

Corporate Governance Report

Last Update: December 15, 2023

EXEO Group, Inc.

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Securities Code: 1951

[http:// www.exeo.co.jp/](http://www.exeo.co.jp/)

The corporate governance of EXEO Group, Inc.(the “Company”) is described below.

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

1. Basic Views

The Company and its subsidiaries (the “Group”) aim to maintain the full trust of shareholders and all other stakeholders by operating with integrity and a high standard of transparency. To this end, we recognize that establishing and maintaining an organizational structure and management systems through which corporate governance can effectively function is an important management issue. Moreover, it is our basic policy to make ongoing improvements to strengthen corporate governance mechanisms that are suitably tailored to the Group’s circumstances, including the assessment of structures for monitoring management in light of changes in social conditions, laws and other developments.

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

The Company has implemented all principles of Japan's Corporate Governance Code (June 11, 2021 revision).

[Disclosure Based on the Principles of the Corporate Governance Code]

Update

[Principle 1.4: Cross-Shareholdings]

With respect to regular stocks listed on domestic or foreign stock exchanges which are held for reasons other than pure investment purposes, the Company reassesses the benefits of holding each individual stock every year, quantitatively verifying dividend income and related returns and also conducting a careful qualitative examination as to whether the shareholding contributes to improvement in the Company's corporate value. The Company will continue to hold stocks if verification results show that holding them is beneficial and seek to reap the benefits from holding them. However, if the benefits of holding shares have diminished, the Company will seek improvement in the situation for a time but will consider selling the stocks if there is no prospect of improvement. The benefits of shareholdings are reassessed through verification of each individual stock by the Board of Directors and the Management Council.

Regarding the exercise of voting rights associated with cross-shareholdings, the Company votes in favor of proposals which will enhance corporate value and votes against proposals judged detrimental to corporate value.

Misconduct, compliance breaches and activities which pose a serious problem to ESG initiatives are deemed detrimental to corporate value. The Company judges whether to vote in favor or against proposals based on a careful case-by-case examination of such activities and each proposal.

[Principle 1.7: Related Party Transactions]

The Company categorizes competitive transactions and conflict-of-interest transactions between Directors and the Company as matters to be approved by the Board of Directors and checks and manages competitive transactions, conflict-of-interest transactions, related party transactions and important concurrent positions in other companies or organizations every period.

[Supplementary Principle 2.4.1]

The Company states its views on the achievement of diversity in the Diversity & Inclusion Declaration. The Company is committed to assigning active roles to diverse human capital, including women, those who joined the Company as mid-career employees, and non-Japanese.

Goals and the status of goal achievement as well as information about the Company's diversity promotion policy, details about its specific initiatives, and the status of promotion of diversity are available at its website. https://www.exeo.co.jp/en/company/sustainability/#csr_diversity

The Company's human capital development policy and internal environment development policy set out themes for initiatives that include the development of a corporate culture and workstyle reforms, the creation of opportunities for diverse human resources to participate actively, and support for such human capital. The status of progress in initiatives under each theme is also disclosed on the Company's website.

In the global business (including overseas subsidiaries), the ratio of non-Japanese managers is around 80%. In addition, the ratio of those who joined the Company as mid-career employees among all managers is higher than 30%. The Company will continue to assign and recruit human capital who can respond flexibly to environmental change on an as-needed basis, aiming to maintain the same ratios.

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

The Retirement Pension Asset Management Committee composed of the General Manager of the Corporate Planning Division, the General Manager of the Accounts & Finance Division, the General Manager of the Human Resources Department, trade union officials as representatives of beneficiaries and others determines the policy for management of pension assets and conducts regular monitoring to ensure reasonable management of pension assets.

Regarding operation of the corporate pension plan, the organization in charge has human resources with the necessary experience and qualifications and also provides training, and the Company comprehensively evaluates and monitors the pension operator, taking factors such as performance and investment policy into consideration.

[Principle 3.1: Full Disclosure]

I) The Company conducts business operations in line with its corporate philosophy "Cultivating Technological Capabilities, Seeking Affluence and Contributing to Society" and with integrity and transparency as its basic code of conduct for management.

In addition, the Company has also established the Group Purpose, which clearly states the significance of the Group's existence in society as, "Bring the benefits of connectivity to all".

In May 2021, the Company announced its 2030 Vision and Medium-term Management Plan, which indicate the direction of its business operations based on its corporate philosophy and Group Purpose.

In line with its 2030 Vision "Engineering for Fusion - Engineering connecting everything in society to the future," the Group will practice ESG management and help solve social issues through innovation and engineering, aiming to be a corporate group that is needed in Japan and around the world.

Please refer to the Company's website (Management Policy section on the Investor Relations page) for details of the 2030 Vision and FY2025 results targets and other details under the Medium-term Management Plan.

II) The Group aims to maintain the full trust of shareholders and all other stakeholders by operating with integrity and a high standard of transparency. To this end, we recognize that establishing and maintaining an organizational structure and management systems through which corporate governance can effectively function is an important management issue. Moreover, it is our basic policy to make ongoing improvements to strengthen corporate governance mechanisms that are suitably tailored to the Group's circumstances, including the assessment of structures for monitoring management in light of changes in social conditions, laws and other developments.

III) "Board policies and procedures in determining the remuneration of the senior management and directors" are as stated in "II. Business Management Organization and Other Corporate Governance Systems regarding

Decision Making, Execution of Business, and Oversight [Remuneration for Directors/Executive Officers] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

IV) The Company adopts the following method for the nomination of director candidates. After deliberation by the Nomination Committee, which is an internal organ of the Board of Directors, the Representative Director recommends individuals of outstanding character and insight who possess high ethical standards, the power to implement reforms, leadership and other qualities, and the Board of Directors deliberates the suitability of the candidates, makes an informal decision and refers the matter to the General Meeting of Shareholders.

The Board of Directors determines the appointment and dismissal of Representative Directors and Directors with special titles.

When a Director needs to be dismissed, the Board of Directors puts a proposal for the dismissal of such Director before the General Meeting of Shareholders.

The Company adopts the following method for the nomination of Audit & Supervisory Board Member candidates. The Representative Director recommends individuals with the deep insight needed to fulfil the role of Audit & Supervisory Board Member, including experience of corporate management and specialist knowledge about finance and accounting and, obtains the consent of the Audit & Supervisory Board before referring the matter to the General Meeting of Shareholders.

V) The Company discloses the reasons for nominating Director and Audit & Supervisory Board Member

[Supplementary Principle 3.1.3]

[Sustainability initiatives]

Information about the Company's sustainability initiatives is available at its website.

https://www.exeo.co.jp/en/company/sustainability/#Integrated_report

[Initiatives on human capital and intellectual properties]

The Company is working on developing and reinforcing its human resources, the most important management resource of a company. In July 2021, the Company established the Human Resources Development Division and has since been proceeding with human resources deployments and development planning across the entire Group with consciousness of total optimization.

The Company has also been proactive in making inventions that contribute to safety and efficiency improvement and has considerable achievements in this respect. At the same time, the Company has enhanced initiatives in intellectual properties, including employee training on the importance of such properties.

The Company discloses information about some of its intellectual properties and contents of its human resources strategy in the Medium-Term Management Plan.

<https://www.exeo.co.jp/en/ir/keiei.html>

[Risks and revenue opportunities related to climate change]

In December 2021, the Company expressed its support for the TCFD and joined the TCFD Consortium. In April 2022, the Company established the Sustainability Committee as an advisory body to the Management Council and the Sustainability Promotion Office as an organization dedicated to sustainability. The Company will further enhance these initiatives to solve social issues, including environmental and climate change problems, and proactively disclose information about risks and opportunities in line with the TCFD framework.

[Supplementary Principle 4.1.1]

The Company's Board of Directors mainly makes decisions on the execution of important business provided for in laws and regulations and the Rules of the Board of Directors and oversees Directors' execution of duties. The Responsibility Rules and other regulations clearly stipulate the scope of delegation to senior management.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

The Company strives to secure independent officers in accordance with Article 436-2 and Article 445-4 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. (TSE) and the independence criteria ("Listing Guidelines") of the TSE.

The reasons for appointment of each independent officer are as stated in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight" below.

[Supplementary Principle 4.10.1]

The Company has set up the Nomination Committee and the Compensation Committee, each consisting of Directors including Independent Directors elected by the Board of Directors, thus raising common understanding of criteria for the evaluation and compensation of each Director, etc. in its efforts to improve the oversight function.

Independent Directors constitute the majority of each committee.

(Succession planning)

The Company recruits and invites management human resources from outside the Group as well as internally. From among them, the Representative Director selects a person who can contribute to the sustainable development of the Company with deep understanding of the Group's philosophy and management vision, as well as a high sense of ethics and leadership, as their successor. The decision is made through deliberations by the Nomination Committee and the Board of Directors.

[Supplementary Principle 4.11.1]

The Company seeks to energize the Board of Directors and improve governance by ensuring balance and diversity in the composition of Directors in terms of career history, field of expertise and suchlike.

The Company believes that the number of Directors on the Board allows it to respond quickly and accurately to a dramatically changing environment and it has sought to speed up decision-making still further through the adoption of an Executive Officer system.

Skill matrix of the Directors and reasons for their appointment are described in the Convocation Notice of the General Meeting of Shareholders.

The Company's policy and procedure for the appointment of Directors are as stated in "Principle 3-1 (IV)" above.

[Supplementary Principle 4.11.2]

The extent of concurrent positions held by Directors and Audit & Supervisory Board Members is reasonable, allowing them to fulfil the roles and responsibilities expected of them.

The Company annually discloses important concurrent positions held by Directors and Audit & Supervisory Board Members and the main activities of Outside Officers in the Convocation Notice of the General Meeting of Shareholders.

[Supplementary Principle 4.11.3]

To enhance the function of the Board of Directors and corporate value, the Company evaluates the effectiveness of its Board of Directors based on the results of questionnaire surveys among all Directors and Audit & Supervisory Board Members, which are collected and analyzed by an external organization to ensure objectivity and discussed at meetings of the Board of Directors. It has been confirmed that the Company's Board of Directors has adequate scale and composition and is appropriately operated to ensure proper decision-making on important management agenda and supervision of business execution. As part of its efforts to strengthen governance, the Company strives to increase the ratio of female officers. In June 2023, the Company increased the number of female Independent Outside Directors by one. The number of female Independent Outside Directors has become two, and the number of female Independent Outside Audit & Supervisory Board Members is two. The Company has four female officers, who account for 24% of total officers.

The Company also continued to take measures such as distributing materials for meetings of the Board of Directors earlier, enhancing preliminary explanations for Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, and having Independent Outside Directors conduct onsite inspections. The Vector Meeting, which is designed to discuss divisions' business strategies in early stages and to align their directions, discussed 19 topics in fiscal 2022. The Sustainability Committee thoroughly discusses initiatives to improve sustainability, including initiatives related to ESG and the SDGs, and reports to the Board of Directors regularly. In discussions at meetings of the Board of Directors, Outside Officers actively make appropriate comments based on sufficient knowledge from an independent perspective and the Company recognizes that the benefits they bring in strengthening the effectiveness of the Board of Directors are surely becoming evident.

Going forward, based on these results of board evaluation and opinions, the Company's Board of Directors will fully consider measures for improving its effectiveness and continue to implement initiatives for enhancing its functions.

[Supplementary Principle 4.14.2]

Directors and Audit & Supervisory Board Members strive to improve their knowledge and skills independently and also take part in outside training and receive officer training on an ongoing basis.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

The Company's Corporate Communication Unit, Corporate Planning Division is in charge of investor relations, with full-time staff dedicated to dialogue with shareholders. The Company attaches importance to communication with shareholders and investors and adopts a basic policy of working to increase understanding about the Group, striving to be fairly evaluated and trusted through open general meetings of shareholders and proactive IR activities to facilitate understanding.

[Supplementary Principle 5.1.2]

I) The Company has three full-time staff members in charge of IR in its Corporate Communication Unit, Corporate Planning Division and the officer in charge of corporate planning is designated as the officer in charge of IR.

II) The staff in charge of IR attend important meetings and exchange opinions with relevant business units as appropriate to gather the information they need to engage in constructive dialogue on matters such as business performance, the progress of various measures, and operating strategies for the future.

III) Twice a year, the Company holds financial results briefings for institutional investors and securities analysts at which the Representative Director explains the business results and other matters. The Company also holds business briefings and field briefings to increase understanding about the Company's business activities and its technological and field capabilities.

IV) The Company gathers questions and opinions about dialogue as appropriate and provides direct feedback to senior management, which is then utilized mainly in reviews of the Company's management.

V) The Company has established a Guideline on Prevention of Insider Trading and Basic Guidelines for IR Activities to ensure management of insider information.

[Action to implement management that is conscious of cost of capital and stock price]

The Company aims to achieve an ROE of 9.0% in FY2025 under the Medium-Term Management Plan (2021-2025). The Company places emphasis on cost of capital in management. Initiatives emphasizing cost of capital and the stock price are disclosed in presentation materials.

<https://www.exeo.co.jp/en/ir/ir.html>

[Status of Dialogue with Shareholders]

The status of dialogue with shareholders is disclosed in integrated reports.

<https://www.exeo.co.jp/en/ir/ir.html>

2. Capital Structure

| | |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 20% to less than 30% |
|----------------------------|---------------------------|

[Status of Major Shareholders] [Update](#)

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|---|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 16,524,300 | 15.61 |
| Custody Bank of Japan, Ltd. (Trust Account) | 8,834,400 | 8.35 |
| ESOP Association of EXEO Group, Inc. | 4,778,111 | 4.51 |
| NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTERS INTERNATIONAL VALUE EQUITY TRUST | 4,461,500 | 4.22 |
| SUMITOMO LIFE INSURANCE COMPANY | 2,296,980 | 2.17 |
| Sumitomo Realty & Development Co., Ltd. | 2,081,600 | 1.97 |
| NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS | 1,950,500 | 1.84 |

| | | |
|--|-----------|------|
| Custody Bank of Japan, Ltd. (Mitsui Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account) | 1,834,000 | 1.73 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 1,590,090 | 1.50 |
| NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT | 1,536,600 | 1.45 |

| | |
|---|------|
| Controlling Shareholder (except for Parent Company) | - |
| Parent Company | None |

Supplementary Explanation

[Update](#)

1. Status of Major Shareholders above is as of September 30, 2023.
2. The Company holds 3,969,000 shares of treasury stock, which are not included in the table above.
3. The large shareholding report (change report) made available for public inspection on August 16, 2023 reports that Silchester International Investors LLP held the following shares. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of this party as of September 30, 2023, and therefore, the following is not taken into consideration in the above status of major shareholders.

(Name/number of shares owned/ownership percentage)

Silchester International Investors LLP/9,066,000/8.26%

4. The large shareholding report (change report) made available for public inspection on October 6, 2023 reports that Mizuho Bank, Ltd. held the following shares. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of this party as of September 30, 2023, and therefore, the following is not taken into consideration in the above status of major shareholders.

(Name/number of shares owned/ownership percentage)

Mizuho Bank, Ltd./899,000/0.82%

Mizuho Securities Co., Ltd./198,000/0.18%

Asset Management One Co., Ltd./3,366,000/3.07%

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Market and Market Section | Tokyo Stock Exchange, Prime Market |
| Fiscal Year-End | March |
| Type of Business | Construction |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | More than 1000 |
| Sales (consolidated) as of the End of the Previous Fiscal Year | From ¥100 billion to less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 100 to less than 300 |

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

| | |
|-------------------|---|
| Organization Form | Company with an Audit & Supervisory Board |
|-------------------|---|

[Directors]

| | |
|---|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 15 |
| Term of Office Stipulated in Articles of Incorporation | 2 years |
| Chairperson of the Board | President |
| Number of Directors | 12 |
| Appointment of Outside Directors | Appointed |
| Number of Outside Directors | 5 |
| Number of Independent Directors | 5 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|--------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Yasushi Kohara | From another company | | | | | | | | | | | |
| Naoko Iwasaki | Academic | | | | | | | | | | | |
| Tatsushi Mochizuki | Other | | | | | | | | | | | |
| Keiji Yoshida | From another company | | | | | | | | | | | |
| Tomoko Aramaki | CPA | | | | | | | | | | | |

* Categories for "Relationship with the Company"

- * "○" 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;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/ Audit & Supervisory Board Member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|----------------|-------------------------------------|--|---|
| Yasushi Kohara | ○ | <p>(Corporations or other organizations at which the director was an executive)</p> <p>Toyota Motor Corporation Toyota Tokyo Corolla Co., Ltd. (currently TOYOTA Mobility Tokyo Inc.) Osaka Toyota Motor Co., Ltd.</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Kohara has no special interest which will affect the Company's decision-making.</p> | <p>Mr. Kohara has abundant experience and insights in corporate management through his posts at the Toyota Group, and has provided appropriate advice and suggestions in important management decisions of the Company, appropriately fulfilling his role as Outside Director. The Company expects he will continue to contribute to strengthening the oversight function of the Board of Directors and provide advice from a broad managerial perspective and therefore reappointed him as an Outside Director.</p> <p>The Company also nominated Mr. Kohara as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p> |
| Naoko Iwasaki | ○ | <p>(Corporations or other organizations at which the director was an executive)</p> <p>Nanyang Technological University, Singapore (present position) Ministry of Internal Affairs and Communications (present position) Chair of APEC Smart Silver Innovation Committee (present position) Cabinet Office (Present position)</p> <p>Waseda University International Academy of CIO Japan (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Ms. Iwasaki has no</p> | <p>Ms. Iwasaki is an international first-line researcher and expert on utilization of ICT in areas such as international relations, national and local government administration, disaster response, and BCP, aging of society, and the promotion of active roles for women, and has provided appropriate advice and suggestions in important managerial decisions on the Company, appropriately fulfilling her role as an Outside Director. The Company expects she will continue to contribute to strengthening the oversight function of the Board of Directors and provide appropriate advice from a broad managerial perspective and therefore reappointed her as Outside Director.</p> <p>The Company also nominated Ms. Iwasaki as an Independent Officer as she does not meet the criteria for judging that a conflict of interest with common shareholders might</p> |

| | | | |
|--------------------|---|---|---|
| | | special interest which will affect the Company's decision-making. | arise, as set out in the TSE's Listing Guidelines. |
| Tatsushi Mochizuki | ○ | <p>(Corporations or other organizations at which the director was an executive)</p> <p>Ministry of Internal Affairs and Communications Cabinet Office Mie Prefecture Japan Agency for Local Authority Information Systems Institute of Scientific Approaches for Fire & Disaster National Association Chairpersons of Town and Village Assemblies</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Mochizuki has no special interest which will affect the Company's decision-making.</p> | <p>Mr. Mochizuki has been involved in key positions such as central government ministries and local governments for many years. Having insights accumulated through his career, he has provided appropriate advice and suggestions in important management decisions of the Company, appropriately fulfilling his role as Outside Director. The Company expects he will continue to contribute to strengthening the oversight function of the Board of Directors and provide appropriate advice from a broad managerial perspective and therefore reappointed him as Outside Director.</p> <p>The Company also nominated Mr. Mochizuki as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p> |
| Keiji Yoshida | ○ | <p>(Corporations or other organizations at which the director was an executive)</p> <p>JFE Engineering Corporation Japan Water Steel Pipe Association</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Yoshida has no special interest which will affect the Company's decision-making.</p> | <p>Mr. Yoshida has abundant experience and insights in corporate management through his posts as an officer at JFE Engineering Corporation, etc., and has provided appropriate advice and suggestions in important management decisions of the Company, appropriately fulfilling his role as Outside Director. The Company expects he will continue to contribute to strengthening the oversight function of the Board of Directors and provide appropriate advice from a broad managerial perspective and therefore reappointed him as Outside Director.</p> <p>The Company also nominated Mr. Yoshida as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p> |
| Tomoko Aramaki | ○ | <p>(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive)</p> | <p>Ms. Aramaki has abundant experience and expertise in finance and accounting as a certified public accountant and tax accountant and has served as a director and an auditor at listed companies other</p> |

| | | |
|--|--|---|
| | <p>Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>Ministry of International Trade and Industry</p> <p>IBM Japan, Ltd.</p> <p>Aramaki CPA Office (present position)</p> <p>PARIS MIKI HOLDINGS, Inc. Conference Committee on Asset Management by Japan Pension Service</p> <p>Member of Outside Expert Committee, Organization for Postal Savings, Postal Life Insurance and Post Office Network (present position)</p> <p>Ministry of Internal Affairs and Communications (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Ms. Aramaki has no special interest which will affect the Company's decision-making.</p> | <p>than the Company. The Company has appointed Ms.Aramaki as an Outside Director, expecting her to contribute to strengthening the oversight function in corporate management and provide appropriate advice and recommendations when the Company makes important management decisions.</p> |
|--|--|---|

| | |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

Committee's Name, Composition, and Attributes of Chairperson [Update](#)

| | Committee Corresponding to Nomination Committee | Committee Corresponding to Compensation Committee |
|-----------------------|---|---|
| Committee's Name | Nomination Committee | Compensation Committee |
| All Committee Members | 5 | 5 |
| Full-time Members | 0 | 0 |
| Inside Directors | 2 | 2 |
| Outside Directors | 3 | 3 |
| Outside Experts | 0 | 0 |
| Other | 0 | 0 |
| Chairperson | Outside Directors | Outside Directors |

The Company set up the Nomination Committee and the Compensation Committee as the Board of Directors' internal committees to further enhance its corporate governance. The Nomination Committee discusses the nomination and dismissal of candidates for Directors, and the Compensation Committee discusses the compensation and bonuses for Directors and other matters. These committees report to the Board of Directors. The information in "Committee's Name, Composition, and Attributes of Chairperson" above reflects the situation in FY2023. The composition of the committees in FY2023 is as follows.

Nomination Committee

(Chairperson) Tatsushi Mochizuki, Outside Director

(Members) Directors Kouichi Mino, and Shigeki Hayashi and Outside Directors Yasushi Kohara, Naoko Iwasaki

Compensation Committee

(Chairperson) Yasushi Kohara, Outside Director

(Members) Directors Noriyuki Watabe, and Yuichi Koyama, and Outside Directors Keiji Yoshida, and Tomoko Aramaki

[Audit & Supervisory Board Members]

| | |
|---|-------------|
| Establishment of Audit & Supervisory Board | Established |
| Maximum Number of Audit & Supervisory Board members Stipulated in Articles of Incorporation | 5 |
| Number of Audit & Supervisory Board members | 5 |

Cooperation among Audit & Supervisory Board members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members strive for effective cooperation in order to form a fair audit opinion, cooperating with the accounting auditor through the exchange of opinions at the time of formulation of the fiscal year plan for accounting audits and regular meetings such as report meetings about quarterly and fiscal year audits, and cooperating with internal audit business units through the exchange of opinions at the time of formulation of the fiscal year plan for internal audits and regular meetings such as report meetings on business audits.

| | |
|--|-----------|
| Appointment of Outside Audit & Supervisory Board Members | Appointed |
| Number of Outside Audit & Supervisory Board Members | 3 |
| Number of Independent Audit & Supervisory Board Members | 3 |

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

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|-------------------|-----------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Shinnosuke Yamada | CPA | | | | | | | | | | | | | |
| Kimiko Takahashi | Lawyer | | | | | | | | | | | | | |
| Eiko Osawa | CPA | | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* "O" when the director presently falls or has recently fallen under the category;

"Δ" 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;
“▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

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

| Name | Designation as Independent Audit & Supervisory Board Members | Supplementary Explanation of the Relationship | Reasons of Appointment |
|-------------------|--|---|---|
| Shinnosuke Yamada | ○ | <p>(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive) Asahi & Co. (currently KPMG AZSA & Co.) KPMG AZSA & Co. The Japanese Institute of Certified Public Accountants Shinnosuke Yamada CPA Office (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Yamada has no special interest which will affect the Company's decision-making.</p> | <p>Mr. Yamada has abundant experience and expertise in finance and accounting as a Certified Public Accountant, and the Company believes that he will appropriately perform his duties as Audit & Supervisory Board Member. The Company therefore appointed him as an Outside Audit & Supervisory Board Member.</p> <p>The Company also nominated Mr. Yamada as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p> |
| Kimiko Takahashi | ○ | <p>(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive)</p> | <p>Ms. Takahashi has abundant experience and expertise in finance and accounting as a Certified Public Accountant and attorney-at-law, and</p> |

| | | | |
|------------|---|--|--|
| | | <p>KPMG Minato Audit Firm (currently KPMG AZSA & Co.) Mitsui Company Kimiko Takahashi Law Firm (present position) The Japanese Institute of Certified Public Accountants</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Ms. Takahashi has no special interest which will affect the Company's decision-making.</p> | <p>the Company believes that she will appropriately perform her duties as Audit & Supervisory Board Member. The Company therefore appointed her as an Outside Audit & Supervisory Board Member. The Company also nominated Ms. Takahashi as an Independent Officer as she does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p> |
| Eiko Osawa | ○ | <p>(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive)</p> <p>Asahi Shinwa & Co. (currently KPMG AZSA & Co.) Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Osawa CPA Office (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Ms. Osawa has no special interest which will affect the Company's decision-making.</p> | <p>Ms. Osawa has worked at a major auditing firm and has abundant global experience and expertise in finance and accounting as a Certified Public Accountant, and the Company believes that she will appropriately perform her duties as Audit & Supervisory Board Member. The Company therefore appointed her as an Outside Audit & Supervisory Board Member.</p> |

[Independent Directors/ Auditors]

| | |
|--|---|
| Number of Independent Directors/Auditors | 8 |
|--|---|

| |
|---|
| Matters relating to Independent Directors/ Auditors |
|---|

| |
|--|
| The Company has designated all outside officers who fulfill the requirements for independent officers as independent officers. |
|--|

[Incentives]

| | |
|----------------------------------|-------|
| Incentive Policies for Directors | Other |
|----------------------------------|-------|

Supplementary Explanation

At the 65th Ordinary General Meeting of Shareholders held on June 21, 2019, it was resolved to introduce a system of remuneration for granting restricted shares to Directors in order to provide them an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and eligible Directors, in place of stock options.

It was approved that the annual amount of remuneration for performance-linked restricted stock shall not exceed ¥50 million and the annual amount of remuneration for continuous service-linked restricted stock shall not exceed ¥50 million.

Recipients of Stock Options

Supplementary Explanation

-

[Director Remuneration]

| | |
|--|--------------------------|
| Disclosure of Individual Directors' Remuneration | No Individual Disclosure |
|--|--------------------------|

Supplementary Explanation

The Amount of Remuneration and Related Payments to Directors and Audit & Supervisory Board Members in FY2021

| Officer Classification | Total amount of remuneration, etc. (¥ Millions) | Total amount by type of remuneration, etc. (¥ Millions) | | | Number of eligible officers (persons) |
|---|---|---|-------|---|---------------------------------------|
| | | Monetary remuneration | | Non-monetary | |
| | | Base compensation | Bonus | Long-term incentives (Restricted stock) | |
| Directors (excluding Outside Directors) | 212 | 106 | 71 | 35 | 9 |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | 40 | 40 | - | - | 3 |
| Outside Directors | 48 | 48 | - | - | 4 |
| Outside Audit & Supervisory Board Members | 28 | 28 | - | - | 3 |

(Note) 1. The above figures include two directors and one Audit & Supervisory Board Member who retired at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 24, 2022.
 2. The above figures do not include four directors who receive no remuneration.
 3. No new stock options were granted in the current fiscal year.

| | |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

■ Basic policy

The Company's basic policy concerning decision-making about compensation for directors and its calculation is as follows:

- To effectively incentivize the directors to contribute to increasing corporate value in the long term
- To maintain a compensation level for securing and maintaining outstanding talent
- To employ a transparent and fair decision-making process

■ How to determine compensation and a calculation method

The specific policy concerning the decision-making about compensation for directors and its calculation is deliberated by the Compensation Committee, which is comprised of Directors including Independent Outside Directors selected by the Board of Directors and chaired by an Independent Outside Director, and then determined by resolution of the Board of Directors.

■ Structure of Compensation

Compensation for Directors (excluding Outside Directors) consists of base compensation, bonuses, and restricted shares. The constituents shall account for about the following percentages. (Compensation for the Director who is also an employee includes a salary and bonuses for them as an employee.)

| Fixed compensation (Base compensation) | Performance-linked compensation (Bonuses) | Long-term incentives (Restricted stock) |
|---|---|--|
| 60% | 30% | 10% |

■ Base compensation

The base compensation is a fixed amount set for each position appropriately considering business environment and industry standards.

■ Performance-linked compensation, etc.

As performance-linked compensation, etc., bonuses are paid to Directors (excluding Outside Directors). The bonuses are basically linked to the fiscal year's performance and determined by comprehensively taking into account the business environment and other elements. The Company uses consolidated net sales, operating income and consolidated net income as indicators for calculating bonuses, aiming to make Directors aware of their responsibility for overall consolidated results as management team members. The Company calculates bonuses by multiplying base compensation by a number that reflects the degree to which business targets have been achieved, together with a qualitative assessment.

■ Long-term incentives

The Company delivers restricted shares as long-term incentives to Directors (excluding Outside Directors). Restricted shares are composed of performance-linked restricted shares and continuous service-linked restricted stock.

| Type | Performance-linked indicator | Overview and reason for selection of indicator |
|--|-------------------------------|---|
| Performance-linked restricted stock | Consolidated operating income | Performance-linked restricted stock are basically linked to the degree of achievement of medium-to-long term consolidated income performance targets and are allotted to Directors according to position to give them medium to long-term incentives towards achieving sustainable growth of corporate value and to have them share the same value with our shareholders. The consolidated performance indicator is consolidated operating income, which is directly linked to the achievement of targeted performance and common value shared with our shareholders. |
| Continuous service-linked restricted stock | — | The lifting of the restriction is conditional upon Directors remaining in the position of Director or other certain positions of the Company continuously for a given period. |

■ Compensation for Outside Directors and Audit & Supervisory Board Members

Outside Directors and Audit & Supervisory Board Members are independent from the Company's business execution, and thus compensation for them consists solely of base compensation.

[Supporting System for Outside Directors and/or Auditors]

The Company strives to cooperate effectively with Outside Directors and Outside Audit & Supervisory Board Members through the provision of various materials and explanations by relevant business units to enable appropriate decision-making and the formation of opinions.

[Retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.)]

| Information on retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.) Update | | | | | |
|---|------------------------|-------------------------------------|--|--|-------------------------|
| Name | Job title/ position | Responsibilities | Employment terms (Full/part time, with/without compensation, etc.) | Date when former role as president/ CEO ended | Term |
| Fuminori Kozono | Counselor | Business federation activities, CSR | [Form of employment] Part-time [Remuneration] Yes | June 21, 2019 | November 2024 |
| Osamu Murakami | Honorary advisor | Business federation activities, CSR | [Form of employment] Part-time [Remuneration] No | June 27, 1997 | No fixed term of office |
| Shunji Kaibuchi | Honorary advisor | Business federation activities, CSR | [Form of employment] Part-time [Remuneration] No | June 27, 2003 | No fixed term of office |
| Seiji Takashima | Honorary advisor | Business federation activities, CSR | [Form of employment] Part-time [Remuneration] No | June 23, 2008 | No fixed term of office |
| Kunio Ishikawa | Honorary advisor | Business federation activities, CSR | [Form of employment] Part-time [Remuneration] Yes | June 21, 2013 | No fixed term of office |

| | |
|---|---|
| Number of retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.) | 5 |
|---|---|

Others

1. Counselors and honorary advisors are appointed by resolution of the Board of Directors.
2. Counselors and honorary advisors have no involvement whatsoever in the execution or oversight of the Company's business.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Update](#)

The Company is a company with an Audit & Supervisory Board. In the governance framework, the Company has adopted an operating officers system to separate the management decision-making and supervisory function and business execution function to achieve prompt and appropriate decision-making and business execution, while further strengthening our corporate governance. After the conclusion of the ordinary general meeting of shareholders in June 2023, the Company has twelve Directors (including five Outside Directors), five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members), and thirty-one operating officers. All Outside Directors and Outside Audit & Supervisory Board Members are independent officers who are independent of management and in a neutral position.

The Board of Directors chaired by the President & CEO makes decisions on important matters and supervises business execution, while operating officers execute operations based on the Board of Directors' decisions. Furthermore, the Company discusses important business execution matters at a Management Council.

In the fiscal year under review, 14 Board of Directors meetings and 14 Audit & Supervisory Board meetings were held. At the end of the fiscal year under review, the Outside Directors had an attendance rate of 100% and the Outside Audit & Supervisory Board Members had an attendance rate of 97%. To enable Outside Officers to contribute to fruitful discussions at meetings of the Board of Directors, the Company distributes

Board meeting materials to them at an early stage and explains the backgrounds to and purposes and details of agenda items of Board of Directors meetings.

In addition, the Company set up the Nomination Committee and the Compensation Committee as the Board of Directors' internal committees to further enhance its corporate governance. The Nomination Committee discusses matters such as the nomination of Director candidates and the dismissal of Directors. The Compensation Committee discusses the compensation and bonuses for Directors and other matters. These committees report to the Board of Directors.

The Company has developed a system to achieve compliance with laws and regulations, operational effectiveness and efficiency, and the reliability of financial reporting under its basic policy on the internal control system and has established the Internal Control Committee (chaired by the President & CEO), which monitors and evaluates the overall operation of the internal control system.

Under the Internal Control Committee, the Company has the related committees below.

- Compliance Committee
- Business Risk Management Committee
- Information Security Committee

The Company has a dual reporting system for internal auditing. The Internal Audit Department cooperates with the internal audit business units of Group companies to conduct audits to ensure proper operations at the Company and its subsidiaries. They also audit the development and operation of internal control systems, including those for financial reporting. The Internal Audit Department reports the results of internal audits directly to the Company's Management Council, Board of Directors, and Compliance Committee.

In their audits, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, ask Directors and others about their execution of duties and audit business operations and property at major business sites and subsidiaries.

The status of accounting audits for the Year Ended March 31, 2023 is as follows.

a. Name of the audit corporation

Grant Thornton Taiyo LLC

b. Continuous audit period

2 years

c. Certified public accountants who carry out the audit

Designated limited liability partner, managing partner, certified public accountant Tatsuya Arai

Designated limited liability partner, managing partner, certified public accountant Takeshi Iwasaki

Designated limited liability partner, managing partner, certified public accountant Daishi Nishimura

d. Composition of assistants for audit work

Seventeen certified public accountants

Twenty-seven other assistants

3. Reasons for Adoption of Current Corporate Governance System

The Company opted to be a company with an Audit & Supervisory Board. The Company adopted such a system judging that it can ensure appropriate corporate governance under a system where Audit & Supervisory Board Members and the Audit & Supervisory Board attend meetings of the Board of Directors and other important meetings and ask the Board of Directors and others about their execution of duties and conduct audits of business operations and property at major business sites and group companies from a fair and impartial perspective in accordance with an audit policy and audit plan.

The Company believes that the function and role of Outside Directors and Audit & Supervisory Board Members is to oversee and supervise the Company's management from an independent and neutral perspective by making comments in light of their extensive experience and deep insights. The Company also believes that Outside Audit & Supervisory Board Members fulfil a management supervisory function by drawing on objectivity, high levels of expertise and perspectives gained from extensive experience and deep insight in their audits.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

| | Supplementary Explanations |
|--|--|
| Early Notification of General Shareholder Meeting | Starting from the 51st Ordinary General Meeting of Shareholders (June 2005), the Company began dispatching convocation notices for the general meeting of shareholders earlier. |
| Scheduling Annual General Shareholders Meeting Avoiding the Peak Day | Starting from the 50th Ordinary General Meeting of Shareholders (June 2004), the Company began scheduling the ordinary general meeting of shareholders to avoid peak dates. |
| Allowing Electronic Exercise of Voting Rights | The Company introduced electronic voting from the 51st Ordinary General Meeting of Shareholders (June 2005) and shareholders can now exercise their votes through a smartphone, computer or other device that can connect to the Internet. |
| Participation in Electronic Voting Platform and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Their Voting Rights | Starting from the 53rd Ordinary General Meeting of Shareholders (June 2007), the Company participated in the Voting Rights Electronic Exercise Platform operated by ICJ Co., Ltd. to facilitate voting by institutional investors. |
| Providing Convocation Notice in English | The Company publishes an English version of the convocation notice (condensed version) on its website and the TSE's website. |

2. IR Activities

| | Supplementary Explanations | Explanation by Representative |
|---|--|-------------------------------|
| Preparation and Publication of Disclosure Policy | The Company discloses Company information in a timely and appropriate manner and actively engages in IR activities, to increase understanding about the Company among shareholders, investors and other stakeholders, to ensure a fair evaluation, and to build trust. | |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds two briefing sessions a year to explain the financial results for the first two quarters and the full-year financial results. The briefings are held during the one-week period following the financial results announcement and each is attended by dozens of institutional investors and securities analysts. | Yes |
| Regular Investor Briefings for Overseas Investors | The Representative Director visits overseas institutional investors in Europe, North America and other regions every year to explain business trends, results and other important matters. The Company has also been holding meetings online in recent years due to the COVID-19 pandemic. | Yes |
| Posting of IR Materials on Website | The Company posts various IR materials on its website throughout the year, including summaries of consolidated financial results, presentation materials, and monthly orders received, in addition to the "About Us," "Our Business," "Investor Relations" and "Topics" sections. The Company also has an English website for overseas shareholders and investors and posts various materials in English. | |

| | | |
|--|--|--|
| Establishment of Department and/or Manager in Charge of IR | The Company has three full-time members of staff in charge of IR in the Corporate Communication Unit, Corporate Planning Division. | |
| Other | <p>The Company actively conducts meetings with institutional investors and securities analysts in Japan and overseas throughout the year and endeavors to give them an accurate understanding of business trends, business results and other important matters.</p> <p>In addition to the financial results briefings conducted twice a year, the Company creates opportunities for the Representative Director to explain business trends, business results and other important matters to Japanese institutional investors and securities analysts directly.</p> <p>The Company also holds business briefings, onsite tours and briefings for individual investors as necessary.</p> | |

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanations |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | <p>The Group conducts business operations in line with its basic CSR policy and corporate philosophy "Cultivating Technological Capabilities, Seeking Affluence and Contributing to Society" and with integrity and transparency as its basic code of conduct for management.</p> <p>To realize this Group philosophy, the EXEO Group needs to pursue engagement with stakeholders and, whilst identifying issues, work with them to collaboratively create a better society.</p> <p>Further, each one of the Group's officers and employees will execute business activities while acting honestly in ways based on compliance, achieve the management of the Group to ensure the trust of society, and fulfill their social and legal responsibilities. In addition, to achieve the Group's philosophy of Contributing to Society, the Group strives to push forward with compliance in accordance with the EXEO Group Basic Actions Declaration, its code of conduct.</p> |
| Implementation of Environmental Activities, CSR Activities etc. | <p>Coexistence with the global environment is a social responsibility of corporations and is a significant element in creating a sustainable society. The Group solves social issues through its activities in the Telecommunications Carrier Business, Urban Infrastructure Business, and System Solutions Business. The Group also pays careful attention to coordination with the environment in its business activities and endeavors to reduce the environmental impact that inevitably accompanies such activities.</p> <p>Further, the Group pushes forward with its environmental management system (ISO 14001), for which it has maintained certification since May 2000, by engaging in Group-wide environmental protection activities based on a PDCA cycle, in its efforts to reduce environmental impact on an ongoing basis.</p> |
| Development of Policies on Information Provision to Stakeholders | <p>The Company recognizes that information disclosure is an important management issue and that disclosing information in an appropriate manner is essential in order to obtain the understanding of all stakeholders.</p> <p>Accordingly, the Company actively discloses information judged to be important (financial and non-financial) via its website, its integrated report and other means, in addition to disclosures required by law.</p> |
| Other | <p>With the aim of swiftly and flexibly responding to increasingly diverse customer needs, developing business and improving operating results, Team EXEO promotes diversity and inclusion aiming to foster a culture of mutual acceptance of a wide range of values regardless of characteristics such as</p> |

| | |
|--|---|
| | <p>gender, belief, nationality, disability, sexual orientation or gender identity. The Diversity Promotion Office of the Human Resources Development Division plays a central role in taking more effective and systematic initiatives.</p> |
|--|---|

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Group's basic corporate philosophy is "cultivating technological capabilities, seeking affluence and contributing to society," and every Director and employee of the Group will practice corporate management with integrity and transparency to realize this.

The Group's basic policy on systems to ensure that business is conducted appropriately, as resolved by the Company's Board of Directors, is as follows.

(1) System to Ensure that Execution of Duties by Directors and Employees Conform to Laws, Regulations, and the Articles of Incorporation

- The Group considers compliance with laws and regulations, social norms and corporate ethics a management priority and establishes a compliance program as a framework for strengthening compliance, and Directors put the compliance program into practice themselves and also raise awareness about compliance among employees. Employees execute business with integrity in accordance with said program.
- The Company also establishes a whistleblowing system to prevent or quickly resolve any issues related to compliance.
- The Group takes a resolute attitude against antisocial forces and other groups which potentially pose a threat to social order and safety, dealing with them as an organization in cooperation with lawyers, the police and other specialist external organizations.

(2) System Regarding Storage and Management of Information on Directors' Execution of Duties

- Information on Directors' execution of duties is stored and managed appropriately in accordance with the Rules Concerning the Management of Documents and Recordings.
- Persons responsible for managing documents stipulated in said rules promptly submit such information for Audit & Supervisory Board Members to view upon request.

(3) Rules Concerning the Management of Risk of Loss and Other Systems

- The Group has in place a risk management system overseen by the President and seeks to enhance the system in accordance with the Rules Concerning Risk Management.
- Risk management business units assess the identification and evaluation of risks and measures taken to address them by each business unit and seeks to promote risk management.
- Internal audit business units conduct audits from an independent standpoint.

(4) System to Ensure the Efficient Performance of Duties by Directors

- The President sets groupwide targets shared by Directors and employees and seeks to raise awareness about them, and each business unit formulates specific measures they must implement to achieve the targets and obtains the approval of the Board of Directors.
- Directors, including the President, also use all organized gatherings as an opportunity to exchange information and provide instructions and support to facilitate business execution.
- With regard to the performance of duties, internal systems are used to manage the progress of business plans and the Board of Directors conducts regular reviews.

(5) System to Ensure Appropriateness of Operations in the Group Consisting of the Company and Its Subsidiaries

- The Company ensures the reliability and appropriateness of financial reporting by Group entities through the development of system for reporting in an appropriate manner and mechanisms for assessing performance on a regular and ongoing basis in accordance with the Group's basic policy for internal controls over financial reporting.
- Under the Company's Rules on Subsidiaries' Operations, Group entities must report their operating results, financial position and other important management information to the Company and obtain the Company's approval.
- The Company formulates Risk Management Rules for groupwide risk management and manages Group risk in a comprehensive and integrated manner.
- The Company establishes the Group Compliance Risk Control Standard and develops systems, business processes, etc. as the bases that enable each Group company to engage in compliance promotion activities more surely under unified rules which fulfill standards required by society.

- To ensure the efficient performance of duties by the Directors of Group entities, the Company formulates a Group Medium-Term Management Plan and establishes business units to oversee Group business and it also strives to ensure smooth business operations through Group President meetings and other means.
- The Company prepares a Group Compliance Manual to raise compliance awareness among all Directors, Audit & Supervisory Board Members and employees of Group entities.
- The Company seeks to instill compliance awareness by providing compliance training every year for the Directors, Audit & Supervisory Board Members and employees of Group entities.
- The Company's internal audit business units conduct audits of the effectiveness and appropriateness of business at each group entity.

(6) Matters Concerning Employees When an Audit and Supervisory Board Member Requests That Employees Assist with His/Her Duties

- Upon a request from Audit & Supervisory Board Members for the appointment of employees to assist them in their duties, the Company establishes an organization which is independent from business execution and belongs exclusively to Audit & Supervisory Board Members.

(7) Matters Concerning the Independence of the Employees Specified in (6) from Directors, and Matters Intended to Ensure the Effectiveness of Instructions Given to Such Employees

- The Company shall obtain the approval of the Audit & Supervisory Board for any personnel change, personnel evaluation or disciplinary action involving employees who assist Audit & Supervisory Board Members and such employees shall not hold concurrent positions in other business units and shall be subject to the sole command of Audit & Supervisory Board Members.

(8) Systems of Reporting to Audit & Supervisory Board Members by Directors and Employees and Other Systems Regarding Reporting to Audit & Supervisory Board Members

- Directors and employees report to the Audit & Supervisory Board in a timely and appropriate manner in accordance with the Audit & Supervisory Board Reporting Rules.

(9) System for Reporting to the Company's Audit & Supervisory Board Members by Directors, Audit & Supervisory Board Members and employees of Subsidiaries, and People who Have Received Reports from Them

- When a Director, Audit & Supervisory Board Member or an employee of a Group entity is asked to report matters concerning their execution of business by Audit & Supervisory Board Members of the Company, they shall make a report promptly and appropriately.
- The Company's risk management business units hold report meetings to report to the Company's Audit & Supervisory Board Members on a regular basis and report on the current status of compliance, risk management and other matters within the Group.

(10) System for Ensuring That Personnel Who Make a Report Under Paragraph (9) Do Not Receive Unfavorable Treatment Due To Such Report

- The Company prohibits the disadvantageous treatment of Group's Directors, Audit & Supervisory Board Members or employees who make a report to the Company's Audit & Supervisory Board Members on the basis that they made such a report.

(11) Policies concerning the procedure for advance payment or reimbursement of expenses that arise with regard to the execution of duties of an Audit & Supervisory Board Member or any other processing of expenses or obligations that arise with regard to the execution of duties

- When Audit & Supervisory Board Members ask the Company to process expenses or obligations deemed necessary for the performance of their duties, the Company promptly pays such expenses or processes such obligations.

(12) Other Systems for Ensuring the Effective Audit by Corporate Auditors

- The Company guarantees Audit & Supervisory Board Members the opportunity to conduct interviews with Directors and employees and Audit & Supervisory Members also conduct regular meetings with the President and audit corporation to exchange opinions.

2. Basic Views on Eliminating Anti-Social Forces

The Company takes a resolute attitude against antisocial forces and other groups which potentially pose a threat to social order and safety, dealing with them as an organization in cooperation with lawyers, the police and other specialist external organizations.

V. Other

1. Adoption of Anti-Takeover Measures

| | |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
| Supplementary Explanation | |
| - | |

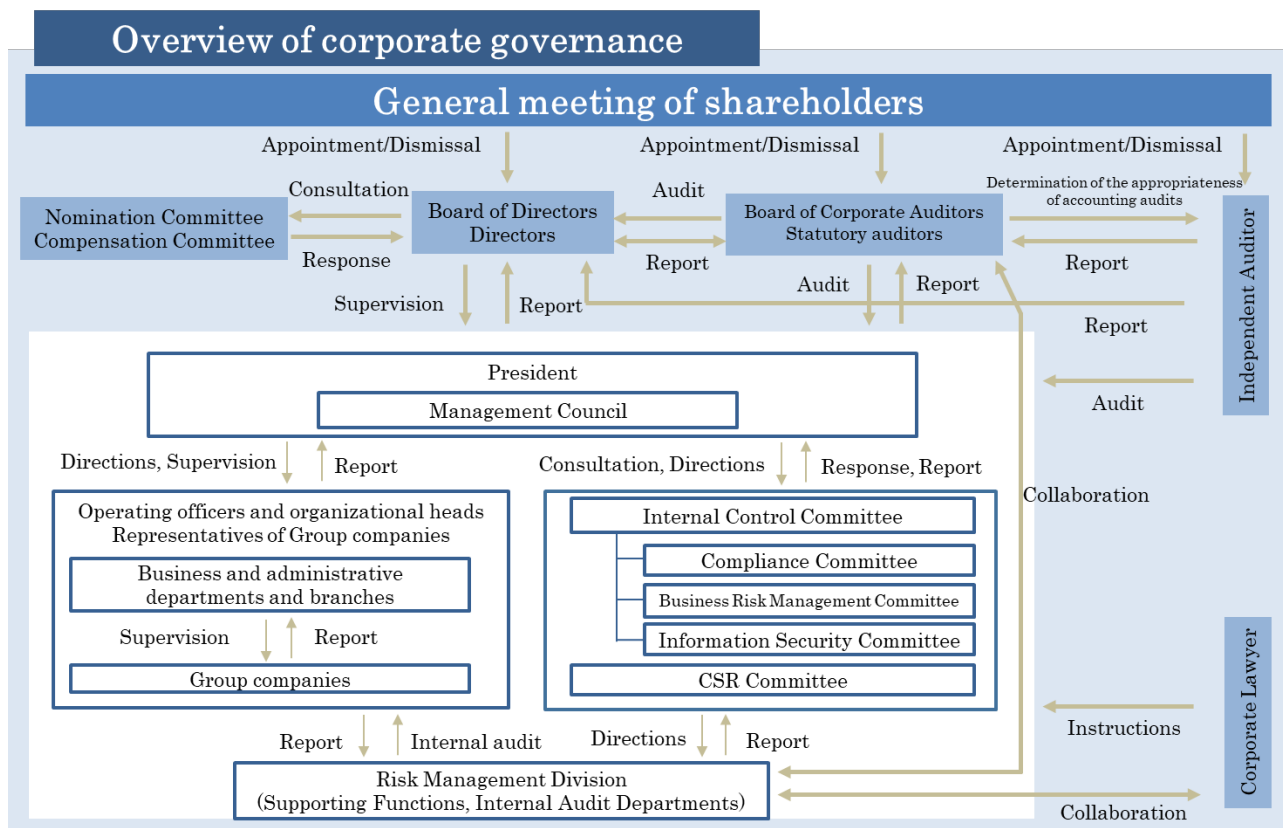
2. Other Matters Concerning to Corporate Governance System

Overview of Timely Disclosure System

The Group discloses important decisions and financial information in an appropriate manner at the time the resolution or decision is made by the Board of Directors or other decision maker. The Company also discloses information about material emerging facts promptly upon recognition of their emergence.

In addition, the Company actively discloses information judged to affect investors' investment decisions and strives to increase management transparency.

The Company's information disclosure procedures were registered with the TSE's Timely Disclosure network (TDnet) and then also posted on the Company's website.



• Timely disclosure system

