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## Daiwabo Holdings Co., Ltd.

Yukihiro Nishimura, Representative Director, President and Chief Executive Officer

Contact: Legal/Compliance Department

Securities Code: 3107

<https://www.daiwabo-holdings.com/>

**The status of the corporate governance of Daiwabo Holdings Co., Ltd. (hereinafter, “we,” “us,” “our” or the “Company”) is as follows:**

### I. Basic views on corporate governance, capital structure, corporate attributes, and other basic information

#### 1. Basic views

We regard corporate governance as one of our highest management priorities. Our basic management policy is to strengthen the business management of Group companies and to improve the management efficiency of, and ensure thorough governance of, the entire Group by improving our audit system. We also strive to ensure the transparency and soundness of our management through sufficient, appropriate and timely disclosure.

One of our group norms is “truth and justice.” Through prompt, appropriate decision-making and our internal control function, we intend to build good trusting relationships with our shareholders, customers, employees, local communities, and other stakeholders and to fulfill our corporate social responsibility.

#### **[Reasons for not implementing certain principles of Japan’s Corporate Governance Code]**

Updated

[Supplementary Principle 2.4.1]

In our Medium-Term Management Plan covering the period up to the fiscal year ending March 2024, our policy for developing human resources who will support our continuous growth includes: making strategic investments in active promotion of employees and educational and training programs; utilizing human resources through cooperation across the Group; and creating working environments that allow our employees to work energetically.

Pursuant to the aforementioned policy, we have, with the intention of creating working environments that will allow active participation of women: worked on the active promotion of female employees through training and fair evaluation processes that are free from sexual discrimination; and improved our maternal protection and childcare leave programs, among other things.

In addition, we have actively worked on the employment of foreign nationals, mainly in technical fields, in order to enhance our international competitiveness.

In addition, we have actively worked on employing foreign nationals, mainly in technical fields, in order to enhance our international competitiveness.

As for midcareer hiring, we have been hiring midcareer workers as necessary, we intend to consider proactive use of midcareer hiring from the perspective of promoting core human resources in technical fields.

Regarding these efforts to ensure diversity in our human resources, in our integrated report published in November 2023, we developed target values to promote our efforts for each materiality item, together with our Group’s human capital strategy, and set a target of raising the proportion of female managers to 3% or higher by FY2030. We have already adopted a policy of hiring and promoting employees regardless of gender, and will continue to encourage the participation and improve the retention rate of women. We anticipate, however, that it will take roughly 15 years to see a significant improvement in the percentage of women in managerial positions since most of the female employees in the Group are relatively young. Besides promoting internal recruitment of female managers, we are also reforming our corporate culture and implementing a step-by-step process of building an environment that will encourage female employees to focus on career development and advancement, as well as actively recruiting female talent from outside the company. Positioning our targets for 2030 as only a milestone on the way to further progress in this area, from a longer-term perspective, we will be undertaking further discussion aimed at realizing steady, continued growth in the share of managers who are women, and will be implementing further measures to promote women’s participation.

Various ESG performance figures, including human resource diversity, are available on our website.

<https://www.daiwabo-holdings.com/en/sustainability/esgdata.html>

[Principle 2.6]

Our Group’s corporate pension funds are managed in different ways by different Group companies.

Each Group company entrusts the management of contributions, either directly or through funds, to fund management organizations in Japan and abroad. By leaving the selection of individual investments and the exercise of voting rights to the discretion of its fund

management organizations, each Group company prevents conflicts of interest between beneficiaries of its corporate pension funds and the company.

Each Group company checks the soundness of the general management of its corporate pension funds through deliberation at regular meetings of its asset management committee, etc. For future consideration, the Company considers it an issue to train personnel with expertise in finance and human resources who will provide instructions regarding investment and other matters, fulfilling expected functions such as monitoring pension investment institutions. To this end, the Company will consider the systematic implementation of human resource development for each of its Group companies.

[Supplementary Principles 3.1.3 and 4.2.2]

Our Group's basic views on sustainability are disclosed on our website. Our Board of Directors has established an ESG Promotion Committee chaired by the representative director. The Committee's basic policy is consistent with our business strategies and business issues, and lists priority topics including not only "defensive ESG," which will lead to a reduction in business risk, such as CO<sub>2</sub> emission reduction or occupational health and safety in business activities, but also "aggressive ESG," which will lead to an increase in business opportunities, such as providing goods and services intended to help solve social problems. The Committee plans, approves, and checks the progress of, various activities including our climate change action.

As for our response to the TCFD, we have been analyzing the risks and opportunities that climate change poses to the business of the Company. We endorse its aims and have made disclosures on our company website based on the framework.

<https://www.daiwabo-holdings.com/en/sustainability/tcf.html>

(Investments in human capital and intellectual property rights)

Our Medium-Term Management Plan aims to increase our return on invested capital (ROIC) in excess of the capital cost over the medium to long term through capital-efficiency-conscious management, thereby striving to increase our corporate value continuously.

In that plan, our investments in human capital include, under our policy for developing human resources who will support our continuous growth, making strategic investments in the active promotion of certain human resources and in educational and training programs. They also include striving to utilize human resources through cooperation across the Group and to create working environments that will allow our employees to work energetically.

As for investments in intellectual property rights, we have focused on research and development to lead to the provision of goods and services that help solve social problems. We have also promoted efficient measures utilizing information and communications technology (ICT).

We intend to conduct effective monitoring to ensure that the efficient utilization of these management resources will contribute to our continuous growth and to increasing our corporate value.

[Supplementary Principle 5.2.1]

We established and published on our website our Medium-Term Management Plan covering the period up to the fiscal year ending March 2024.

<https://www.daiwabo-holdings.com/en/ir/strategy.html>

While the plan is based on our current business portfolio, it regards the period it covers as a time of transition for our future development, and sets the following Basic Group Policy: "The creation of next-generation growth drivers," "Contributions to the creation of a new society as a leading company," and "Reform of management foundations." We intend to make efforts to increase our corporate value by putting our growth strategies for the next era into motion and making social contributions through our business, by checking, for each of our business segments, our capital efficiency, the market trends, the growth potential and profitability of our business, among other things. The aim is to ensure that our business portfolio is reviewed promptly and constantly in response to changes in the environment.

On May 15, 2023, we disclosed details of what we have examined to date, the issues to be examined, and the examination system, under the title "Important Considerations and the System for Consideration of the Formulation of the Next Medium-Term Management Plan," with regard to the issues we consider to be important management issues in our examination of our business portfolio and capital allocation for the next medium-term management plan covering the fiscal year ending March 2025 to the fiscal year ending March 2027. As a result, we decided that making our textile business independent from our Group would be the strategic option that would most contribute to increasing our corporate value, and we are proceeding with preparations for the transfer of shares in Daiwabo Co., Ltd., our consolidated subsidiary.

## [Disclosure based on certain principles of the Corporate Governance Code] Updated

[Principle 1.4]

Our holding of any shares for purposes other than investment is subject to our Board of Directors' determination that the shareholding will contribute to the maintenance and improvement of our Group's corporate value over the medium to long term, after the Board's deliberation. This is done by taking comprehensively into consideration: the qualitative side of the purposes of the shareholding, such as securing, enhancing or expanding a business relationship, or facilitating or stabilizing financing; and the quantitative side of purposes such as dividends, profits from related transactions, and other related income, a comparison between return on investment and capital cost, investment risk, and the relevant company's growth potential.

Every year, our Board of Directors checks our individual cross-shareholdings in terms of their purposes, economic rationality, etc. to review whether or not the shareholdings should be continued and the number of shares held. If it is determined that any shareholding will not lead to an increase in our corporate value over the medium to long term based on the determination criteria described above, we intend to reduce the shareholding through sufficient dialogue with the other company.

As for our voting rights, we will exercise them after fully investigating the reasons, purposes, etc. of all proposals that we deem to require careful consideration in order to increase both our corporate value and that of the company we invest in over the medium to long term, and after checking also from the viewpoint of corporate governance and our social responsibility.

[Principle 1.7]

When we engage in related party transactions, such as with our directors or with corporations substantially controlled by our directors, our Board of Directors secures the soundness and appropriateness of the transactions by informing our directors of the fact that the

transactions are related party transactions and conducting careful deliberation and by seeking advice from our outside directors and Audit & Supervisory Board. This is done to ensure that such transactions do not harm our interests or the common interests of our shareholders.

[Principle 3.1]

(1) An outline of our business principles is disclosed on our website. An outline of our business strategies and business plans is disclosed in our securities reports.

<https://www.daiwabo-holdings.com/ja/company/philosophy.html>

We also announced and published on our website on May 13, 2021 our Medium-Term Management Plan covering the period up to the fiscal year ending March 2024.

Medium-term management plan | Investor Relations | Daiwabo Holdings (daiwabo-holdings.com)

(2) As for our basic views on corporate governance, we have established and published on our website the Daiwabo Holdings Corporate Governance Guidelines.

<https://www.daiwabo-holdings.com/en/sustainability/governance.html>

(3) The remuneration of our directors is described under the heading, "Disclosure of the policy for determining the amounts of, or the method of calculating the amounts of, remuneration" under the heading "Remuneration of directors" in part II of this report.

(4) Our policy for appointing directors is to appoint from candidates who accept management responsibility entrusted by shareholders, have extensive experience and knowledge in management, and are capable of fulfilling the duties and responsibilities of directors. Our policy for appointing *kansayaku* (corresponding to our Audit & Supervisory Board Members) is to appoint from candidates who have extensive knowledge and advanced expertise and are capable of fulfilling the duties and responsibilities of *kansayaku*.

Pursuant to these policies, when we nominate director candidates or appoint or dismiss our president or other members of the management team, we prepare an original proposal by taking into consideration the knowledge, experience, and abilities required of Directors in light of the management strategy based on the continuous evaluation of the candidates' past performance records, knowledge, qualifications, etc. and the Nomination Committee carries out deliberation, followed by submission to and a decision by the Board of Directors. When we nominate candidates for *kansayaku* or dismiss *kansayaku*, we not only conduct examinations as with director candidates but also take fully into consideration opinions expressed during discussions with the Audit & Supervisory Board and, upon the consent of the Audit & Supervisory Board, the Nomination Committee carries out deliberation, followed by submission to and a decision by the Board of Directors. In addition, if a director or *kansayaku* violates any law or regulation or our Articles of Incorporation or if any other event arises that is considered to make it difficult for a director or *kansayaku* to perform their duties appropriately, we will decide on their dismissal from their post or on any other action or on the submission of a proposal for their dismissal to the General Meeting of Shareholders after the Nomination Committee carries out deliberation, followed by submission to and a decision by the Board of Directors.

(5) The grounds for the individual appointments or nominations of director or *kansayaku* candidates are described in the reference materials for the relevant general meeting of shareholders attached to the notice of convocation of the meeting.

<https://www.daiwabo-holdings.com/en/ir/stock/meeting.html>

[Supplementary Principle 4.1.1]

Our Board of Directors establishes business strategies, business plans, and other business policies, creates an environment where appropriate risk-taking by the management is supported, and carries out effective oversight of the management.

The Board of Directors leaves daily management tasks that are not subject to the Board's resolution to the executive directors, and receives reports from them on the status of their respective tasks and on business issues. The directors provide feedback and opinions on these reports, while outside directors provide advice, etc. from their independent stance.

[Principle 4.9]

Our basic requirements for appointing independent officers are: having an excellent personality and knowledge; being expected to fulfill such functions and roles as conducting objective and appropriate supervision and audit from a professional perspective; and being unlikely to cause conflicts of interest with general shareholders.

Our independence criteria have been established and are disclosed on our website as part of the Daiwabo Holdings Corporate Governance Guidelines, based on the Tokyo Stock Exchange's criteria.

<https://www.daiwabo-holdings.com/en/sustainability/governance.html>

[Supplementary Principle 4.10.1]

Currently, we have five independent outside directors out of a total of eight, with the former forming a majority. The Company has established the Remuneration Committee and the Nomination Committee as voluntary advisory committees to the Board of Directors, with a majority of the total number of committee members being independent outside directors. The Remuneration Committee is required to provide the Board of Directors with reports and recommendations for determining, among other things, the amount of performance-based monetary remuneration and performance-based stock remuneration, etc., and the Board of Directors is to make determinations pursuant to the content of these reports. The Nomination Committee shall submit reports and recommendations to the Board of Directors on the draft proposal for the election of Directors or *kansayaku*, etc., to be consulted by the Board of Directors, and the Board of Directors shall decide such proposals pursuant to the content of these reports.

[Supplementary Principle 4.11.1]

The Company's Board of Directors shall consist of persons who are well versed in the relevant businesses and have knowledge of management. The number of members of the Board shall be no more than 10, with no less than one-third of the members appointed being outside directors. As stated in the "Daiwabo Holdings Corporate Governance Guidelines," we intend to appoint directors who can accept management responsibility entrusted by shareholders, have extensive experience and knowledge of management, and are capable of fulfilling the duties and responsibilities of directors.

<https://www.daiwabo-holdings.com/en/sustainability/governance.html>

In nominating Directors, etc., the Company formulates a draft after taking into consideration the knowledge, experience, ability, etc., required of Directors in light of the management strategy, and the Nomination Committee carries out deliberations, followed by deliberation by the Board of Directors to determine candidates.

The skills matrix, which lists the knowledge, experience and abilities of each director, is disclosed in the Notice of the Ordinary General Meeting of Shareholders.

<https://www.daiwabo-holdings.com/en/ir/stock/meeting.html>

[Supplementary Principle 4.11.2]

None of our officers concurrently serves as an executive director of any other listed company. This provides a framework that allows our officers to concentrate on their respective duties at our organization.

The status of concurrent service of our officers is disclosed every year in the notices of convocation of general meetings of shareholders and the securities report, and they indicate that the status of concurrent service of our officers other than as executive directors of other listed companies is within a reasonable extent.

Any such concurrent service by any of our officers is decided on subject to approval of the Board of Directors.

[Supplementary Principle 4.11.3]

In order to evaluate and analyze the effectiveness of the Board of Directors as a whole for the 2021 fiscal year, we conducted a questionnaire survey on all directors and *kansayaku* during the period from mid-April to mid-May 2023, and discussed the summarized results of the survey at the Board of Directors meeting.

The questionnaire contained questions broadly categorized into, among others: the composition of the Board of Directors; the holding of the Board of Directors meetings; matters required to be submitted or reported to the Board of Directors; deliberation at the Board of Directors meetings; support to officers; and the respondent's own efforts. Each of the categories contained individual questions to be answered.

The survey results showed that the Company's Board of Directors is steadily improving the problem areas, although there is room for continued consideration and improvement. The Board has initiated improvement measures, such as reviewing the Board's discussion items and holding two-part Board meetings to discuss important issues, with respect to expanding discussion time for improving medium- and long-term corporate value, such as business portfolio management. On the other hand, some commented that it would be more desirable for the Board of Directors to improve the quality of discussions on the progress of management plans and evaluation of business performance, and to enhance discussions on important matters such as M&A.

The number of members on the Board of Directors, the composition of the Board, the frequency at which the Board meets, the support system for the Board, etc. were positively evaluated overall. We understand that we have secured the effectiveness of our Board of Directors as a whole. Based on these results, we intend to continue our efforts to activate the Board of Directors and to enhance its supervisory function, among other things.

[Supplementary Principle 4.14.2]

When new directors and *kansayaku* assume their positions, we provide them with opportunities to participate in internal and external training programs intended for them to acquire knowledge necessary to appropriately fulfill their roles and responsibilities.

To our outside directors and outside *kansayaku*, we continuously provide company information such as the details of our Group's businesses and our Group's business issues, etc. Similarly, after our directors and *kansayaku* have assumed their positions, we continuously provide them with, among other things, information to help them to appropriately fulfill the respective roles and responsibilities expected of them. We also strive to provide them with opportunities to attend meetings, inspect business offices, and do other activities that allow them to acquire the necessary knowledge or to otherwise receive training.

[Principle 5.1]

As for dialogue with our shareholders and investors, the director for IR is responsible and strives to engage in such dialogue in a reasonable and smooth manner. It is also our policy that where necessary, the representative director, the senior management and/or the director for IR will conduct interviews with shareholders and investors.

[Principle 5.2]

[Realizing management conscious of capital costs and stock price]

The Group incorporates financial key performance indicators (KPIs) to evaluate the progress of management goals subjectively, with an emphasis on ROE and ROIC. We aim to achieve these through optimizing the balance between growth investment and shareholder returns, in addition to improving profitability. For ROIC in particular, we believe it is important to instill management that is conscious of capital costs throughout the company from a medium- to long-term perspective, improving it as a result of promoting sound corporate value creation activities. We set KPIs for each business operating company and monitor the progress of improvements based on the concrete action plans. By having each business operating department keep hurdle rates in mind, we will be able to create corporate value as a group.

For details, refer to our response status, which can be found on page 29 of the Integrated Report 2023, accessible using the link below.

[https://www.daiwabo-holdings.com/en/ir/library/integrated\\_report.html](https://www.daiwabo-holdings.com/en/ir/library/integrated_report.html)

## 2. Capital structure

Foreign shareholding ratio	30% or more
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### [Status of major shareholders]

Name	Number of shares held	Percentage
The Master Trust Bank of Japan, Ltd. (trust account)	12,827,900	13.71
Custody Bank of Japan, Ltd. (trust account)	5,301,300	5.66
JP MORGAN CHASE BANK 385632	3,581,075	3.83
Daiwabo Employees Shareholding Association	3,411,043	3.65
MUFG Bank, Ltd.	3,080,640	3.29
JP MORGAN CHASE BANK 380055	2,785,400	2.98
SSBTC CLIENT OMNIBUS ACCOUNT	2,267,931	2.42
3D OPPORTUNITY MASTER FUND	1,951,300	2.09
The Dai-ichi Life Insurance Company, Limited	1,700,000	1.82
The San-in Godo Bank, Ltd.	1,568,385	1.68

Controlling shareholders (excluding parent company)	---
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Parent company	None
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### Supplementary explanation

The status of major shareholders is as of March 31, 2023.

The Company holds 2,776,170 shares of treasury stock but is excluded from the above list of major shareholders. The shareholding ratio is calculated by dividing the number of shares held by the number of shares issued less treasury stock.

## 3. Corporate attributes

Exchange and market section listed on	Tokyo Prime
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Fiscal year end	March
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Industry	Wholesale
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Number of (consolidated) employees as of the end of the preceding fiscal year	1,000 or more
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Sales (consolidated) for the preceding fiscal year	100 billion yen or more to less than 1 trillion yen
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Number of consolidated subsidiaries at the end of the preceding fiscal year	No less than 10 and no more than 50 companies
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## 4. Guidelines on measures to protect minority shareholders in transactions with controlling shareholders

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## 5. Other special circumstances that may have a significant impact on corporate governance

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## II. Status of the governing body and other corporate governance system for management decision-making, execution and supervision

### 1. Matters related to organizational structure and operation

Form of organization	Company with auditors
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#### [Directors]

Number of directors specified in the Articles of Incorporation	10
Term of office of directors specified in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of directors	8
Status of appointment of outside directors	Appointed
Number of outside directors	5
Number of outside directors designated as independent officers	5

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Kenichi Dohi	From another company													
Kazuyuki Nakamura	From another company													
Yukiko Yoshimaru	From another company													
Takako Fujiki	From another company													
Tetsuro Hori	From another company													

\* Options to choose from regarding each director's relationship with the Company

\* A circle ("○") indicates that the director is in the position stated in the option at present or has been recently. A triangle ("△") indicates that the director was in the position stated in the option in the past.

\* A circle ("●") indicates that any of the director's close relatives is in the position stated in the option at present or has been recently. A triangle ("▲") indicates that any of the director's close relatives was in the position stated in the option in the past.

a An executive of a listed company or its subsidiary.

b An executive or a non-executive director of the parent company of a listed company.

c An executive of a sister company of a listed company.

d An entity whose main customer is a listed company, or an executive of such entity.

e A main customer of a listed company, or an executive of such main customer.

f A consultant, accounting professional or legal professional who receives a large amount of money or other assets from a listed company in addition to his/her remuneration as an officer of the listed company.

g A major shareholder of a listed company (or, if the major shareholder is a corporation, an executive of the corporation).

h An executive of a customer of a listed company (who is not in any of the positions stated in d, e, and f above) (this option applies to a director only).

i An executive of a company whose employee has been assigned to us as our outside director and to which our employee has been assigned as its outside director (this option applies to a director only).

j An executive of an entity that receives donations from a listed company (this option applies to a director only).

k Other

Name	Independent officer	Supplementary explanation about the applicable options, if any	Reasons for appointment
Kenichi Dohi	○	---	<p>We believe that Mr. Dohi will be able to reflect his extensive domestic and international experience and broad insight gained as a corporate manager in the textile industry in the management and financial operations of the Company. We expect him to use his expertise to provide oversight and advice, particularly with respect to the development and progress of our management plans, business selection and concentration, strengthening of governance, and social issues such as ESG and SDGs that the Company should address. Mr. Dohi does not meet any of the negative independence criteria set by the exchange, based on which we believe that he is unlikely to cause any conflicts of interest with our general shareholders.</p>
Kazuyuki Nakamura	○	---	<p>We believe that Mr. Nakamura will be able to reflect his wealth of experience and broad insight gained as a manager of a listed company in the ICT industry in the management and financial operations of the Company.</p> <p>We expect him to use his expertise to provide oversight and advice, particularly with respect to the development and progress of our management plans, the Group's growth strategy centered on our core IT infrastructure distribution business, strengthening of governance, and social issues such as ESG and SDGs that the Company addresses. Mr. Nakamura does not meet any of the negative independence criteria set by the exchange, based on which we believe that he is unlikely to cause any conflicts of interest with our general shareholders.</p>
Yukiko Yoshimaru	○	---	<p>We believe that Ms. Yoshimaru will be able to reflect the broad insight she has developed through her experience as a corporate officer in Japan and overseas, and her extensive experience in promoting diversity and strengthening governance in the management and financial operations of the Company. We expect her to use her expertise to provide oversight and advice, particularly with respect to the development and progress of our management plans, management strategy, strengthening of governance, and social issues such as diversity promotion, ESG, and SDGs that the Company addresses. Ms. Yoshimaru does not meet any of the negative independence criteria set by the exchange, based on which we believe that she is unlikely to cause any conflicts of interest with our</p>

			general shareholders.
Takako Fujiki	○	---	We believe that Ms. Fujiki will be able to apply her extensive experience and broad knowledge acquired at companies with a major global presence in the ICT industry to our business and financial management. We expect her to use her expertise to provide oversight and advice, particularly with respect to the development and progress of our management plans, the Group's growth strategy centered on our core IT infrastructure distribution business, the promotion of diversity, and the ICT and DX promotion of business management for the entire Group. Ms. Fujiki does not meet any of the negative independence criteria set by the exchange, based on which we believe that she is unlikely to cause any conflicts of interest with our general shareholders.
Tetsuro Hori	○	----	Mr. Hori has extensive knowledge and experience in corporate planning, legal and intellectual property matters, and finance and accounting as a manager of a globally listed company, and we believe that he will be able to bring his broad insight to the management and financial operations of the Company. We expect him to use his expertise to provide oversight and advice, particularly with respect to the development and progress of our management plans, business selection and concentration, growth strategy, strengthening of governance, and shareholder return policy in consideration of appropriate capital allocation. Mr. Hori does not meet any of the negative independence criteria set by the exchange, based on which we believe that he is unlikely to cause any conflicts of interest with our general shareholders.

Any voluntary committees corresponding to a nomination committee and/or a remuneration committee?

Yes

Status of establishment, composition of members, and attribute of the chairperson of each voluntary committee

	Committee name	All members (persons)	Full-time members (persons)	Inside directors (persons)	Outside directors (persons)	Outside experts (persons)	Other (persons)	Chairperson
Voluntary committee corresponding to nomination committee	Nomination Committee	3	0	1	2	0	0	Outside directors
Voluntary committee corresponding to remuneration committee	Remuneration Committee	3	0	1	2	0	0	Outside directors



## Supplementary explanation

The Nomination Committee and the Remuneration Committee are advisory bodies to the Board of Directors and each Committee consists of at least three members, including the president & representative director and outside directors.

The Nomination Committee is required to provide the Board of Directors with reports and recommendations for the nomination and dismissal of Directors and *kansayaku*, among other things, and the Board of Directors is to make determinations pursuant to the content of these reports.

The Remuneration Committee is required to provide the Board of Directors with reports and recommendations for determining, among other things, the amount of performance-based monetary remuneration and performance-based stock remuneration, etc., and the Board of Directors is to make determinations pursuant to the content of these reports.

The Nomination Committee and Remuneration Committee currently consists of the following members:

(Nomination Committee)  
 Chairperson: Tetsuro Hori  
 Member: Yukihiro Nishimura  
 Member: Kazuyuki Nakamura  
 (Remuneration Committee)  
 Chairperson: Tetsuro Hori  
 Member: Yukihiro Nishimura  
 Member: Kazuyuki Nakamura

### [Kansayaku]

Has an Audit & Supervisory Board been established?	Yes
Number of <i>kansayaku</i> specified in the Articles of Incorporation	5
Number of <i>kansayaku</i>	3

Our *kansayaku* and audit corporation have meetings with each other where necessary during regular business and accounting audits, and exchange information and opinions with each other in order to maintain close contact between them.

Status of appointment of outside <i>kansayaku</i>	Appointed
Number of outside <i>kansayaku</i>	2
Number of outside <i>kansayaku</i> designated as independent officers	2

### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masuji Ueda	A certified public accountant													
Saeko Kakuishi	An attorney-at-law													

\* Options to choose from regarding each *kansayaku*'s relationship with the Company

\* A circle ("○") indicates that the *kansayaku* is in the position stated in the option at present or has been recently. A triangle ("△") indicates that the *kansayaku* was in the position stated in the option in the past.

\* A circle ("●") indicates that any of the *kansayaku*'s close relatives is in the position stated in the option at present or has been recently. A triangle ("▲") indicates that any of the *kansayaku*'s close relatives was in the position stated in the option in the past.

a An executive of a listed company or its subsidiary.

b A non-executive director or an accounting advisor of a listed company or its subsidiary.

c An executive or a non-executive director of the parent company of a listed company.

d A *kansayaku* of the parent company of a listed company.

e An executive of a sister company of a listed company.

f An entity whose main customer is a listed company, or an executive of such entity.

g A main customer of a listed company, or an executive of such main customer.

h A consultant, accounting professional or legal professional who receives a large amount of money or other assets from a listed company in addition to his/her remuneration as an officer of the listed company.

i A major shareholder of a listed company (or, if the major shareholder is a corporation, an executive of the corporation).

j An executive of a customer of a listed company (who is not in any of the positions stated in f, g, and h above) (this option applies to a *kansayaku* only).

- k An executive of a company whose employee has been assigned to us as our outside director and to which our employee has been assigned as its outside director (this option applies to a *kansayaku* only).
- l An executive of an entity that receives donations from a listed company (this option applies to a *kansayaku* only).
- m Other

#### Relationship with the Company (2)

Name	Independent officer	Supplementary explanation about the applicable options, if any	Reasons for appointment
Masuji Ueda	○	---	We believe that Mr. Ueda will be able to apply his extensive experience and broad knowledge to auditing of our accounts from a fair and impartial standpoint by utilizing his advanced expertise acquired as a certified public accountant and licensed tax accountant. Mr. Ueda does not meet any of the negative independence criteria set by the exchange, based on which we believe that he is unlikely to cause any conflicts of interest with our general shareholders.
Saeko Kakuishi	○	---	We believe that Ms. Kakuishi will utilize and reflect her high level of expertise in all aspects of corporate legal affairs, which she has developed as an attorney at law in her audit opinions on the Company from a fair and neutral standpoint. Ms. Kakuishi does not meet any of the negative independence criteria set by the exchange, based on which we believe that he is unlikely to cause any conflicts of interest with our general shareholders.

#### [Independent officers]

Number of independent officers

7

#### Other matters concerning independent officers

Our independence criteria have been established and are disclosed on our website as part of the Daiwabo Holdings Corporate Governance Guidelines, based on the Tokyo Stock Exchange's criteria.  
 Governance | Sustainability | Daiwabo Holdings (daiwabo-holdings.com)

#### [Incentives]

Status of implementation of measures to provide incentives to directors

Introduction of a performance-based remuneration scheme

#### Supplementary explanation about the applicable matters, if any

We have introduced a performance-based compensation scheme, under which our directors other than outside directors receive performance-based monetary remuneration and performance-based stock remuneration in addition to base (fixed) remuneration. The details of the performance-based monetary remuneration scheme and performance-based stock remuneration scheme are described under the heading, "Disclosure of the policy for determining the amounts of, or the method of calculating the amounts of, remuneration" under the heading "Remuneration of directors" in part II of this report.

Persons eligible to receive stock options

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## [Remuneration for directors]

Status of disclosure (of remunerations of individual directors)

Remunerations of individual directors are not disclosed.

The total amount of remuneration paid to our Company's directors for the fiscal year ended March 31, 2023, is as follows. (Amounts in parentheses indicate remuneration paid to outside directors: 1 million yen)

Base remuneration: 145 (37)  
Performance-based monetary remuneration: 28 (-)  
Performance-linked stock remuneration: 14 (-)  
Total: 187 (37)  
Number of eligible officers: 8 (4)

Note: The above amounts do not include employee salaries of directors who concurrently serve as employees.

Is there a policy for determining the amounts of, or the method of calculating the amounts of, remuneration?

Yes

We resolved the "Policy for Determining Remunerations for Individual Directors" at the Board of Directors meeting held on June 29, 2022, as outlined below:

(1) Basic policy

The basic policy for the Company's remuneration scheme for its directors is: to increase their incentives to improve the Company's performance and increase the Company's corporate value over the medium to long term; to maintain a level of remuneration that allows the Company to acquire and maintain excellent human resources; and to ensure the transparency and objectivity of remuneration for directors. Specifically, the remuneration for executive directors shall consist of base (fixed) remuneration, performance-based monetary remuneration, and performance-based stock remuneration, pursuant to the basic policy described above

The remuneration for outside directors shall consist only of base (fixed) remuneration, in light of their role of providing supervision and advice to the management from an objective, independent standpoint.

The Board of Directors shall establish a remuneration committee consisting of a total of at least three members, including the president & representative director and outside directors. The remuneration committee shall provide the Board of Directors with reports and recommendations for determining, among other things, the amounts of performance-based monetary remuneration and performance-based stock remuneration.

(2) Policy for determining the amounts of base (fixed) remuneration for individual directors (including policy for determining the timing or terms of payment of remuneration, etc.)

Base (fixed) remuneration shall be in amounts appropriate for directors' respective positions and responsibilities and shall be paid on a monthly basis in the form of fixed amounts of money.

The level of remuneration shall be determined by the Board of Directors based on the economic and social condition and the Company's business environment and performance and after checking each year whether the level of remuneration for each position is in line with the basic policy described above based on, among other things, external specialized agencies' objective survey data on remuneration.

(3) Policy for determining the nature of, and the method of calculating the amounts or numbers of, performance-based monetary remuneration and performance-based stock remuneration (including policy for determining the timing or terms of payment of remuneration, etc.)

Performance-based monetary remuneration is paid in the form of money at a certain time(s) each year.

Indices shall be set for the amount of remuneration, including the level of achievement against target values for consolidated sales, consolidated operating profit, etc. The amount of remuneration shall be calculated based on the performance of the previous fiscal year and shall be no less than 70% and no more than 130% of the reference amount.

Performance-based stock remuneration shall be paid in the form of stocks upon retirement as compensation linked to the achievement of performance targets and the enhancement of corporate value over the medium to long term. The compensation shall consist of the non-performance-based portion and the performance-based portion, and the non-performance-based portion shall be set at approximately 30% of the total amount of stock-based remuneration.

For the performance-based portion, the maximum amount shall be set at approximately 70% of the total amount of stock-based remuneration. Indices shall be set for the amount of remuneration, including the level of achievement against target values for consolidated sales, consolidated operating profit, etc. The amount of remuneration shall be calculated based on the performance of the previous fiscal year and shall range between 0% and 100%.

When determining the amount, etc., of performance-based monetary remuneration and performance-based stock remuneration, the Remuneration Committee shall provide the Board of Directors with reports and recommendations after discussion at the committee, and the Board of Directors shall make determinations pursuant to the content of these reports and recommendations.

(4) Policy regarding the determination of the ratio of the amount of base (fixed) remuneration, the amount of performance-based monetary remuneration, or the amount of performance-based stock remuneration, etc. to the amount of remuneration, etc. for each director  
Regarding the ratio between different kinds of remuneration of executive directors, the ratios between base (fixed) remuneration, performance-based monetary remuneration, and performance-based stock remuneration shall be set at approximately 6 to 3 to 1 if amounts of both performance-based monetary remuneration and performance-based stock remuneration are set to be the highest and shall be determined by the Board of Directors based on, among other things, external specialized agencies' objective survey data on remuneration.

(5) Matters concerning determination of the nature of remuneration for individual directors

Specific details about the amounts of remuneration for individual directors shall be left to the president & representative director by a resolution of the Board of Directors. The president and representative director shall be authorized to determine the amount of base (fixed) remuneration for each director and to develop the original draft of the evaluation of executive directors in terms of performance-based monetary remuneration and performance-based stock remuneration.

To ensure that the above authority is exercised appropriately, the president & representative director authorized to take the action described above shall develop the original draft of the evaluation of executive directors in terms of performance-based monetary remuneration and performance-based stock remuneration. Then the Board of Directors shall seek advice from, and receive reports and recommendations from, the Remuneration Committee, and shall determine the amounts, etc., of performance-based monetary remuneration and performance-based stock remuneration pursuant to the content of these reports and recommendations.

### [Support system for outside directors (outside *kansayaku*)]

The Company distributes agenda materials for Board of Directors meetings to outside directors through the Board of Directors Secretariat and provides them with advance briefings as necessary, and provides them with necessary support in performing their duties by appointing a secretary in charge of them. The Company distributes agenda materials for a Board of Directors meeting to outside *kansayaku* through the Audit Department, which reports directly to the full-time *kansayaku* and the Audit & Supervisory Board; provides them with advance briefings as necessary; and provides them with necessary support in performing their duties by providing necessary corporate information through the Audit Department.

## 2. Matters concerning execution of operations, auditing and supervision, designation, determination of remuneration, and other functions (outline of the current corporate governance system)

We transitioned to a pure holding company system on January 1, 2006, under which the function of executing operations was transferred to Group companies and Group management has been promoted.

The Board of Directors of the holding company is engaged exclusively in the "development of Group strategies," "optimal allocation of the Group's management resources," and "supervision of execution of the Group's operations." Meanwhile, directors of Group companies assume the role and responsibility of executing operations based on the Group strategies. Through this system, we intend to speed up management decision-making and to strengthen supervisory functions, thereby working on the development of an efficient and agile management structure.

We also strive to keep track of the status of execution of operations and take prompt and necessary action by holding regular meetings of the Management Strategy Meeting, in addition to monthly meetings of the Board of Directors and regular meetings of the Audit & Supervisory Board. On top of that, in order to enhance the set of internal control functions, we hold meetings of the specialized committees where necessary, as well as promoting fair corporate activities while securing high transparency with respect to issues common to Group companies, with support from the Management Staff Unit. Furthermore, we strive to ensure that the management policies for the entire Group are known to all members of the Group, by holding the annual "Meeting to Present Management Policy" attended by executive members of Group companies.

On the other hand, Audit & Supervisory Board Members contribute to the enhancement of corporate governance by always attending, and making statements at, Board of Directors meetings and other important meetings, and by conducting specific interviews with, and auditing the execution of operations at, sales and management departments and major business offices of relevant Group companies.

In addition, the Audit Department, which is responsible for the internal control function across the Group, conducts systematic internal audits, actively works on checking the maintenance and other handling of records, rules, etc. and, where necessary, assists in the audit activities of Audit & Supervisory Board Members.

As for accounting audits, the Company has executed an audit agreement with Ernst & Young ShinNihon LLC. Mr. Kazuhisa Murakami and Mr. Ryoichi Hayama execute audit services as designated limited liability partners and managing members. As their assistants, other certified public accountants, etc. engage in audit services.

## 3. Reasons for selecting the current corporate governance system

We are a company with an Audit & Supervisory Board. Regarding outside *kansayaku*, we strive to enhance the audit function by appointing persons who are highly independent, such as persons with advanced expertise acquired as legal professionals, certified public accountants and/or licensed tax accountants, and by having them monitor and provide advice on management activities from a fair and impartial standpoint.

As for outside directors, we appoint such persons as those who have extensive experience and broad knowledge acquired as members of the management teams of other companies, and have them provide advice on management activities from external viewpoints.

We believe that our corporate governance works through cooperation between the Board of Directors, including outside directors, and the Audit & Supervisory Board.

### **///. Status of implementation of measures with respect to shareholders and other stakeholders**

#### **1. Status of efforts to activate the General Meeting of Shareholders and to facilitate the exercise of voting rights**

	Supplementary explanation
Early dispatch of notices of general meetings of shareholders	A notice of convocation of a general meeting of shareholders is dispatched three weeks before the meeting date.
Exercise of voting rights by electronic or magnetic means	We accept the exercise of voting rights via the Internet.
Participation in platform for online exercise of voting rights and other efforts to improve the environment where institutional investors exercise voting rights	The Company participates in the platform for online exercise of voting rights by institutional investors run by ICJ, Inc.
Provision of English version (summary) of notices of convocation	We prepare and publish on our website English version of notices of convocation (in the narrow sense) and reference materials for general meetings of shareholders.

#### **2. Status of IR activities**

	Supplementary explanation	Explanation directly by representative?
Development and publication of disclosure policy	We have developed and disclosed our "IR Policy." Please visit the following URL: <a href="https://www.daiwabo-holdings.com/en/ir/policy.html">https://www.daiwabo-holdings.com/en/ir/policy.html</a>	
Holding regular information sessions for personal investors	We regularly hold online briefing sessions.	Yes
Holding regular information sessions for analysts and institutional investors	We hold these sessions semiannually. <a href="https://www.daiwabo-holdings.com/en/ir/library/results.html">https://www.daiwabo-holdings.com/en/ir/library/results.html</a>	Yes
Publication of IR documents on website	We publish notices of convocation, notices of resolutions, summary of financial results, securities reports, briefing materials for financial results, etc.	
Establishment of IR-related department (contact person)	We have established the Corporate Strategy Department.	

### 3. Status of efforts to respect stakeholders' positions

	Supplementary explanation
Implementation of environment conservation activities, CSR activities, etc.	<p>We have established the ESG Promotion Committee, through which we strive to manage, and increase awareness of, activities related to the environment, social contributions, and governance in the Group. Starting in 2020, we have identified key sustainability issues (materialities). Together with the identification of materialities, we have developed the “Daiwabo Sustainable Action” as a measure to contribute to addressing social issues around the axes of ESG and SDGs, and these categories and items are linked to the Group’s action items. Through the ESG Promotion Committee, we are checking the progress of our activities and periodically reviewing them. As the achievements of the Committee’s activities, we have disclosed our basic views on human rights and diversity, as well as various pieces of ESG-related data since 2022. As for our response to the TCFD, we have been analyzing the risks and opportunities that climate change poses to the business of the Company. We endorse its aims and have made disclosures on our company website based on the framework.</p> <p>For our sustainability activities, please visit the following URL: <a href="https://www.daiwabo-holdings.com/en/sustainability.html">https://www.daiwabo-holdings.com/en/sustainability.html</a></p>

## IV. Matters concerning internal control systems, etc.

### 1. Basic views on internal control systems and status of their development

Pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, we have developed systems to ensure appropriate operations of the Company and the company group consisting of the Company and its subsidiaries (“Internal Control”), as described below.

#### 1. Systems for ensuring that performance of duties of directors and employees of the Company and its subsidiaries complies with laws and the Articles of Incorporation

(1) In order to spread legal compliance and corporate ethics to all directors and employees of Group companies, we established the Group Charter of Corporate Behavior and strive to make relevant laws and regulations known to all directors and employees, develop internal rules and manuals, and provide training to employees.

(2) The Audit Department, which is responsible for internal audit, audits the compliance of each unit’s execution of operations with applicable laws and the Articles of Incorporation, while developing Compliance Rules and establishing the Compliance Committee chaired by the representative director. In this way, we promote and control across the Group the efforts for legal compliance and corporate ethics compliance within the Group.

(3) We strive to prevent problems by establishing and operating a Daiwabo Helpline overseen by the Legal/Compliance Department, as a means for employees to provide information on legally questionable acts, etc.

#### 2. Systems for storing and managing information on our directors’ performance of duties

(1) By developing the Document Handling Regulations, we will record and store information on directors’ performance of their duties in the form of documents or electronic or magnetic media (hereinafter, “Documents”).

(2) Directors and *kansayaku* will have access to these Documents at any time.

#### 3. Rules and other systems for managing risk of loss of the Company and its subsidiaries

(1) We have developed the Risk Management Rules and classify risks into three categories—management risk, operational risk, and environmental, safety & quality risk. In this way, we intend to enhance the management functions through the sharing of understanding of, and methods for management of, common risks between units. In addition, by developing the Crisis Management Rules, we will strive to minimize the impact of, and prevent the recurrence of, any significant loss.

(2) In order to control and promote across the Group the efforts for risk management within the Group, we will establish a Risk Management Committee chaired by the representative director. By having the committee promptly determine policies for dealing with various risks that have newly arisen, we will ensure the effectiveness of our risk management systems.

#### 4. Systems for ensuring the efficient performance of duties of the Company’s and its subsidiaries’ directors

(1) As a pure holding company, the Company dedicates its Board of Directors’ function to the development of Group strategies and the supervision of execution of the Group’s operations, and has the directors of Group companies execute and be responsible for operations based on the Group strategies, and clarifies the division of their respective responsibilities. By doing the above, the Company intends to speed up management decision-making and to strengthen supervisory functions, thereby developing an efficient and agile management structure.

(2) The Group will establish three-year medium-term management plans and annual business plans and will thoroughly manage performance by conducting monthly reviews and proposing remedial measures at monthly meetings of the Board of Directors, based on an IT-based management accounting system.

(3) Matters that will have a significant impact on management will be deliberated by the Management Strategy Meeting, etc. The directors of the Company and Group companies will, for themselves, determine specific measures based on the Group strategies and policies as well as systems for performing duties based on operational regulations.

5. Systems for ensuring appropriate operations of the company group consisting of the Company and its subsidiaries
- (1) We will carry out appropriate management of business operations that gives top priority to the overall optimality of the Group, by developing Group Business Management Regulations that divide the Group companies into categories and set forth the companies' basic authority.
  - (2) The Group companies will carry out appropriate management of business operations for themselves. The Company will appoint directors to supervise such management and will give them authority and responsibility to comply with laws and the Articles of Incorporation and to develop a risk management structure. In addition, the Company's staff units will provide support to these activities in a cross-functional manner.
6. Matters concerning employees (if any) requested by the Company's *kansayaku* to be assigned to assist their duties and matters concerning ensuring these employees' independence from directors and the effectiveness of *kansayaku's* instructions given to the employees
- (1) Where necessary, a *kansayaku* may order employees belonging to the Audit Department to assist the duties of *kansayaku*.
  - (2) If employees belonging to the Audit Department receive from *kansayaku* any order necessary for audit activities, these employees shall not receive directions or orders from directors in connection with that order.
7. Systems for the Company's directors and employees and subsidiaries' directors, *kansayaku*, and employees to make reports to *kansayaku* and other systems for reporting to *kansayaku*
- (1) The Company's directors and employees and the Group companies' directors and employees will report to *kansayaku* from time to time on the status of execution of the operations that the directors and employees are in charge of and on the following matters, at Board of Directors meetings and/or other important meetings:
    - A. Any matter that is likely to considerably compromise the reputation of the company.
    - B. Any matter that is likely to cause significant damage to the company.
    - C. Any serious violation of any applicable law or regulation or the Articles of Incorporation or any other important matter.
  - (2) If any of the Company's directors or employees or a Group company's directors, *kansayaku* or employees discovers any fact related to any of the matters specified in the preceding item, the relevant director, employee or *kansayaku* shall make a report to *kansayaku* pursuant to the Daiwabo Helpline Operation Regulations.
  - (3) If *kansayaku* deem it necessary to perform their duties, the *kansayaku* may at any time request a report from any of the Company's directors or employees or a Group company's directors, *kansayaku* or employees, in which case the relevant director, *kansayaku* or employee must meet the request.
8. Systems for ensuring that the Company's directors and employees and subsidiaries' directors, *kansayaku*, and employees will not receive unfavorable treatment by reason of making a report to a *kansayaku*
- (1) Pursuant to the Daiwabo Helpline Operation Regulations, any dismissal or other unfavorable treatment of a reporter is prohibited.
9. Matters concerning the policy for processing costs or debts arising from the performance of duties of the Company's *kansayaku*
- (1) If *kansayaku* request from the Company advance payment, etc. of any cost that will arise from the performance of their duties, the Company will promptly process such cost or debt unless the Company proves that the cost or debt relevant to the request is not necessary for the performance of their duties.
10. Other systems for ensuring the effective conduct of audits by *kansayaku*
- (1) *Kansayaku* attend Board of Directors meetings and other important meetings and make statements there from an independent standpoint. *Kansayaku* also visit Group companies' departments to execute their operations.
  - (2) *Kansayaku* must conduct regular business audits with, and otherwise maintain close cooperation with, external auditors. In addition, *kansayaku* hold regular opinion exchange meetings with the representative director.

## 2. Basic views on, and the status of development of systems for, eliminating antisocial forces

We have developed systems for eliminating antisocial forces as follows:

Pursuant to the Group Charter of Corporate Behavior, the Company as a whole, from the top on down, adopts a firm attitude in dealing with antisocial forces and groups that pose a threat to the order and safety of civil society, and firmly rejects any unreasonable demand from them.

The Personnel General Affairs Department is responsible for dealing with antisocial forces. The department must strive to maintain close cooperation with the police and other relevant external organizations under normal circumstances to collect information, and must develop a system that allows prompt action in the event of an incident.

## V. Other

### 1. Have anti-takeover measures been introduced?

Have anti-takeover measures been introduced?	None
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Supplementary explanation about the applicable matters, if any

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### 2. Other matters related to the corporate governance system

Outline of timely disclosure structure

As the Group Charter of Corporate Behavior states, "We strive to increase our corporate value by disclosing corporate information in a timely and appropriate way and having constructive dialogue with a wide range of stakeholders," we assume a fair and serious attitude in providing our company information to investors.

Based on this view, the Company conducts management and operational activities for information disclosure by appointing the director in charge of the IR/PR Department as the Information Management Officer and the representatives of the organizations in the Management Staff Unit and of subsidiaries as Information Managers, pursuant to internal regulations called the "Guidelines for Regulations on Insider Trading."

Any material fact, i.e., financial information, determined fact or occurring situation, is reported by the Information Manager of the department in charge to the Information Management Officer. The Information Manager and the Legal/Compliance Unit will decide if the information or fact needs to be disclosed. If so, the Information Management Officer will report it to the representative director, and a vote will be taken and a report will be made at a Board of Directors meeting.

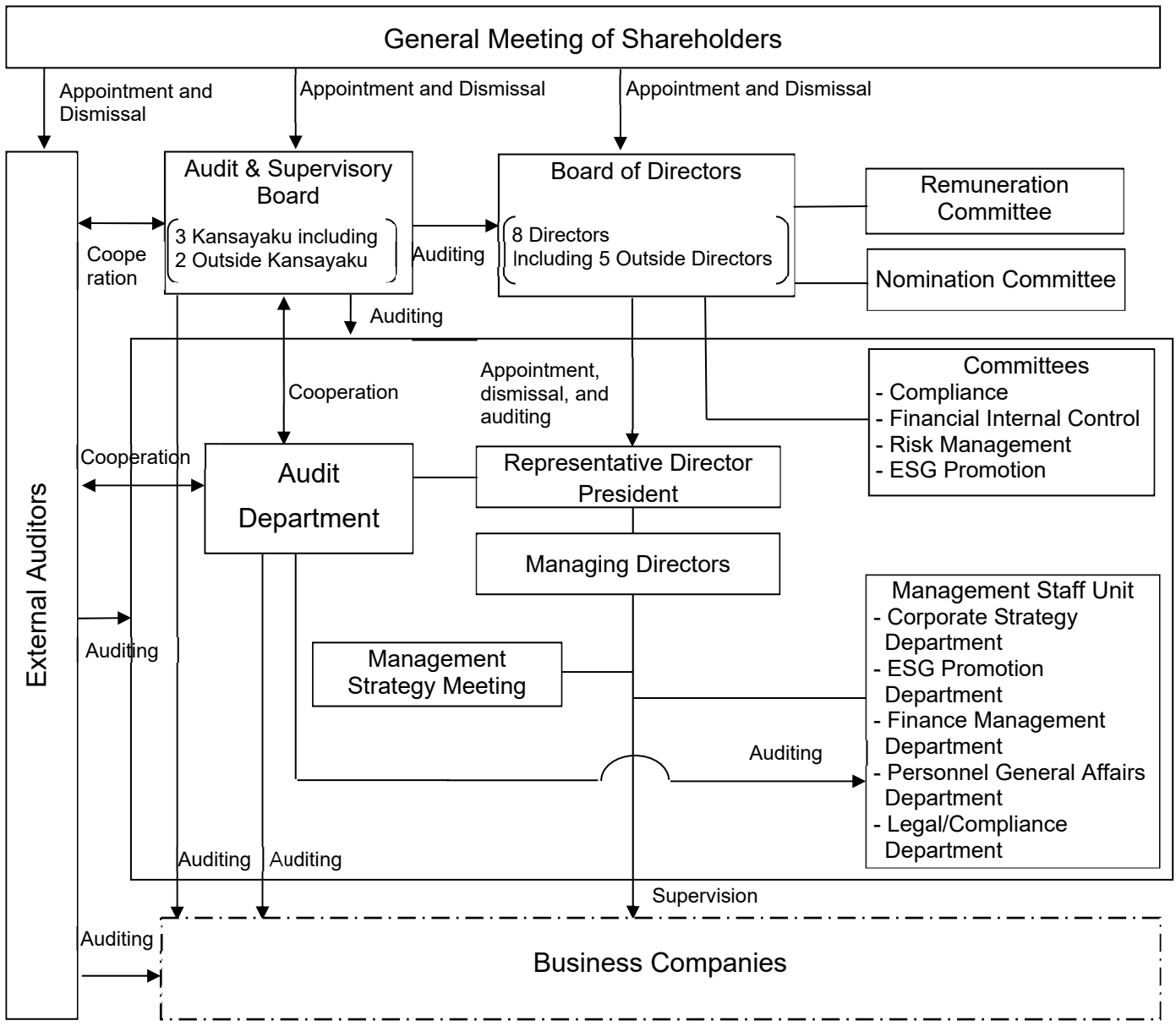
Immediately after the vote and report at the Board of Directors meeting, the Legal/Compliance and IR/PR Departments will submit disclosure materials to the relevant stock exchanges, etc. and will distribute materials at press clubs and otherwise disclose the information.

Regarding disclosure materials, we have put in place a system for making active disclosure to investors, such as promptly posting the materials on our website.

A schematic presentation showing the internal system for timely disclosure of company information is found in the Schematic Diagram of Timely Disclosure System attached hereto.



**[Corporate Governance System]**



# [Schematic Diagram of Timely Disclosure System]

