board Member, and external officer for the preceding fiscal year. Additionally, in the Financial Report, we disclose persons whose total consolidated remuneration is ¥100 million or more.

Policy for determining remuneration and computation methods thereof

Established

Information Disclosed on Policy for Determining Remuneration and Methods Thereof

With regard to the remuneration of our Directors, a resolution was passed at the 81st Ordinary General Meeting of Shareholders to set the maximum remuneration for Directors at ¥600 million per year (including ¥50 million as the maximum remuneration for external Directors) and the maximum remuneration for Audit & Supervisory Board Members at ¥60 million per year.

<Basic Policy on Determinizing Remuneration>

1. Basic policy on officer remuneration

- ① Officer remuneration must encourage the performance of duties in a manner consistent with our management philosophy and management strategy and provide motivation to achieve specific management goals, with the purpose of sustainably improving our corporate value over the medium to long term.
- ② The remuneration of Directors who handle the execution of business must include the appropriate configuration of a percentage of share-based remuneration linked to our medium- to long-term corporate value to facilitate shared interest with shareholders.
- ③ An officer remuneration system suitable for the significant responsibilities of our officers must be adopted.

2. Officer remuneration and composition

Director remuneration shall be determined based on position and responsibility (roles) after accounting for business performance levels, social conditions, remuneration at other companies and other factors, and shall consist of monthly basic remuneration (cash remuneration) and medium- and long-term remuneration (stock remuneration) with the exception of remuneration for external Directors.

3. Monthly basic remuneration (cash remuneration)

Monthly basic remuneration is determined in accordance with the position and duties of the individual Director, as well as the business performance for the preceding fiscal year. More specifically, monthly basic remuneration shall consist of a fixed salary and variable salary. An amount equivalent to approximately 60% of the monthly basic remuneration is set as fixed salary based on the position and responsibility of the individual director and other factors; an amount equivalent to approximately 40% of monthly basic remuneration is set as variable salary determined based on the business performance for the preceding fiscal year.

The actual variable salary is based on the business performance for the preceding fiscal year, while the basic salary is based on that Director's position, responsibilities, and other factors. The Board of Directors determine the business performance based on which the amount of basic remuneration is determined, taking into account the indicators cited in our medium-term management plans.

4. Medium- and long-term remuneration (stock remuneration)

Medium- and long-term remuneration must stimulate the sustained management endeavors of the Director in question; contribute to corporate value over the medium to long term; and encourage interest in our shares. Introduction of the stock remuneration was resolved at the 80th Ordinary General Meeting of Shareholders convened on June 27, 2019 as follows:

a) Overview of medium- and long-term remuneration

For the purpose of allocating ordinary shares of Kamigumi Co., Ltd. with restrictions on transfers and other conditions (shares with transfer restrictions) to Directors excluding external Directors through agreements on allocation, said Directors shall be granted remuneration credits.

b) Total medium- and long-term remuneration and accompanying number of shares

Total monetary remuneration credits granted to allocate shares with restriction on transfer: No more than ¥30 million per year

Total number of shares with transfer restrictions allocated: No more than 12,000 shares per year

5. Process for determining remuneration

Director remuneration is determined in accordance with the Director Remuneration Rules; these Rules were established by resolution of the Board of Directors in which external Directors also took part. The Director Remuneration Rules are in-house rules that prescribe specific matters concerning topics such as the frameworks for cash and stock compensation and how such compensation is determined, in accordance with the “Basic policy on officer remuneration” described above. While accounting for the business environment, we will periodically examine remuneration at competing companies and corporations of similar size as benchmarks and proceed to review such remuneration as necessary so that said remuneration serves as an incentive to improve corporate value.

6. External Director and Audit & Supervisory Board Member remuneration

Remuneration for External Directors and Audit & Supervisory Board Members shall consist solely of monthly basic cash remuneration, made up of fixed salary, in light of the roles of these officers in supervising or auditing the management of the entire Kamigumi Group from an objective point of view, independent of the execution of business.

The remuneration of External Directors is determined in accordance with the Director Remuneration Rules established by resolution of the Board of Directors, as described above. Remuneration for Audit & Supervisory Board Members is determined through deliberations by the Audit & Supervisory Board.

[Support structure for external Directors (external Audit & Supervisory Board Members)]

We conduct liaising with external Directors and external Audit & Supervisory Board Members and provide other necessary support with administration department as the secretariat for the Board of Directors. We have also established a structure that allows us to internally appoint suitable employees to support the duties of external Audit & Supervisory Board Members in the capacity of audit assistants, per the request of those Members.

2. Matters pertaining to business execution, auditing/supervision, nomination, determination of remuneration, and other functions (Overview of current corporate governance structure) UPDATED

(1) Matters related to business execution

We strive to respond to our rapidly-changing business environment in a timely manner, based on rapid decision-making and energetic discussions by the Board of Directors. As for the aspect of management monitoring, our Directors, including external Directors who serve as independent officers, mutually audit and supervise their decisions, in addition to objective and specialized management monitoring by Audit & Supervisory Board Members, including external Audit & Supervisory Board Members, who serve as independent officers. In so doing, we endeavor to realize management efficiency and adequacy.

Depending on the gravity of the matter, we delegate decision-making responsibilities for business affairs, other than matters considered exclusively by the Board of Directors based on laws and regulations, to an Executive Officers Committee composed of Executive Officers and Audit & Supervisory Board Members or to the President. In so doing, we endeavor to realize rapid decision-making and agile business execution.

In April 2023, we revised the corporate governance system to strengthen the separation of management and executive functions by enhancing the executive officer system, reviewing the composition of the Board of Directors, and expanding the scope of delegation of business execution authority. Effective June 29, we established a voluntary advisory committee on nomination and remuneration (the Nomination and Remuneration Committee) to strengthen and enhance governance by making the nomination and remuneration process more transparent.

(2) Matters related to audits/supervision

Four Audit & Supervisory Board Members, including three external members, perform audits based on rigorous standards and in accordance with the audit policy set forth for each business year by the Audit & Supervisory Board. These members attend the Board of Directors or other important meetings according to their assigned roles and attend to reports on operations from Directors. We have established a structure that allows us to internally appoint suitable employees as audit assistants.

Our external Audit & Supervisory Board Members include persons with certified tax accountant and attorney-at-law qualifications. Moreover, all external Audit & Supervisory Board Members are selected as independent officers to enable monitoring from an objective perspective.

We have appointed Shinyo Audit Corporation as our independent auditor. The independent auditor works in cooperation with executive employees and audit work assistants to audit us and our consolidated subsidiaries based on the accounting audit plan for each business year. Additionally, the Internal Audit Department, Audit & Supervisory Board Members and our independent auditor regularly hold meetings, give reports, and exchange opinions on aspects such as the formulation and implementation of audit plans for each business year, seeking thereby to enhance and reinforce our audit functions.

(3) Matters related to nomination and determination of remuneration

Said matters are as stated in the “Disclosure Based on Various Principles of Corporate Governance Code” and “[Principle 3.1] Full Disclosure” in this Report.

(4) Contracts for limitation of liability

We have entered into contracts to limit liability for damages under Article 423, Paragraph 1 of the Companies Act with our external Directors and external Audit & Supervisory Board Members, in accordance with the provisions of Article 427, Paragraph 1 of said Act.

We have set liability limits for the compensation of damages based on those contracts to the minimum liability limit specified in Article 425, Paragraph 1 of the Companies Act based on the stipulations of Article 29, Paragraph 2 of our Articles of Incorporation.

3. Reason for selecting current corporate governance structure

As stated above, we elect external Directors and external Audit & Supervisory Board Members who serve as independent officers. We seek to ensure rapid decision-making by our Board of Directors and objective management monitoring functions for such decision-making by Audit & Supervisory Members and mutual supervision by Directors. We believe we are achieving management efficiency and adequacy through our current structure.

III Status of Implementation of Measures for Shareholders and Other Stakeholders

UPDATED

1. Status of initiatives to revitalize General Meetings of Shareholders and facilitating the exercise of voting rights

	Supplementary Explanation
Early issue of Notice of Convocation of Ordinary General Meeting of Shareholders	To improve convenience in the exercise of voting rights by shareholders, as a general rule, we send out Notices of Convocation 21 days (3 weeks) prior to the dates on which General Meetings of Shareholders convene. We make Notices of Convocation publicly available on our website and at the Tokyo Stock Exchange before issuing them to further enhance shareholder convenience.
Exercise of voting rights using electromagnetic methods	To improve convenience in the exercise of voting rights by shareholders, we employ the exercise of voting rights via the Internet, alongside conventional methods of exercising voting rights.
Participation in platform for electronic exercise of voting rights and other initiatives aimed at improving environment for exercise of voting rights by institutional investors	To improve the environment for the exercise of voting rights by non-Japanese shareholders, we deploy a platform that allows the electronic exercise of voting rights.
Provision of Notice of Convocation (Summary) in English language	To improve the environment for the exercise of voting rights by non-Japanese shareholders, we provide Notices of Convocation translated into English.
Other	To achieve a proper market evaluation based on an accurate understanding of the Kamigumi Group, in addition to working towards timely and adequate disclosures of important management-related information, we hold financial results briefings for securities analysts and institutional investors and respond to calls for IR and SR interviews. We believe these efforts help energize the General Meetings of Shareholders and facilitate the effective exercise of voting rights.

2. Status of activities related to IR UPDATED

	Supplementary Explanation	Explanation by Representatives Themselves
Holding regular briefings for analysts and institutional investors	We hold financial results briefings for securities analysts and institutional investors.	Yes
Posting of IR materials on website	We post our Financial Reports, financial results summaries, and other IR materials on our website. We also prepare and post English-language financial statements for overseas shareholders, investors, and others.	
Establishment of department (posting of personnel) for IR	We have established an IR/SR Section.	
Other	For securities analysts and institutional investors, we accommodate interviews and conduct onsite tours upon requests.	

3. Status of initiatives pertaining to due regard for stakeholder positions

	Supplementary Explanation
Provisions on due regard for stakeholder positions in internal rules, etc.	"We are committed to fulfilling our social responsibilities to our stakeholders." In addition to this statement in our Compliance & Risk Management Regulations, we have set forth provisions in our Information Management & Insider Trading Management Regulations that state as follows: "We will endeavor to disclose information in a fair, timely, and appropriate manner and in compliance with laws, ordinances, and various regulations, to help promote understanding of Kamigumi Co., Ltd. and to facilitate the proper valuation of the company by stakeholders."
Implementation of environmental preservation activities, CSR activities, etc.	As part of our corporate citizen activities to contribute to environmental preservation and the community, in addition to providing Earth-friendly logistics services by reducing CO2 emissions through more efficient transport, modal shifts, and so forth, we are proactively practicing "Cool Biz" and "Warm Biz" dress codes and participating in afforestation activities.
Policy on providing information to stakeholders	Our Information Management & Insider Trading Management Regulations set forth our policy on providing information to stakeholders.

IV Matters Related to Internal Control Systems

1. Basic concept of internal control systems and status of their establishment

The Company, as a general distribution company, aims to realize continued growth and implement social responsibility by setting the management philosophy as "By keeping up with the times and carefully responding to the demands of an ever-changing business environment, we take on challenges that are one step ahead of present-day needs. As a result, we strive to enhance our corporate value and the stability of our management, ultimately contributing to the realization of an affluent society."

For achieving this objective, the Company will establish and manage the framework and system, and carry out regular review and improvement by setting up the basic policy on the internal control system as follows.

(1) Framework to make performance of duties by Directors and employees conform to laws and ordinances and Articles of Incorporation

The Company has set the compliance first as basis for corporate activities, and has established the "Kamigumi Group Charter of Corporate Behavior" that shall be applied to the entire Group for the purpose of establishing and practicing law-abiding spirit.

Based on the relevant Charter, in order to establish and promote the internal control system in the Group, the Company has set up the "Compliance Risk Management Committee," has formulated internal rules including the "Compliance Rules," etc., and shall improve and manage the whistle-blowing system called as the "Help Line for Corporate Ethics."

In addition, for business monitoring, the Company shall set up the Internal Audit Department as an independent organization under the direct supervision of the President, which shall carry out the audit of the Group.

(2) Framework to preserve and manage information about Directors' performance of duties

We appropriately preserve and manage information about implementation of duties by Directors by recording it in writing, etc. in accordance with "Document Management Regulations" and other relevant regulations. Also, we promote an effective management system so that Directors and Audit & Supervisory Board Members can easily access the information.

(3) Rules about loss risk controls and other frameworks

Divisions responsible for relevant fields manage various risks in business operations in accordance with "Risk Control Rules," etc. In addition, the Compliance Risk Management Committee operates cross-sectional control structure of the whole group.

(4) Framework to secure efficient implementation of Directors' duties

The Group formulates the medium-term management plan in consideration of the business environment in the future, and draws up and carries out specific plans for achieving the relevant goal.

In addition, a regular meeting of the Board of Directors is held once a month in principle to decide on important matters related to the Company and the Group for ensuring the effectiveness and efficiency of execution of duties as well as carrying out the monitoring of the status of execution of duties performed by Directors.

Furthermore, the Company aims to improve the efficiency of management by separating the decision-making and monitoring of management from the execution of operation through introducing the executive officer system.

(5) Framework to secure appropriateness of operations of the corporate group consisting of the Company and subsidiaries

The Company formulates the "Management Rules for Affiliates and Subsidiaries," and obliges the Group to make a regular report about important matters on management, operating results, etc. in the Group.

In addition, the Compliance Risk Management Committee of the Company and separate committees established in individual offices manage the compliance, and risk management structure and other systems necessary for internal control, decide on important policies, etc. on its operation and supervise the implementation status through the monitoring conducted by the Internal Audit Department of the Company.

(6) Items on employees whom Audit & Supervisory Board Members request to appoint as their assistants in their duties

We prepare a system for appointing appropriate persons as audit assistants from within the Company to support Audit & Supervisory Board Members' work in order to make audit more efficient and enhance the level of audit functions.

(7) Items concerning keeping independence of the employees described in the preceding item from Directors and ensuring effectiveness of instructions to the relevant employees

When receiving an order necessary for audit work from Audit & Supervisory Board Members, the audit assistants defined in the preceding item preserve independence to be able to carry out an audit without being subjected to any unreasonable restriction from Directors and employees with respect to the order. In addition, the audit assistants shall comply with the instructions of Audit & Supervisory Board Members upon the implementation of their duties.

(8) Reporting framework enabling Directors and employees to report to Audit & Supervisory Board Members

Directors and employees of the Group report the following matters to Audit & Supervisory Board Members in time.

- Decision on important matters which have an effect on the Group
- Business performance of the Company and the Group
- Items on noncompliance of the Group
- Items on the whistle-blowing contents in the Help Line for Corporate Ethics and survey results for the relevant whistle-blowing.
- Cases discussed and reported at important meetings such as management conferences
- Results of internal audits carried out by Internal Audit Department
- Items which may cause substantial damage to the Group

(9) System which ensures that a person who made a report to Audit & Supervisory Board Members based on the preceding item shall not be disadvantageously treated due to the fact that such person made such report

The Company stipulates that it shall be prohibited that a person who made a report based on the preceding item may be disadvantageously treated due to the fact that such person made such report, and that a whistle-blower shall not be disadvantageously treated due to the fact of whistle-blowing.

(10) Items on the policy in relation to an advance payment of expenses or debt disposal incurred in connection with the execution of duties of Audit & Supervisory Board Members

When an Audit & Supervisory Board Member claims to the Company an advance payment of expenses, etc. based on Article 388 of the Company Act in association with the execution of the duties, the department in charge shall, after deliberation, settle the relevant expenses or debt promptly except the case where the relevant expenses or debt related to the relevant claim shall be deemed not to be necessary for the execution of the duties by such an Audit & Supervisory Board Member.

(11) Other framework to ensure effective auditing by Audit & Supervisory Board Members

The Company formulates a framework where Audit & Supervisory Board Members can receive reports and exchange opinions and information about performance of their duties at important meetings including meetings of the Board of Directors, and where Audit & Supervisory Board

Members can have regular meetings and exchange opinions and information with respect to development and implementation, etc. of audit plans for individual fiscal terms with the Internal Audit Department and independent auditors. In addition, the Company formulates a framework that enables Audit & Supervisory Board Members to inspect important minutes of meetings, documents for final decision and others if necessary.

2. Basic outlook on eliminating association with anti-social forces and the status of related response structures

With respect to addressing the eliminating association with anti-social forces, we have separately established Regulations for Response to Violence Targeting Corporations based on the aforementioned Charter of Corporate Behavior. We have also enrolled as a member of the Council for Corporate Defense and will take systematic action in cooperation with law enforcement bureaus.

V Other

1. Takeover defense measures

Takeover defense measures	None
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Supplementary Explanation of Applicable Matters

We believe that boosting our market capitalization through the growth of our business performance is the most effective means of defending ourselves against hostile takeovers. As such, we do not plan to introduce specific defense measures at this time.

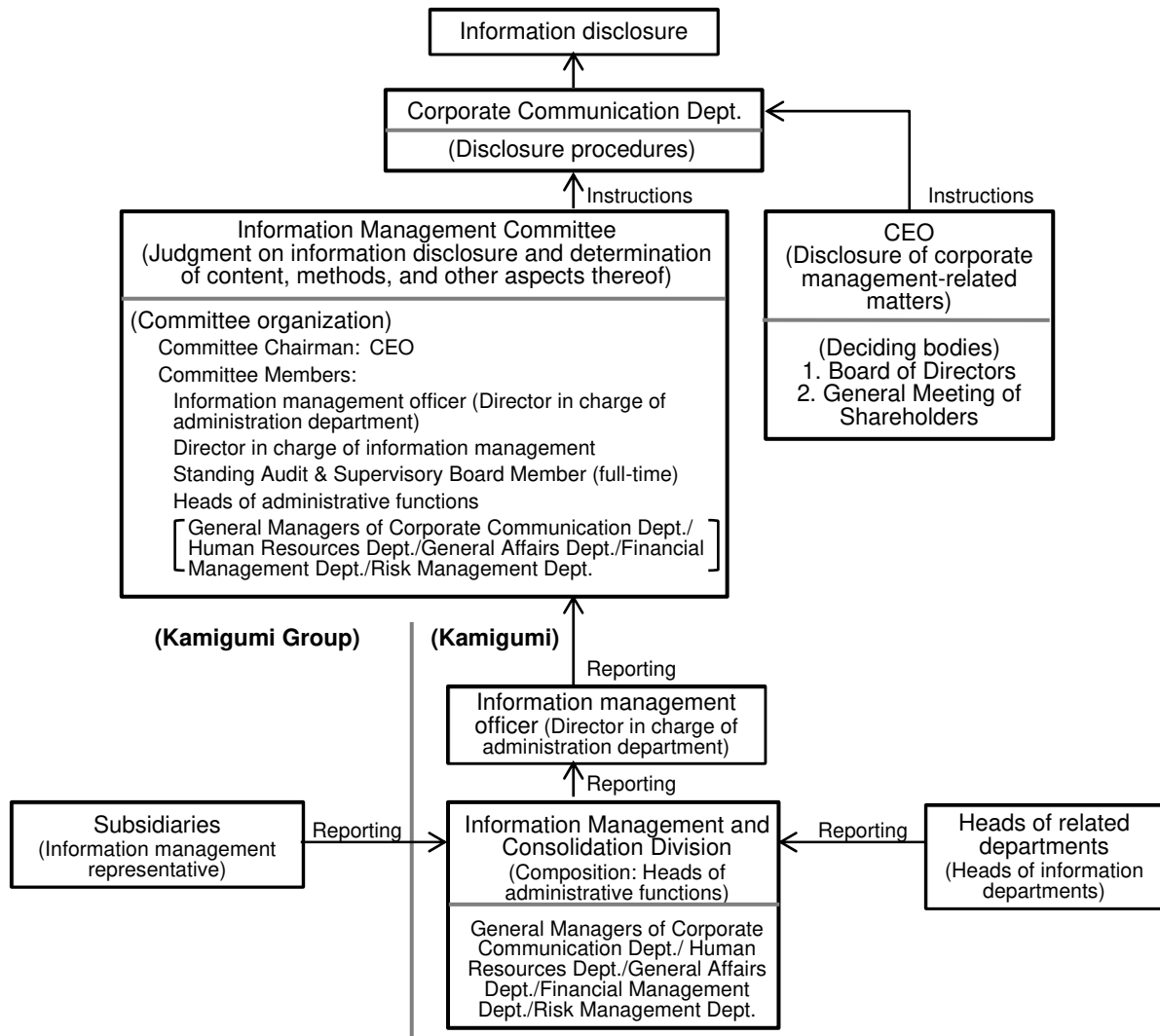
2. Other matters related to corporate governance structure, etc. **UPDATED**

- Overview of timely disclosure structure

In addition to establishing a reporting framework for important management-related information within the Kamigumi Group, we have established an Information Management Committee, with the CEO serving as chairman. We seek to disclose company information in a timely and appropriate manner in compliance with various regulations.

A schematic diagram of this structure is attached to this Report.

Internal Structures Pertaining to Timely Disclosure of Company Information



(Notes)

1. Financial results and other financial information are reported by the Information Management Officer (Director in charge of administration department) to the Information Management Committee via the General Manager of the Financial Management Department within the Information Management and Consolidation Division.
2. Management-related information, including facts other than financial results and other financial information, is reported by the Information Management Officer (Director in charge of administration department) to the Information Management Committee via the heads of the various related administrative functions (General Managers of Corporate Communication Department/Human Resources Department/General Affairs Department/Financial Management Department/Risk Management Department).

Organizational Diagram for Internal Control System

