

Last Update: November 8, 2023

Stanley Electric Co., Ltd.

Yasuaki Kaizumi, President and Representative Director

Contact: Corporate Management Department

Securities code: 6923

<https://www.stanley.co.jp/e/index.php>

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

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

1. Basic Views

Under the “Stanley Group Vision,” which states the basic values of the Company Group, our business philosophy is “the boundless pursuit of the Value of Light,” “business innovation by maximizing our potential as a manufacturer,” and “ensuring the welfare of those who truly support our mission.” We aim to create new value with light and thereby contribute broadly to society through our global business activity and the “Five Ways of Creating Value with Light,” i.e., “creating light,” “sensing and recognizing with light,” “processing information with light,” “harnessing light’s energy,” and “producing feeling with light.”

To meet the expectations of all stakeholders, we pursue management “transparency” and “fairness” and are forging ahead with establishing world-class corporate governance.

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

[Supplementary Principle 4.10.1]

The Company is a company with an Audit & Supervisory Board. While the Outside Directors do not comprise the majority of the Board of Directors, the Governance Committee has been established as an advisory body to the Board of Directors.

At the Governance Committee, discussions are held and opinions are exchanged among outside officers (Outside Directors, Outside Audit & Supervisory Board Members) for consultation and advice on the evaluation, election and dismissal of Directors, the officer compensation system and the amounts of annual compensation, as well as for deliberation and advice on the execution system, successor planning, evaluation of the effectiveness of the Board of Directors, and confirmation of progress status of the Long-Term Management Goals and Medium-Term Management Plan. The Board of Directors decides on each matter on the advice of the Governance Committee. Through this system, the Company ensures the independence and objectivity of the functions of the Board of Directors and works to strengthen our internal control and improve our corporate value over the medium to long term.

The Governance Committee shall be chaired by an outside officer and shall comprise a majority of outside officers to secure objectivity and independence. The Outside Directors do not constitute the majority, and this framework was adopted according to our belief that the participation of Outside Audit and Supervisory Board Members is necessary to secure soundness and appropriateness through multi-faceted review considering the content and significance of matters reviewed by the Committee, and that members with legal, financial, and accounting knowledge are required, particularly concerning the nomination and compensation for the Board of Directors.

Disclosure Based on each Principle of the Corporate Governance Code

[Principle 1.4 Cross-Shareholdings]

The Company holds shares of companies believed to strengthen and stabilize the current business relationship and lead to future business creation. We will hold these shares when we determine that the shareholding will contribute to strengthening and stabilizing the business relationship and to our business development, and where the benefits and risks of the shareholding match the capital cost. Shares that do not have significance will be sold considering the share price and market trends.

Shares held are individually reviewed each year, and the Board of Directors is consulted.

The Company believes the shareholding should be managed with a focus on medium- to long-term improvement of shareholder return, and voting rights will be exercised to contribute to the medium- to long-term improvement of the issuers' corporate value, provided it contributes to the interest of the Company. We will be especially careful when exercising voting rights on agendas that will have a significant negative impact on the financial soundness of the issuer, or when illegal conduct or the like has been detected.

[Principle 1.7 Related Party Transactions]

When a Director is to engage in competing transactions or conflicting interest transactions, the Company shall obtain approval by the Board of Directors in accordance with the Companies Act and the Board of Directors Rules. In addition, whether there have been transactions between the Company and Directors or a close member of the family of Directors is confirmed annually. Transactions with other Related Parties are reviewed by the department in charge, and the Board of Directors is consulted if they fall under material transactions.

[Supplementary Principle 2.4.1]

We must achieve new growth by promoting diversity and incorporating various perspectives and values to increase corporate value over the mid-to-long term in an era of discontinuous social changes.

In particular, we aim to increase the number of women, foreign nationals, and mid-career hires promoted to managers to about twice the level of FY2016 by 2026.

<As of end of FY2016> Women: 1.3%, Foreign nationals: 0.3%, Mid-career hires: 11.2%

<As of end of FY2022> Women: 3.4%, Foreign nationals: 0.3%, Mid-career hires: 19.0%

Please refer to the Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace on our website for information on the promotion of employment, participation and advancement of women. (Japanese language)

Company website: <https://www.stanley.co.jp/e/sustainability/social/staff.html>

Particular initiatives include the establishment of a cross-departmental team to promote the participation and advancement of female employees. The team has started its activities.

Regarding foreign nationals, in addition to new hire recruitment and promotion to managers, we are leveraging the strength of our global business development and accepting secondment of staff from overseas affiliates to the Company as part of human resource rotation. This aims to enhance their skills and incorporate diverse perspectives and values.

Mid-career hires are recruited and promoted as necessary to respond to the change in the business environment and succeed in fierce competition. We are establishing internal frameworks such as post-recruitment interviews and meetings.

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

The Company is aware that the management of corporate pension funds impacts stable asset formation for employees and our financial standing; we assign qualified persons with expertise in investment management and have established an appropriate operational framework.

[Principle 3.1 Full Disclosure]

- (i) Company objectives (e.g., business principles), business strategies, and business plans

In 2020, the Company Group established the "Stanley Group Third Long-Term Management Goals" to realize the "Stanley Group Vision." It presents guidelines on the business plan every three years.

The VIII Three-year Medium-term Management Plan was established and started in FY2023. It added backcasting perspectives for the projection of external environment in 2030 to the principle of the Long-Term Management Goals which is to "Contribute to society by ensuring safety and security: realize dreams with the power of light."

The three main themes, management goals, and explanatory materials are posted on our website (Japanese language).
<https://www.stanley.co.jp/ir/library/document.html>

- (ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

Please refer to "Basic Views" in Section I.1. of this report.

- (iii) Board policies and procedures in determining the remuneration of the senior management and directors

Please refer to “Policy on Determining Remuneration Amounts and Calculation Methods” under “Director Remuneration” in Section II. 1. of this Report.

- (iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and audit and supervisory board member candidates

Directors are appointed to include individuals who are familiar with the Company Group’s business as well as independent outside directors who supervise the decision-making and execution of duties of the Board of Directors; Audit and Supervisory Board Members are appointed to include members who have sufficient internal knowledge, as well as outside members who have rich experience and proven results externally. Together they make resolutions by the Board to decide on the agenda to be submitted to the General Meeting of Shareholders. In the event a director or an Audit and Supervisory Board Member is deemed to have committed a material violation of laws, regulations, or the Articles of Incorporation or otherwise deemed difficult to appropriately perform their duties, the Board of Directors will resolve the submission of an agenda regarding their dismissal to the General Meeting of Shareholders.

- (v) Explanations with respect to the individual appointments/dismissals and nominations based on (iv)

The reasons for the appointment of Directors and Audit and Supervisory Board Members are stated in the Notice of the General Meeting of Shareholders. The Notice of the Ordinary General Meeting of Shareholders is disclosed on the Company’s website.

<https://www.stanley.co.jp/e/ir/stock/stockholders.html>

The reason will be stated if an agenda for the dismissal of Directors or Audit and Supervisory Board Members is to be submitted to the General Meeting of Shareholders.

[Supplementary Principle 3.1.3]

The Company discloses our initiatives on sustainability and information on investment in human capital and intellectual properties on our website and in the Integrated Report.

Company website: <https://www.stanley.co.jp/e/sustainability/>

Integrated Report: <https://www.stanley.co.jp/e/ir/library/integrated-report.html>

Additionally, the Company discloses the impact of climate change-related risks and earning opportunities on our business activities and profits based on TCFD recommendations.

Information disclosure based on TCFD recommendations: <https://www.stanley.co.jp/sustainability/environment/tcf.html>

[Supplementary Principle 4.1.1]

The Board of Directors engages in constructive discussion regarding the management strategies and plans in accordance with the

Board of Directors Rules and the decision-making for material business execution.

Directors are responsible for making decisions and supervising management strategies and plans. In addition, some Directors responsible for functional strategy are responsible for business execution within the scope of such a function.

Executive Officers and Operating Officers are responsible for the business execution of management strategies and management plans.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

For the appointment of independent Outside Directors or Outside Audit and Supervisory Board Members, whether the candidate meets the requirements of an independent officer outlined in Article 2, Items 15 and 16 of the Companies Act and by the Tokyo Stock Exchange is reviewed in advance. The status is also confirmed regularly after the appointment.

The Company has appointed four independent Outside Directors and three Outside Audit and Supervisory Board Members, all of whom are Outside Directors and Outside Company Auditors as prescribed in Article 2, Items 15 and 16 of the Companies Act. They are independent directors that should not have a conflict of interests with general shareholders, as reported to the Tokyo Stock Exchange.

[Supplementary Principle 4.11.1]

Please refer to “Principle 3.1 Full Disclosure (iv)” for the policies and procedures for nominating directors. In addition, please refer to the end of this report for the skills matrix for the Company’s Board of Directors (including attendants)

[Supplementary Principle 4.11.2]

Directors and the Audit and Supervisory Board Members may serve as officers of other companies so long as it does not interfere with the appropriate performance of their roles and duties. The status of significant concurrent positions held by the Directors and Audit and Supervisory Board Members, including at listed companies, are stated in the Business Report section of the “Notice of the Ordinary General Meeting of Shareholders” and the Reference Materials for Ordinary General Meeting of Shareholders.

[Supplementary Principle 4.11.3]

The Company reviews the effectiveness and appropriateness of the functions of the Board of Directors. It evaluates the effectiveness of the Board of Directors (self-evaluation) to improve the functions of the overall Board of Directors.

1. Method of Evaluation

An anonymous survey on the following items is distributed annually to all Directors and Audit and Supervisory Board Members. The Governance Committee, comprising mainly of outside officers, evaluates the effectiveness based on the results of the survey.

<Key Contents of the Survey>

- (i) Composition and size of the Board of Directors
- (ii) Operation of the Board of Directors
- (iii) Role, etc., of the Board of Directors
- (iv) Overview

2. Analysis and Evaluation

The result of the survey conducted in November 2022 indicated that the effectiveness of the Board of Directors had been secured for the most part.

It was confirmed that we shall continue to discuss the balance and diversity of the composition of the Board of Directors.

3. Action Plans

Discussions are held based on the result of the survey on the effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2]

The Company organizes annual seminars on compliance, etc., by attorneys for Directors, Audit and Supervisory Board Members, Executive Officers, and Operating Officers. We also provide opportunities to attend external seminars. In particular, we provide opportunities to newly appointed individuals to attend external seminars on their legal authorities and obligations, etc.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Corporate Management Department is responsible for IR for the Company. It holds semi-annual Financial Results meetings in cooperation with the Corporate Strategy Department, General Affairs Department, Legal Affairs and Intellectual Property Department, Accounting and Finance Control Division, Human Resource Department, and business divisions. The IR contact person engages in dialogue with the shareholders and investors to improve our corporate value. The policy for the establishment of the framework and initiatives on constructive dialogue with shareholders is as follows:

- (i) The Director in charge supervises the overall dialogue with the shareholders.
- (ii) The Corporate Management Department is responsible for IR and cooperates with the Corporate Strategy Department, General Affairs Department, Legal Affairs and Intellectual Property Department, Accounting and Finance Control Division, Human Resource Department, and business divisions.
- (iii) Financial results meetings are held twice each year.

- (iv) Shareholders' opinions and concerns captured through dialogue are reported to the Management Meeting, Board of Directors, and relevant departments as necessary to share information.
- (v) A quiet period is set for one month before the announcement of the financial results to cease all dialogue with shareholders and investors. In addition, "Rules to Prevent Insider Trading" have been established, and insider information is managed according to the Rules.

Examples of dialogues with shareholders in the immediately preceding fiscal year include the following:

The Company holds approximately 160 interviews and meetings each year, meeting quarterly with domestic and international institutional investors and sell-side analysts of securities companies. The main themes of the dialogues are varied, including the market environment surrounding the company, financial results and outlook, status by segment and region, medium- to long-term management strategy, investment in next growth opportunity, capital policies including shareholder returns, and policy on reduction of cross-shareholding.

In addition, we interviewed an Outside Director in response to the requests by shareholders and investors. The Outside Director explained the Company's governance system, activities by the Governance Committee, and challenges the Company faces. The interview was held in an online seminar format, and the contents have been disclosed in the Integrated Report.

Integrated report: <https://www.stanley.co.jp/e/ir/library/integrated-report.html>

[Efforts to achieve management with awareness for capital costs and stock price]

To increase the corporate value, the Board of Directors has adopted the VIII Medium-term Management Plan, a three-year plan concluding in FY2025 targeting consolidated net sales of 550 billion yen, 10% operating margin, and 8% ROE. In addition, we are aiming at a consolidated payout ratio of 30% or more from FY2023.

The Company's VIII Medium-term Management Plan is available in the FY2023/3 Financial Results Presentation (Japanese language)

<https://www.stanley.co.jp/ir/library/document.html>.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	22,676,300	13.82
Honda Motor Co., Ltd.	16,735,527	10.20
Custody Bank of Japan, Ltd. (Trust account)	9,332,400	5.69

JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	8,880,313	5.41
Sumitomo Mitsui Banking Corporation	8,017,511	4.89
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6,886,506	4.20
JP MORGAN CHASE BANK 380072 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	5,894,700	3.59
Nomura Trust and Banking Co., Ltd. (MUFG Bank, Ltd. Retirement benefit trust account).	5,440,000	3.32
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Dept.)	4,206,483	2.56
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,834,300	1.73

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	N/A
Name of Parent Company, if applicable	N/A

Supplementary Explanation

Above “Status of Major Shareholders” is based on the shareholder registry as of September 30, 2023. In addition, the Company holds 7,152,422 shares of treasury stock.

The Change Report for Large Shareholders, made available for public inspection on September 4, 2023, states that T. Rowe Price Japan, Inc. and its co-owners own the following shares of the Company as of August 28, 2023. However, as the Company cannot confirm the substantive number of shares owned as of September 30, 2023, this information is not included in the above-stated “Status of Major Shareholders.”

The information on the Change Report for Large Shareholders was as follows:

- Name or Company Name: T. Rowe Price Japan, Inc.
Number of Shares Owned: 2,918,000 shares (Percentage: 1.70%)
- Name or Company Name: T. Rowe Price International, Ltd.
Number of Shares Owned: 3,210,000 shares (Percentage: 1.88%)
- Name or Company Name: T. Rowe Price Associates, Inc.
Number of Shares Owned: 11,004,000 shares (Percentage: 6.43%)

The Change Report for Large Shareholders, made available for public inspection on July 18, 2023, states that MUFG Bank, Ltd. and its co-owners own the following shares of the Company as of July 10, 2023. However, as the Company cannot confirm the substantive number of shares owned as of September 30, 2023, this information is not included in the above-stated “Status of Major Shareholders.”

The information on the Change Report for Large Shareholders was as follows:

- Name or Company Name: MUFG Bank, Ltd.
Number of Shares Owned: 7,084,000 shares (Percentage: 4.14%)
- Name or Company Name: Mitsubishi UFJ Trust and Banking Corporation
Number of Shares Owned: 3,688,000 shares (Percentage: 2.15%)
- Name or Company Name: Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
Number of Shares Owned: 996,000 shares (Percentage: 0.58%)

The Change Report for Large Shareholders, made available for public inspection on September 6, 2023, states that Sumitomo Mitsui Trust Bank, Limited and its co-owners own the following shares of the Company as of August 31, 2023. However, as the Company cannot confirm the substantive number of shares owned as of September 30, 2023, this information is not included in the above-stated “Status of Major Shareholders.”

The information on the Change Report for Large Shareholders was as follows:

- Name or Company Name: Sumitomo Mitsui Trust Bank, Limited
Number of Shares Owned: 1,050,000 shares (Percentage: 0.61%)
- Name or Company Name: Sumitomo Mitsui Trust Asset Management Co., Ltd.
Number of Shares Owned: 3,871,000 shares (Percentage: 2.26%)
- Name or Company Name: Nikko Asset Management Co., Ltd.
Number of Shares Owned: 4,219,000 shares (Percentage: 2.46%)

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Prime Market
Fiscal Year-End	March
Business Sector	Electrical Appliances
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End	10 or more but fewer than 50

of the Previous Fiscal Year

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

N/A

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

N/A

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

1. Organizational Composition and Operation

Corporate Governance System

Company with Audit and Supervisory Board

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masakatsu Mori	From another company											
Hirokazu Kono	Academic											
Yozo Takeda	From another company											
Satoko Suzuki	Academic											

*Categories for "Relationship with the Company."

(Use "o" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary

- d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
- e. Major client of the Company or a person who executes business for said client
- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/Audit and Supervisory Board Member
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masakatsu Mori	○	Mr. Masakatsu Mori owns the Company's shares and also serves as an officer for other companies, etc. There are no special personnel, capital, transaction, or other relationship presenting a conflict of interest with the Company.	He has been appointed to enhance the supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on the extensive insight and experience from serving as a management of a consulting firm and the president and chairman of a university. He does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.
Hirokazu Kono	○	Mr. Hirokazu Kono owns the Company's shares and also serves as an officer for other companies, etc. There are no special personnel, capital, transaction, or other relationship presenting a conflict of interest with the Company.	He has been appointed to enhance the supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on his expertise in management engineering and insight and rich experience in business administration. He does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.
Yozo Takeda	○	Mr. Yozo Takeda owns the Company's	He has been appointed to enhance the

		shares and also serves as an officer for other companies, etc. There are no special personnel, capital, transaction, or other relationship presenting a conflict of interest with the Company.	<p>supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on his extensive insight and experience managing a company for many years.</p> <p>He does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.</p>
Satoko Suzuki	○	Ms. Satoko Suzuki owns the Company's shares and also serves as an officer for other companies, etc. There are no special personnel, capital, transaction, or other relationship presenting a conflict of interest with the Company.	<p>She has been appointed to enhance the supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on her expertise in marketing and consumer behavior and rich insight and experience in business administration, including B2C.</p> <p>She does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.</p>

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

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee, and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Governance Committee	9	0	2	4	0	3	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Governance Committee	9	0	2	4	0	3	Outside Director

Supplementary Explanation

The Company has established the Governance Committee as a voluntarily established committee positioned as an advisory body for the Board of Directors. It shall be chaired by an outside officer (Outside Directors, Outside Audit & Supervisory Board Members) and shall comprise a majority of outside officers (For the current members, refer to “2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System).”)

The Governance Committee engages in robust discussions and exchange of opinions led by outside officers for consultation and advice on the evaluation, selection and dismissal of Representative Directors, the evaluation, election and dismissal of Directors, the officer compensation system and the amounts of annual compensation, as well as for deliberation and advice on the execution system, evaluation of the effectiveness of the Board of Directors, and confirmation of progress status of the Long-Term Management Goals and Medium-Term Management Plan. The Board of Directors decides on each matter on the advice of the Governance Committee. Through this system, the Company ensures the independence and objectivity of the functions of the Board of Directors and works to strengthen our internal control and improve our corporate value over the medium to long term.

Audit and Supervisory Board Member

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

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

The Audit and Supervisory Board and its Members receive reports on the audit plan and audit items from the Internal Audit Departments and exchange their opinions to improve the effectiveness and efficiency of the audits for the Company Group. In addition, the General Managers of Internal Audit Departments attends the Audit and Supervisory Board meetings to report on the internal audit results and gather information on the results of audits by the Audit and Supervisory Board Members for mutual cooperation. Standing Audit & Supervisory Board Members regularly exchange information with the Internal Audit Departments.

The Audit and Supervisory Board and its Members receive reports on the audit plan and audit items from the accounting auditors before the audit by the accounting auditors and exchange opinions on its appropriateness. In addition, they maintain close cooperation, including through the exchange of opinions on the results of accounting audits conducted during the fiscal year and on the status of internal control concerning financial reports.

Accounting auditors are required to report on the results of accounting audits concerning the review of quarterly and full-year financial results.

Key audit matters (KAM) are discussed throughout the year with accounting auditors in accordance with the process from

selecting candidates to determination.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	3
Number of Independent Audit and Supervisory Board Members	3

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mitsuhiro Amitani	Lawyer													
Koichi Uehira	CPA													
Eri Yokota	Academic													

*Categories for "Relationship with the Company."

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/ Audit and Supervisory Board Member
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)
- Other

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

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Mitsuhiro Amitani	○	Mr. Mitsuhiro Amitani owns the Company's shares and also serves as an officer for other companies, etc., there are no special personnel, capital, transaction, or other relationship presenting a conflict	He has been appointed to enhance the supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on his

		of interest with the Company.	insight and experience as an attorney. He does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.
Koichi Uehira	○	Mr. Koichi Uehara owns the Company's shares and also serves as an officer for other companies, etc., there are no special personnel, capital, transaction, or other relationship presenting a conflict of interest with the Company.	He has been appointed to enhance the supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on his insight and experience as a certified public accountant. He does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.
Eri Yokota	○	Ms. Eri Yokota owns the Company's shares and also serves as an officer for other companies, etc., there are no special personnel, capital, transaction, or other relationship presenting a conflict of interest with the Company.	She has been appointed to enhance the supervisory function of the Board of Directors and to ensure the objectivity, neutrality, and legal conformity of the Company's management based on her expertise in management accounting as a researcher and insight and rich experience in business administration. She does not have any attributes prescribed by the Tokyo Stock Exchange that require submission of documents for independent director/auditor.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members

7

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

The Company nominates all outside officers that meet the independent officer criteria as independent officers.

Incentives

Implementation Status of Measures related to

Introduction of the performance-linked compensation scheme, introduction of stock options scheme, other

Incentives Granted to Directors

Supplementary Explanation for Applicable Items

[Director Remuneration] Please refer to “Policy on Determining Remuneration Amounts and the Calculation Methods Thereof”

Persons Eligible for Stock Options

Inside Directors, employees, subsidiaries’ Directors

Supplementary Explanation for Applicable Items

Stock Options

The Company grants share subscription rights as stock options to its Directors (excluding Outside Directors), Executive Officers, Operating Officers, some of the employees (managers), and full-time Directors of affiliates of the Company to improve the corporate value of the Company Group by further enhancing awareness of shareholder-oriented management and strengthening their incentive and motivation to improve business performance.

Director Remuneration

Status of Disclosure of Individual Director’s Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

The remuneration for the Company’s Directors and Audit and Supervisory Board Members for the 118th Period (FY2023/3) is as stated below:

Directors (excluding Outside Directors): 458 million yen

Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members): 70 million yen

Outside Audit and Supervisory Board Members: 52 million yen

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic Policy

The Company’s policy on the remuneration, etc., of Directors and Audit and Supervisory Board Members (“Corporate Officers”) is to determine the Corporate Officers’ compensation, etc., in a fair and appropriate manner. As stated below, the Directors’ remuneration is determined by the Board of Directors subject to consultation and response from the Governance Committee, which is a voluntarily established committee equivalent to the Nomination and Compensation Committee; and the Audit and Supervisory Board Members’ remuneration is determined by the Audit and Supervisory Board.

(a) The remuneration system shall maintain objectivity from the perspective of our stakeholders, including the shareholders.

- (b) The remuneration system shall be partially linked to the business performance to clarify the responsibilities for business execution.
- (c) Appropriate decisions shall be made in light of the economic trend, the Company's business environment, business performance results, linkage with medium- to long-term corporate value, and the level of remuneration at other companies based on the Corporate Officers' remuneration research data prepared by an external specialist agency.

2. Overview of the Corporate Officers' Remuneration System

The Corporate Officers' Remuneration is calculated using the following system and by applying the relevant coefficients.

	Monetary compensation	Non-monetary compensation
Performance-linked compensation	Incentive compensation Consolidated ROA-linked compensation bonuses	Shareholder value-linked compensation Standard stock option
Other compensation	Fixed compensation	N/A

- (a) As a shareholder value-linked bonus, a restricted stock system will be introduced for Directors (excluding Outside Directors) to further enhance their motivation to contribute to increasing the share price, shareholder value, and corporate value.
- (b) Share subscription rights as standard stock options will be granted free of charge to the Directors (excluding Outside Directors) and managers, to share the risks and rewards of change in the share price with the shareholders and to further enhance their motivation to contribute to the increase in share price and corporate value.
- (c) The fixed, incentive, and consolidated ROA-linked compensation shall be paid monthly, and others shall be paid (allocated) at a specific time.

3. Policy on Determination of Individual Remuneration and Ratio for Each Type of Remuneration

The fixed compensation for the Company's Corporate Officers is calculated based on comprehensive consideration of the title, responsibilities, etc.

Performance-linked compensation (including non-monetary compensation) for the Company's Corporate Officers is each calculated with the purpose of determining fair and appropriate compensation, with performance-linked compensation and shareholder value-linked compensation mainly calculated based on the Company's business performance, consolidated ROA-linked compensation calculated using the coefficient based on consolidated ROA, the range of bonuses calculated based on the net income and the coefficient for Corporate Officers' bonuses, and standard stock options calculated mainly based on the share price. We believe corporate management from a medium- to long-term perspective is important, and the ratios are to be determined based on sufficient consideration of enhancing the Directors' motivation to contribute to the increase of corporate value and the

perspective of pursuit of shareholder returns.

In addition, we reviewed the method of evaluation concerning remuneration from the perspective of enhancing the view that includes non-financial indicators. Consequently, the Board of Directors resolved to integrate the performance-linked monetary compensation into bonuses and abolish the incentive compensation and consolidated ROA-linked compensation at its meeting on June 26, 2023, and the changes became effective from June 29, 2023.

4. Delegation to Determination of Remuneration for Individual Directors

At the Company, the Representative Directors determine the remuneration, etc. for individual directors based on a resolution to delegate the matter by the Board of Directors.

The names of the delegates and their positions and responsibilities as of the date when the details of the individual directors' remuneration, etc. were determined are as follows:

Name	Position	Responsibilities
Yasuaki Kaizumi	President and Representative Director	Chief Technology Officer
Toru Tanabe	Vice President and Representative Director	Chief Quality Assurance Officer, Chief Human Resources & General Affairs Officer, Chief Asian & Oceanian Business Officer

The authority is given to determine the amount of allocation to each director following specific calculation methods, taking into consideration the proportions of fixed compensation, performance-linked compensation, and non-monetary compensation.

The reason for delegating this authority is that the Representative Directors are the most suitable to make decisions by looking at the Company's overall performance and taking into consideration the evaluation of each director's performance of duties.

In addition, as a measure to ensure that the delegated authority is exercised appropriately, the Representative Directors have consulted with and received response from the Governance Committee, a voluntary committee equivalent to the Nomination and Remuneration Committee, on the details of the individual remuneration for directors. Given that details of the individual remuneration for directors have been determined through such procedures, the Board of Directors has established that the details are in line with the policy on the matter.

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

To ensure that Outside Corporate Officers engage in sufficient deliberation at the meeting of the Board of Directors, the Corporate Management Department provides support to explain each agenda for the Board of Directors' meeting in advance.

In addition, an assistance function has been established in the Corporate Governance Promotion Department for the Outside Audit and Supervisory Board Members, providing support for the five Audit and Supervisory Board Members, including the Outside

Audit and Supervisory Board Members.

Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part-time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Yutaka Hiratsuka	Executive Corporate Advisor	Advice and instruction at the request of the Company	Part-time with compensation	March 31, 2022	Up to one year (renewable)

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)

1

After Retiring as Representative Director and President, etc.

Other Related Matters

- Internal rules have been established for the appointment and remuneration, etc., of the Company's Executive Corporate Advisors.
- The Company's Executive Corporate Advisor has no authority in management decision-making.

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

The Company has an Audit and Supervisory Board.

Board of Directors

The Board of Directors is intended to make decisions on the Company's business execution, including the Management Policy, and to monitor and supervise the Directors' business execution. It comprises ten Directors with attendance by five Audit and Supervisory Board Members.

Directors familiar with the Company Group's business make prompt and accurate business management decisions after robust discussion at the Board of Directors' meeting. The Company has four Outside Directors, who attend the Board of Directors meetings and play the roles expected of Outside Directors in supervising the Board of Directors' decision-making and business execution.

<Members>

- Yasuaki Kaizumi (President and Representative Director, Chair)

- Toru Tanabe (Vice President and Representative Director)
- Keisuke Ueda (Managing Director)
- Tatsuaki Tomeoka (Director)
- Satoshi Oki (Director)
- Kazuki Takano (Director)
- Masakatsu Mori (Outside Director)
- Hirokazu Kono (Outside Director)
- Yozo Takeda (Outside Director)
- Satoko Suzuki (Outside Director)

<Attendants>

- Koji Shimoda (Standing Audit & Supervisory Board Member)
- Koichi Nagano (Standing Audit & Supervisory Board Member)
- Mitsuhiro Amitani (Outside Audit & Supervisory Board Member)
- Koichi Uehira (Outside Audit & Supervisory Board Member)
- Eri Yokota (Outside Audit & Supervisory Board Member)

Audit and Supervisory Board

The Audit and Supervisory Board is intended to audit the execution of duties by the Directors and comprises five Members (of which three are Outside Audit and Supervisory Board Members).

The Directors' performance of duties is audited from a fair and neutral perspective through an active exchange of opinions between Members who possess sufficient internal knowledge and Outside Members who possess rich experience and proven results.

<Members>

- Koji Shimoda (Standing Audit & Supervisory Board Member, Chair)
- Koichi Nagano (Standing Audit & Supervisory Board Member)
- Mitsuhiro Amitani (Outside Audit & Supervisory Board Member)
- Koichi Uehira (Outside Audit & Supervisory Board Member)
- Eri Yokota (Outside Audit & Supervisory Board Member)

Governance Committee

The Governance Committee is intended as an advisory body for the Board of Directors to provide a wide range of proposals that lead to the company's sustainable growth, comprising four Outside Directors, three Outside Audit and Supervisory Board Members, and two Representative Directors. It is chaired by an Outside Director.

<Members>

- Masakatsu Mori (Outside Director)
- Hirokazu Kono (Outside Director, Chair)
- Yozo Takeda (Outside Director)
- Satoko Suzuki (Outside Director)
- Mitsuhiro Amitani (Outside Audit & Supervisory Board Member)
- Koichi Uehira (Outside Audit & Supervisory Board Member)
- Eri Yokota (Outside Audit & Supervisory Board Member)
- Yasuaki Kaizumi (President and Representative Director)
- Toru Tanabe (Vice President and Representative Director)

For important matters that affect the whole of the Company, a Management Meeting will be organized by principal Directors to deliberate and make careful decision subject to multi-faceted evaluation before referring to the Board of Directors. The Company has also incorporated the Executive Officer system to separate the “decision-making and supervisory functions” and “business execution functions.”

3. Reasons for Adoption of Current Corporate Governance System

The Company ensures effective governance through the cooperative combination of the following: auditing by the Audit and Supervisory Board Members who maintain independence and include multiple Outside Audit and Supervisory Board Members with expert knowledge in areas such as legal affairs, finance, and accounting (Audit and Supervisory Board) in active cooperation with accounting auditors and internal accounting auditing divisions; and preparation of management strategies and supervision of business execution by the Board of Directors that make prompt and accurate decisions on business management based on robust discussion among Directors who are familiar with the Company Group's business. We further strengthen the governance function by adding independent Outside Directors with extensive experience and management insight.

The above governance system was adopted as we believe it is effective in achieving and ensuring the Company's corporate governance and enables effective, appropriate, and efficient corporate management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Notice of the 118th Ordinary General Meeting of Shareholders was sent on June 7, 2023 (22 days before the meeting date). Before sending the notice, the information was posted on the Company's and Tokyo Stock Exchange's websites on June 1, 2023.
Electronic Exercise of Voting Rights	Voting rights can be exercised via the Internet.
Participation in a Platform for the Electronic	We are participating in the voting platform operated by ICJ, Inc.

Exercise of Voting Rights and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Voting Rights	
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Notice of the 118th Ordinary General Meeting of Shareholders and the English translation (narrowly defined Notice, reference materials, and the business results) are posted on the Company's and Tokyo Stock Exchange websites.
Other	To enable shareholders who have difficulty attending the Meeting of Shareholders due to their residence and time difference, we hold a hybrid-participation virtual meeting of shareholders.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	Semiannually	Held
Online Disclosure of IR Information	Financial reports, financial results presentations, timely disclosure materials other than financial results information, annual reports, quarterly reports, business reports, integrated reports, notice of ordinary meeting of shareholders, etc.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Corporate Management Department	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Established in the "Business Philosophy" as part of the "Stanley Group Vision."
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company is actively engaged in environment-friendly management. The Basic Environmental Philosophy and Environmental Policies were established in 1998 as the code of conduct for the Company's environmental management. It was revised in 2013 in response to the change in the internal and external environment to promote active improvement activities. We will continue to get involved in environmental protection by ensuring that everyone involved with the Company Group fully understands this new Basic Environmental Philosophy and implements the Environmental Policy.

IV. Matters Concerning the Internal Control System

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

- (1) System to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation

To ensure that the Company's business execution is conducted appropriately and soundly as a whole, the Board of Directors shall strive to establish an effective internal control system and a legal compliance framework for the Company as a whole from the perspective of further strengthening corporate governance.

The Audit & Supervisory Board audits the function and effectiveness of the internal control system.

- (2) System for the storage and management of information related to the execution of duties by Directors

Information related to the execution of duties by Directors, minutes of the Board of Directors and other major meetings, internal approval documents, various contracts, and the like shall be recorded and stored in hard copy or electronically by specifying the person responsible for storage, the storage period, and the like in accordance with the "document management rule" and other internal regulations.

Directors and Audit & Supervisory Board Members shall have access to these documents or electromagnetic records at all times.

To prevent leakage, loss, or damage to information and to take measures in the event thereof, an information security system shall be established, and management, operation, and audits shall be conducted in accordance with regulations, etc.

- (3) Regulations and other systems for managing the risk of loss

The Company shall establish risk management regulations that systematically define risk management, establish a Risk Management Committee, and develop a risk management system under the supervision of the Representative Directors.

The Risk Management Committee shall strive to promptly and accurately address the hazards and risks surrounding the company and shall also establish a system to immediately convey information to Directors and Audit & Supervisory Board Members.

- (4) Systems to ensure the efficient execution of duties by Directors

The "Stanley Group Third Long-Term Management Objective" shall be established as the 10-year goals to be achieved toward the "Stanley Group Vision," which comprises the basic values shared by the Company Group, and a three-year-term management plan and Single year management plan shall be established as the medium-term goals of the Stanley Group Vision. The Company will adopt a system to ensure operational efficiency by reviewing the targets each term and feeding those results back into its operations. The Company Group will adopt "Three-dimensional group matrix management," in which the three axes of divisions, functional departments, and regions (bases) will work together as a group structure to achieve the goals.

The Directors of the Company shall be familiar with the Company Group's business and make prompt and appropriate business decisions concerning business management after careful discussion at the Board of Directors meetings in accordance with the Board of Directors regulations.

For deliberation of important matters affecting the entire company, a Management Meeting shall be formed by the principal Directors in order to make careful decisions after multifaceted deliberations prior to submitting the matters to the Board of Directors.

The Board of Directors will use these decision-making systems to engage in appropriate and efficient decision-making.

- (5) Systems to ensure that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation

The Company Group has established the "Stanley Group's Code of Conduct" to be followed by officers and employees to govern their conduct.

Not limited to laws, internal rules and regulations, and the like, the Stanley Group Code of Conduct covers corporate ethics (social and moral standards required by society to be observed in corporate activities).

To make the Stanley Group's Code of Conduct effective, the Company shall establish a corporate code of ethics as a framework for corporate ethics and legal compliance, appoint a Director in charge of corporate ethics, form a Corporate Ethics Committee, and appoint the heads of major internal organizations and the presidents of affiliated companies as the corporate ethics management officers.

The Corporate Ethics Committee shall be responsible for addressing cases of legal violations, formulating corporate ethics and legal compliance management policies, verifying the status of corporate ethics and legal compliance, and providing internal education and the like.

As a whistle-blowing system for employees to report violations of laws and regulations, etc., the Company shall establish a Corporate Ethics Improvement Proposal Office at an outside law firm to make suggestions for improvement in corporate ethics. The hotline will protect employees, etc., who report such violations, ascertain the legitimate points and opinions raised by such reports, and take appropriate measures.

The Corporate Ethics Committee shall receive regular and as-needed reports on its activities from the corporate ethics management officers and report to the Board of Directors and the Boards regarding corporate ethics and legal compliance.

- (6) Systems to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

The Stanley Group's Code of Conduct shall be a common code that applies throughout the entire Company Group.

The Corporate Ethics Improvement Proposal Office shall be available to all employees of the Company and its subsidiaries.

The Company shall establish a system that allows subsidiaries to inquire about issues related to laws and regulations, etc., that

arise in daily operations to the departments under the Company's jurisdiction and use this system to ensure compliance with corporate ethics and laws and regulations at each company.

For events concerning corporate ethics and legal compliance that should be taken into consideration across the entire Company Group, the departments in charge at the Company shall provide information, etc., to the subsidiaries and engage in a mutual exchange of information.

To understand and improve the status of business operations of the Company and its subsidiaries, a Corporate Governance Promotion Department shall be established under the direct control of a Representative Director, which department shall of internal audits and report the results to the Representative Director and the Board of Audit & Supervisory Board Members.

The Risk Management Committee shall ensure the continuity and stable development of the business by projecting specific risks for the entire Company Group, prescribing measures to prevent losses caused by such risks, and effectively and efficiently taking measures to ensure safety and minimize losses in the event of a crisis, including the post-processing measures and measures to prevent recurrence. In addition, the Company will ensure the continuity and stable development of its business by taking effective and efficient measures to ensure safety and minimize losses in the event of a crisis.

In transactions between the Company and its subsidiaries, as with transactions with companies outside the Company Group, contract reviews, pricing procedures, and the like shall be conducted in accordance with regulations, etc., with respect for mutual interests.

The Board of Directors and the Management Meeting shall carefully deliberate and vote on general shareholders' meeting proposals for subsidiaries from the viewpoint of their legality, appropriateness, and efficiency. The Company shall select a Director in charge for each subsidiary from among its Directors, who shall guide and supervise the efficiency and appropriateness of the subsidiaries' business execution, receive reports from the subsidiaries on their business execution status and other important matters, and report to the Board of Directors and other important meetings as necessary.

To strengthen cooperation among Audit & Supervisory Board Members at the Company Group, a liaison meeting for Audit & Supervisory Board Members of affiliated companies shall be held regularly.

The Company Group shall take a resolute stance against antisocial forces and groups and sever all relationships with them. The General Affairs Department shall be in charge of measures in response to antisocial forces and groups and shall strengthen cooperation with competent police stations and legal advisors to collect information.

- (7) Matters concerning employees who assist the duties of Audit & Supervisory Board Members, and matters concerning the independence of such employees from Directors and the ensuring of the effectiveness of instructions to such employees

Some employees belonging to the Corporate Governance Promotion Department shall be selected to assist with the duties of the Audit & Supervisory Board Members and the Audit & Supervisory Board.

In the event of appointment, dismissal, reassignment, or other personnel changes of such employees, or in the event of disciplinary action against such employees, the Company shall consult with the Audit & Supervisory Board Members in

advance.

Concerning the duties of employees who are to assist the Audit & Supervisory Board Members and the Audit & Supervisory Board, the Audit & Supervisory Board Members may directly give instructions and orders to the employees in charge of such duties.

- (8) Systems for reporting to Audit & Supervisory Board Members and systems to ensure that persons making such reports will not be treated unfavorably because of their having made such reports

Directors shall report to Audit & Supervisory Board Members or the Audit & Supervisory Board without delay on (a) matters resolved by the Management Meeting, (b) matters that may cause significant damage to the Company Group, (c) matters concerning monthly management conditions, business execution, and financial conditions, (d) matters concerning internal audit and risk management, (e) matters concerning serious violations of laws and regulations and the Articles of Incorporation, and (f) other important matters concerning corporate ethics and legal compliance. Concerning matters (b), (e), and (f), employees shall report such matters to Audit & Supervisory Board Members or the Audit & Supervisory Board without delay.

Directors, Audit & Supervisory Board Members, employees, etc. of subsidiaries shall report without delay any matters that may cause significant damage to the Company Group; any matters concerning serious violations of laws, regulations, or the Articles of Incorporation; and any other important matters concerning corporate ethics and legal compliance, to the Company's Audit & Supervisory Board Members or the Audit & Supervisory Board directly or through the relevant departments of the Company.

The Company shall prohibit any disadvantageous treatment of any person who makes a report to the Audit & Supervisory Board Members or the Audit & Supervisory Board by reason of such report and shall make such prohibition known to all officers and employees of the Company and its subsidiaries.

- (9) Matters concerning procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board Members and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties

When an Audit & Supervisory Board Member requests prepayment of expenses, etc., to the Company in connection with the execution of their duties, the Company shall promptly process such expenses or liabilities unless the expenses or liabilities in connection with such request are deemed not necessary for the execution of the Audit & Supervisory Board Member's duties.

- (10) Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively

The Audit & Supervisory Board shall establish audit policies, audit plans, audit methods, and other matters deemed necessary for the execution of their duties.

To audit the implementation of internal controls, the Audit & Supervisory Board may at any time receive reports from the Directors and employees in charge of the Corporate Governance Promotion Department, General Affairs Department,

Accounting & Finance Control Division, and other necessary departments.

The Audit and Supervisory Board Members shall be able to attend important meetings such as business committee meetings.

The Audit & Supervisory Board shall meet regularly with Representative Directors to exchange opinions on issues to be addressed by the Company, the status of the environment for Audit & Supervisory Board Members' audits, and important auditing issues, and shall make requests as deemed necessary to deepen mutual understanding with Representative Directors.

The Audit & Supervisory Board shall explain to the Representative Directors and the Board of Directors, as appropriate, the audit policy and plan, as well as the status and results of the audit. The Audit & Supervisory Board shall meet regularly with the Accounting Auditor and request reports on the status of accounting audits and other matters.

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

The Company Group takes a resolute stance against antisocial forces and groups.

The Stanley Group's Code of Conduct establishes that we will take a resolute stance against antisocial forces and groups and shall not have any relationship with them. We will not provide benefits to them regardless of pretext, reason, or amount and will not respond to unlawful or unreasonable demands from antisocial forces and groups.

The General Affairs Department is in charge of measures in response to antisocial forces and groups and strengthens cooperation with competent police stations and legal advisors to collect information.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items

N/A

2. Other Matters Concerning the Corporate Governance System

Overview of Timely Disclosure Framework

The Company has the following system concerning the timely disclosure of corporate information:

(1) Timely Disclosure Policy

To ensure accountability to our shareholders and the capital market and increase management transparency, it is important to disclose information properly according to fair disclosure rules and stock exchange disclosure rules. We therefore focus our efforts on IR activities.

Specific activities include the semiannual financial results meeting, as well as press releases and disclosure of IR information on our website as necessary, and we strive to make appropriate and accurate information disclosure.

The Company has also established the "Stanley Group's Code of Conduct" for all individuals working for the Company and the Company Group. It states, "I shall disclose correct information on an equitable and timely basis, and endeavor to obtain understanding and support from shareholders, investors and so forth." We are committed to putting this into practice.

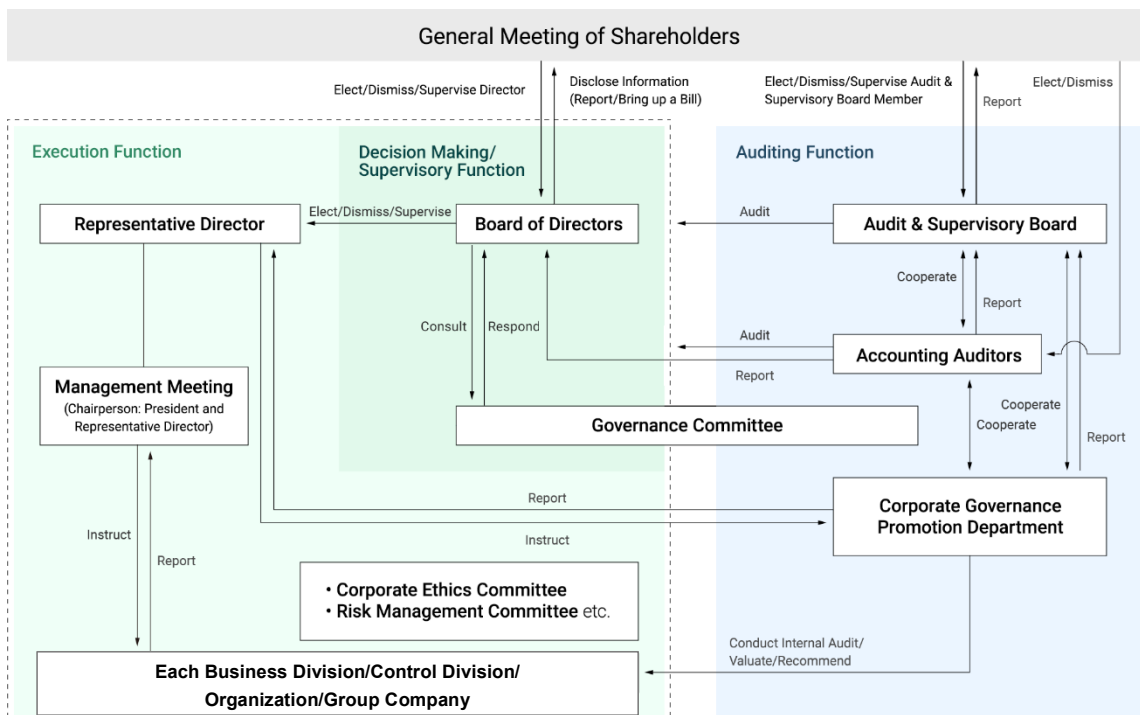
(2) System for Timely Disclosure

The Corporate Management Department is in charge of timely disclosure for the company. In addition to the Corporate Management Department, Accounting & Finance Control Department is in charge of gathering information related to financial results, etc.; Human Resource Department is in charge of gathering information on personnel measures, etc.; Legal Affairs and Intellectual Property Department is in charge of headquarter functions and insider trading prevention; General Affairs Department is in charge of risk management, etc.; and the business divisions are in charge of matters related to their business. These departments closely coordinate information as necessary.

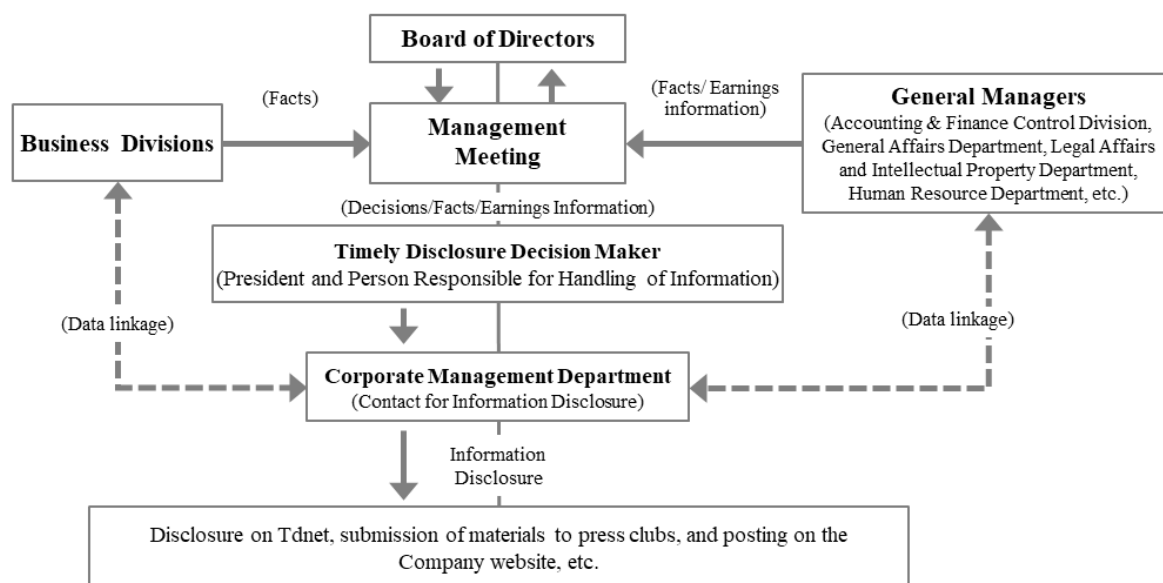
Decision and method of disclosure are determined by the Director in charge, subject to referral to the Management meeting or Board of Directors or discussion with Representative Directors, the Director in Charge, and the department in charge.

(3) Checking System for Timely Disclosure

The Company has established the Corporate Governance Promotion Department as the internal audit division to strengthen the checking system. The Corporate Governance Promotion Department ensures compliance with laws and regulations and conducts audits on appropriate information disclosure.



■ The Company has the following system concerning the timely disclosure of corporate information:



Expertise and Experiences Required for Directors and Audit & Supervisory Board Members of the Company (Skills Matrix)

	Name	Corporate Management	Sustainability	Financial affairs	Legal affairs	Sales/ marketing	Manufacturing	Quality	Development and Engineering	International Experience
Directors	Yasuaki Kaizumi	●	●				●	●	●	●
	Toru Tanabe	●	●		●		●	●	●	
	Keisuke Ueda	●		●		●	●	●		●
	Tatsuaki Tomeoka	●					●	●	●	●
	Satoshi Oki	●			●		●	●		●
	Kazuki Takano	●				●	●	●		●
	Masakatsu Mori	Outside	●	●						●
	Hirokazu Kono	Outside	●				●			●
	Yozo Takeda	Outside	●	●			●			
	Satoko Suzuki	Outside	●							●
Audit & Supervisory Board Member	Koji Shimoda	●	●		●		●	●	●	
	Koichi Nagano	●					●	●	●	●
	Mitsuhiro Amitani	Outside			●					●
	Koichi Uehira	Outside		●						
	Eri Yokota	Outside	●	●	●					

*The skills and experiences indicated are those that each individual is expected to have, and are not all the expertise or experience of the individuals.