

# Corporate Governance Report

Last Update: April 24, 2024

**SEPTENI HOLDINGS CO., LTD.**

Yuichi Kouno

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TSE Securities Code: 4293

<https://www.septeni-holdings.co.jp/en/>

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

### **1. Basic views**

The corporate governance of the Company and the company group comprising its subsidiaries (hereinafter called the "Group") is based on the development and operation of a system to ensure that actions are based on the company's corporate philosophy and decisions are made in a transparent, fair, and efficient manner, and compliance with laws and regulations and appropriate supervision (monitoring) of corporate performance are carried out under the mission of "To inspire the world with entrepreneurship".

The Company's corporate philosophy is available on the website.

The Company's corporate philosophy

<https://www.septeni-holdings.co.jp/en/company/philosophy.html>

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

### **Supplementary Principle 4.8.2 Developing a Framework for Communication and Cooperation among Independent Outside Directors and Management, Company Auditors and Other Officers**

Independent outside directors actively participate in discussions and express opinions at meetings of the Board of Directors. In addition, the Board of Directors meeting's secretariat responds appropriately if communication and coordination are required between the independent outside directors and the senior management and company auditors (and the Board of Company Auditors). Moreover, regarding cooperation with company auditors (and the Board of Company Auditors), no lead independent outside director has been appointed as they have been responding appropriately through joint training conducted by directors and company auditors, and the participation of outside company auditors in a periodic meeting (Executive Session), whose members are only independent outside directors. Going forward, the Company will review it as necessary.

## **[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]**

### **Principle 1.4 Cross-Shareholdings**

<Policy on cross-shareholdings>

The Company takes dividends and other returns into consideration and holds shares of listed companies only if they offer benefits toward the execution of operations or if it is decided that they will contribute toward the maintenance and improvement of the Group's corporate value. In line with good corporate governance, the Company avoids being simply a stable shareholder through cross-shareholdings. Additionally, for each shareholding held by the Company, there will be a review held periodically to determine whether or not the benefits and risks associated with that shareholding cover the Company's cost of capital, and if a shareholding is deemed to be lacking in significance, it will be sold. In addition, where the Company has a high voting rights ratio, the Company will fulfill its stewardship responsibilities with respect to the investee as a responsible investor through engagement.

<Criteria for exercise of voting rights>

In exercising the voting rights of shares held, appropriate decisions on supporting or opposing each agenda item will be made based on the view of improving the Group's corporate value, in addition to improving the medium- to long-term corporate value of investee companies. Additionally, if it is necessary to confirm the purpose of the agenda item, the Company will have constructive discussions with the investee company.

### **Principle 1.7 Related Party Transactions**

The Company stipulates appropriate procedures to ensure that related parties such as directors, company auditors, etc. do not use their position and engage in transactions that damage the common interests of the Company and its shareholders. Regarding related party transactions by directors and company auditors, a confirmation report on the examination related to the existence of transactions will be created, and if there are important matters, they will be reported to the Company's Board of Directors. Regarding transactions with directors by the Company, approval must be received from the Board of Directors based on laws and regulations and the regulations of the Board of Directors. Regarding the transactions with controlling shareholders, please refer to "I. 4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder" in this report.

### **Principle 2-3. Issues Related to Sustainability, Including Social and Environmental Issues**

The Company established the Sustainability Committee on January 1, 2022, in order to increase corporate value and contribute more to the sustainable growth of the Group. As a voluntary advisory body to support the decision-making of the Board of Directors, the Committee will discuss and make decisions on matters related to the Group's sustainability promotion within the scope delegated by the Board of Directors. The Committee will actively promote discussions and deliberations on sustainability activities aimed at enhancing corporate value in the future and on setting KPIs and disclosing data related to sustainability.

In the sustainability activities, the Company has set the Group's mission and vision as its basic policy, and the Company is actively promoting activities with the aim of achieving sustainable growth of the Group, improving corporate value, and realizing a sustainable society.

### **Supplementary Principle 2-4-1. Ensuring Diversity within the Company, Including Promotion of Women's Participation**

The Company is actively promoting initiatives towards gender equality in the "Enhancement of Corporate Value by Empowering People Who Create a New Era" materiality of its sustainability activities. In these activities, it aimed to raise the percentage of female managers at major subsidiaries to 25% by October 2023. As of October 2023, the percentage of female managers at major subsidiaries was approximately 26.6%, and the Company achieved the goal. As of the end of December 2023, gender pay gap in the major subsidiaries was 85.2%.

The Company will be promoting activities with a new goal for gender equality, "achieving a 30% female manager ratio by December 2030 (at all the domestic Group companies). "

Initiatives to achieve gender equality

<https://www.septeni-holdings.co.jp/en/csr/activity/new-era/diversity/gender.html>

## **Principle 2.6 Roles of Corporate Pension Funds as Asset Owners**

The Company has not introduced corporate pension plan.

## **Principle 3.1 Full Disclosure**

- (1) Company objectives (e.g., management philosophy), management strategies and management plans  
The Company set its corporate philosophy and Midterm Business Policies, which are posted on its website.
  - Corporate Philosophy : <https://www.septeni-holdings.co.jp/en/company/philosophy.html>
  - Midterm Business Policies : <https://www.septeni-holdings.co.jp/en/ir/medium-term.html>
- (2) Basic views and basic policies on corporate governance  
Basic views and basic policies on corporate governance are described in I-1 “Basic Views” in this report.
- (3) Policies and procedures in determining the remuneration of the senior management and directors  
The Company’s Board of Directors has established a Group unified management remuneration system (hereinafter referred to as the “Group Management Remuneration”), in order to demonstrate appropriate risk taking and an entrepreneurial spirit by directors and key management personnel of the Group, such as Group Executive Officers, through the remuneration program, and formulated the policy for determining matters related to the Group Management Remuneration. Under this policy, not only short-term incentives linked to each term’s business performance, but also the proportion of remuneration linked to medium- to long-term results and the balance of cash and stock has been set appropriately. Additionally, based on this policy, the decision of specific remuneration amounts is decided after taking the opinions of outside directors into account.
- (4) Policies and procedures in the appointment/dismissal of the senior management and the nomination of director and company auditor candidates  
The Company’s Board of Directors established the “Policy Regarding the Appointment of Senior Management and the Nomination of Candidates for Director” from the viewpoint of guaranteeing transparency and fairness of nomination, appointment and dismissal standards for candidates for director and Group Executive Officer of the Company (hereinafter referred to as “candidates for director, etc.”), and the “Procedures Regarding the Appointment and Nomination of Officers of the Group” from the viewpoint of guaranteeing transparency and fairness of the appointment, dismissal and nomination process. Based on these, the candidates for director, etc. are nominated, appointed and dismissed. Additionally, the Company aims to strengthen independence, objectivity and accountability regarding the appointment, dismissal and nomination of candidates for director, etc., and a Nomination and Remuneration Advisory Committee was established as an optional committee under the Company’s Board of Directors with the Group President and Chief Executive Officer and all independent outside directors. The final decision regarding the nomination of candidates for director and the appointment and

dismissal of Group Executive Officers will be made by the Board of Directors after review and reporting from the Nomination Advisory Committee.

- (5) Explanation with respect to individual appointments/dismissals of the senior management and nominations of director and company auditor candidates  
Reasons for nomination of all candidates for director and company auditor are disclosed on the convocation notice for the general meeting of shareholders.

#### **Supplementary Principle 3-1-2. Enhancement of Information Disclosure**

The Company discloses timely disclosure materials, financial results briefing materials, press releases that it believes contribute to investment decisions, convocation notices, corporate governance reports, integrated reports, etc. in English. The Company plans to disclose its securities reports in English from the fiscal year ended December 31, 2023.

#### **Supplementary Principle 3-1-3. Enhanced Information Disclosure**

The Company will proceed with deliberations on appropriate disclosure of sustainability promotion activities aimed at enhancing its corporate value in the Sustainability Committee.

#### **Supplementary principle 4.1.1 Agenda items for resolution by the Board of Directors and scope of delegation to management**

Given its accountability to shareholders, in order to promote sustainable corporate growth of the Group and the increase of corporate value over the medium to long term and enhance earnings power and capital efficiency, the Company's Board of Directors fulfills its responsibilities as follows.

- (1) Setting the broad direction of basic management policy;
- (2) Developing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight (monitoring) of the execution of business by senior management from an independent and objective standpoint.

By delegating the authorities for decision making and execution of the business to Executive Officers (hereinafter referred to as "Group Executive Officers") to the fullest extent of the laws and regulations, the Company's Board of Directors is oriented toward the so-called monitoring model regarding the basic policy of the Board of Directors, which mainly places a priority on overseeing (monitoring) the Group Executive Officers.

#### **Principle 4.9 Independence standards and qualification for independent Board of Directors**

The Company established its own "Independence Standards for Outside Officers" based on the independence criteria set by securities exchanges. Independent outside directors are appointed based on these standards. The reasoning for appointing the independent outside directors who are currently assigned is stated in II-1 "Organizational Composition and Operation [Directors]" in this report.

### **Supplementary Principle 4-10-1. Utilization of Voluntary Systems**

It is as described in II-1 of this report, " Organizational Composition and Operation [Status of Establishment of Voluntary Committee, Composition of Committee and Attributes of Committee Chair (Chairperson)]. "

### **Supplementary principle 4.11.1 Precondition to Ensure Effectiveness of Board of Directors and Company Auditor**

Concerning the appointment of directors, the Company's Board of Directors requires a high level of ability and takes diversity into consideration in order to adequately fulfill responsibilities. The 8 currently appointed directors have varied backgrounds regarding their specialized areas, experience, etc. and within those directors five are independent outside directors, two of whom are female directors. Outside directors with management experience at other companies are also appointed. The Company is also actively considering the disclosure of their skill matrix.

### **Supplementary principle 4.11.2 Precondition to ensure effectiveness of Board of Directors and Company Auditor**

The status of directors and company auditors having concurrent positions is disclosed in the convocation notice of the general meeting of shareholders.

### **Supplementary principle 4.11.3 Precondition to ensure effectiveness of Board of Directors and Company Auditors**

With the aim of enhancing the function of the Board of Directors, the Company conducts analysis, evaluation and follow-up examinations of issues on the effectiveness of the Board of Directors once a year in principle. The Company also conducts large-scale and detailed surveys by external third-party institutions once every 3 years. With an external third-party survey conducted in the fiscal year ended September 30, 2022, the Company confirmed that the Board of Directors completed the transition to a monitoring board type, enabling advanced and lively discussions. In addition, in terms of operation, practical measures such as devising the agenda of the Board of Directors, providing materials in advance, creating opportunities for discussions through camps, and strengthening cooperation among outside directors through executive sessions had already been sufficiently carried out, and that effectiveness has been confirmed. On the other hand, it was also confirmed that with the substantial reform of the Board of Directors, a common awareness of issues has emerged, such as how to think of the innovation board, which lies ahead of the monitoring board, how to realize the "co-creation of value between supervision and execution," and how to think of the succession of the Board of Directors.

In response to this, in the fiscal year ended December 2023, the transition to the innovation board was discussed at the Board of Directors and the officer camp on an ongoing basis, and as part of measures to co-create value between supervision and execution, the Company revised organizational and divisional structures and regulations. Also, in response to some advice by the Nomination and Remuneration Advisory Committee, which has been discussing succession plans to realize sustainable growth, the Company resolved to reform its management structure. By building and promoting a new collective leadership system,

the Company aims to further increase its corporate value, and will continue initiatives to enhance the effectiveness of the Board of Directors.

**Supplementary principle 4.14.2 Training policy for Board of Directors and Company Auditors**

When new outside directors and outside company auditors assume their offices, the Company's Board of Directors explains the basic points related to the Group's corporate philosophy and business, finances, and organization.

Additionally, with the aim of deepening understanding regarding the Group's corporate philosophy, business activities, financial activities and organizational structure, the Company provides all directors and company auditors with information related to the above aspects when necessary, and provides training opportunities regarding highly important, specialized, and urgent matters, such as revisions to laws and taxation directly related to the corporate management and knowledge related to current issues of high social concern, from third party institutions at the Company's expense.

**Principle 5.1 Policy for constructive dialogue with shareholders**

The Company is aiming to continually increase corporate value, and is actively working on IR activities, focusing on dialogue with markets. Specifically, the Group President and Chief Executive Officer explains operating results and policy at financial results briefings for institutional investors and analysts held each quarter. After financial results briefings, the Group President and Chief Executive Officer and the Executive Officer in charge of the CEO Office conduct individual meetings with shareholders and investors through the IR Department of CEO Office. The contents of the meetings are reported to the Company's Board of Directors on a quarterly basis. Based on the requests of shareholders, outside directors also hold individual meetings with shareholders. Additionally, from FY2018, the Company has been publishing annual Integrated Reports, creating opportunities for dialogue with markets and mutually deepening understanding. Through these activities, the Company is aiming to further increase corporate value by having constructive dialogue with markets, which will be appropriately reflected in management.

## 2. Capital structure

Foreign shareholding ratio [Updated]	10% or more, less than 20%
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### Major shareholders [Updated]

Name / Company name	Number of shares owned	Percentage (%)
Dentsu Group Inc.	109,782,395	52.00
Village seven Co., Ltd.	12,419,000	5.88
Mamoru Nanamura	10,450,500	4.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,945,400	2.81
GOLDMAN SACHS INTERNATIONAL	5,529,926	2.61
CGML PB CLIENT ACCOUNT/COLLATERAL	5,046,960	2.39
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE SEGREGATION ACC FOR THIRD PARTY	4,893,652	2.31
Custody Bank of Japan, Ltd. (Trust Account)	4,271,900	2.02
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	3,631,616	1.72
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	2,857,100	1.35

Controlling shareholder (except for parent company)	None
Parent company [Updated]	Dentsu Group Inc. (listed on Tokyo Stock Exchange) (TSE Securities Code): 4324

Supplementary Information
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## 3. Corporate profile

Listed stock market and market section	Tokyo Stock Exchange, Standard
Fiscal year-end	December
Type of business	Service
Number of employees (consolidated) as of the previous fiscal year-end	More than 1,000
Net sales (consolidated) in the previous fiscal year	From 100 billion to 1 trillion yen
Number of consolidated subsidiaries as of the previous fiscal year-end	From 10 to less than 50



**4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder [Updated]**

The Company's parent company is Dentsu Group Inc. One of the Company's directors concurrently serves as an executive officer of Dentsu Inc., a subsidiary of Dentsu Group Inc. However, this director is in a position to supervise the execution of business in order to enhance its corporate value as a non-executive director of the Company. In addition, with respect to transactions with the parent company, management support fees are determined by agreements between the parties taking into account the content of operations, and interest rates on fund transactions are determined in the same manner as in general transactions with reference to market interest rates. Through these various measures, the Company believes that its business operations are sufficiently independent from the parent company, etc. As a publicly traded company with the parent company, the Company has agreed to maintain its autonomy and independence in the relationship with the parent company under an agreement between the parties.

In addition, the majority of the Company's Board of Directors is independent outside directors, and decisions concerning its management are made through discussions based on the viewpoint of protecting minority shareholders. As a result, the Company does not anticipate any harm to the interests of itself or its minority shareholders.

**5. Other special circumstances that may have material impact on corporate governance**

None

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

### 1. Organizational Composition and Operation

Organization Form	Company with company auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors [Updated]	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated from among Outside Directors	5

Outside Directors' relationships with the Company: 1 [Updated]

Name	Attribute	Relationship with the Company ( * )										
		a	b	c	d	e	f	g	h	i	j	k
Etsuko Okajima	From another company								△			
Yoshiki Ishikawa	From another company											
Akie Iriyama	Scholar											
Mio Takaoka	From another company											
Makoto Shiono	From another company											

\* Categories for "Relationship with the Company"

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

"△" when the director fell under the category in the past;

"●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Board Directors' relationships with the Company: 2 [Updated]
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### **Etsuko Okajima**

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

#### **Reason(s) for appointment as an Outside Board Director**

Ms. Etsuko Okajima has an abundance of experience and knowledge and considerable insight of corporate management, and because she is deemed capable of providing useful advice on all aspects of the business administration of the Group from an independent and objective position, she has been appointed as an outside director. Additionally, because she does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, she is unlikely to cause a conflict of interest with general shareholders, so she has been appointed as an independent officer.

### **Yoshiki Ishikawa**

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

#### **Reason(s) for appointment as an Outside Board Director**

Mr. Yoshiki Ishikawa has professional and extensive experience and results, and considerable insight as both a preventive medicine researcher and a founder of a company using methods based on behavioral science, and because he is deemed capable of providing useful advice on all aspects of the business administration of the Group, he has been appointed as an outside director. Additionally, because he does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, he is unlikely to cause a conflict of interest with general shareholders, so he has been appointed as an independent officer.

**Akie Iriyama**

Designation as an Independent Officer: Applicable  
Supplementary information on the relationship with the company: Not applicable  
Reason(s) for appointment:

**Reason(s) for appointment as an Outside Board Director**

Mr. Akie Iriyama has operational experience as a consultant, along with professional, extensive experience and results and considerable insight as a researcher specialized in the management strategies and the global management fields, and because he is deemed capable of providing useful advice on all aspects of the business administration of the Group, he has been appointed as an outside director. Additionally, because he does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, he is unlikely to cause a conflict of interest with general shareholders, so he has been appointed as an independent officer.

**Mio Takaoka**

Designation as an Independent Officer: Applicable  
Supplementary information on the relationship with the company: Not applicable  
Reason(s) for appointment:

**Reason(s) for appointment as an Outside Board Director**

Ms. Mio Takaoka has professional, extensive experience and results, and considerable insight of strategic investment, new business development and finance, and because she is deemed capable of providing useful advice on all aspects of the business administration of the Group, she has been appointed as an outside director. Additionally, because she does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, she is unlikely to cause a conflict of interest with general shareholders, so she has been appointed as an independent officer.

**Makoto Shiono**

Designation as an Independent Officer: Applicable  
Supplementary information on the relationship with the company: Not applicable  
Reason(s) for appointment:

**Reason(s) for appointment as an Outside Board Director**

Mr. Makoto Shiono has extensive experience and results, and considerable insight in strategic planning and implementation consulting and M&A advisory services for domestic and foreign companies and government agencies, he is deemed capable of providing oversight and advice on all aspects of the business administration of the Group, he has been appointed as an outside director. Additionally, because he does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, he is unlikely to cause a conflict of interest with general shareholders, so he has been appointed as an independent officer.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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Status of Establishment of Voluntary Committee, Composition of Committee and Attributes of Committee Chair (Chairperson) [Updated]

	Voluntary committee corresponding to a nominating committee	Voluntary committee corresponding to a remuneration committee
Name of committee	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
Total number of members	6	6
Number of full-time members	6	6
Number of internal directors	1	1
Number of outside directors	5	5
Number of external experts	0	0
Number of other members	0	0
Committee chair (chairman)	Outside director	Outside director

Supplementary information [Updated]

The Nomination and Remuneration Advisory Committee, which consists of a majority of outside directors, was established as an optional advisory body to the Company's Board of Directors in order to guarantee the transparency and objectivity of the deliberation process regarding the Group's management personnel (matters concerning the appointment and dismissal of the Company's directors, Group Executive Officers, representative directors of important subsidiaries, etc.). The committee is composed entirely of outside directors and the Group President and Chief Executive Officer, and the chairperson is appointed by mutual election from among the outside directors.

**[Company Auditors]**

Establishment of the Board of Company Auditors	Established
Maximum Number of Company Auditors Stipulated in Articles of Incorporation	4
Number of Company Auditors [Updated]	4

Cooperation among Company Auditors, Financial Auditor and Internal Audit Division
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Concerning audits performed by company auditors, company auditors will receive reports such as audit plans and audit results from the Internal Auditing Office, which is the division in charge of internal auditing, and the audit corporation, in addition to accessing important matters when necessary and working to increase the efficiency and effectiveness of audits through cooperation.

Additionally, the Internal Auditing Office exchanges information and opinions with the Board of Company Auditors and the audit corporation when necessary and facilitates cooperation in order to increase the effectiveness and efficiency of auditing functions.

Appointment of Outside Company Auditors	Appointed
Number of Outside Company Auditors	3
Number of Independent Officers Designated from among Outside Company Auditors	0

Outside Company Auditors' relationships with the Company: 1
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Name	Attribute	Relationship with the Company ( * )												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tadahiro Mouri	From another company													
Mamoru Furushima	Lawyer													
Takeshi Okuyama	Lawyer													

\* Categories for "Relationship with the Company"

- "○" when the company auditor presently falls or has recently fallen under the category;
  - "△" when the company auditor fell under the category in the past;
  - "●" when a close relative of the company auditor presently falls or has recently fallen under the category;
  - and "▲" when a close relative of the company auditor fell under the category in the past
- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
  - b. Non-executive director or accounting advisor of the Company or its subsidiary
  - c. Non-executive director or executive of the parent of the Company
  - d. Company auditor of the parent of the Company
  - e. Executive of a fellow subsidiary of the Company
  - f. Party whose major client or supplier is the Company or an executive thereof
  - g. Major client or supplier of the Company or an executive thereof
  - h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a company auditor
  - i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
  - j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the company auditor himself/herself only)
  - k. Executive of a corporation to which outside officers are mutually appointed (the company auditor himself/herself only)
  - l. Executive of a corporation that receives a donation from the Company (the company auditor himself/herself only)

m. Other

Outside Company Auditors' relationships with the Company: 2
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**Tadahiro Mouri**

Designation as an Independent Officer: Not Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

**Reason(s) for appointment as an outside company auditor**

Mr. Tadahiro Mouri has been appointed as an outside company auditor because the Company expects that he can carry out the oversight of management from a perspective independent of the management team due to his considerable insight and extensive operational experience of auditing.

**Mamoru Furushima**

Designation as an Independent Officer: Not Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

**Reason(s) for appointment as an outside company auditor**

Mr. Mamoru Furushima has been appointed as an outside company auditor because the Company expects that he can carry out the oversight of management from a perspective independent of the management team due to his extensive experience and specialist knowledge as a certified public accountant and a lawyer and in-depth knowledge of auditing, and he is deemed capable of properly carrying out the duties of company auditor.

**Takeshi Okuyama**

Designation as an Independent Officer: Not Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

**Reason(s) for appointment as an outside company auditor**

Mr. Takeshi Okuyama has been appointed as an outside company auditor because the Company expects that he can carry out the oversight of management from a perspective independent of the management team due to his extensive experience and specialist knowledge as a lawyer and in-depth knowledge of corporate governance, corporate legal affairs and auditing, and he is deemed capable of properly carrying out the duties of company auditor.

**[Independent Officers]**

Number of Independent Officers	5
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The Company has established Independence Standards for Outside Officers as follows.

<Independence Standards for Outside Officers>

The Company believes that, for appropriate corporate governance of the Company, independence of outside directors and outside company auditors to the extent possible is desirable in order to guarantee the necessary objectivity and transparency, and the independence standards for outside officers of the Company are stipulated as follows. When an outside officer (including candidates; hereinafter, the same) falls under any of the following items, he/she is deemed not to have sufficiently satisfied the requirements for independence of the Company.

1. Is not currently or has not been in the past an executive<sup>(Note 1)</sup> of the Company or of an affiliate of the Company (hereinafter referred to as the "Group").
2. Is not a major shareholder<sup>(Note 2)</sup> of the Company.
3. Has not met any of the following conditions in the past 10 years, including the present.
  - (1) A party whose major client or supplier is the Group<sup>(Note 3)</sup> or an executive thereof
  - (2) A major client or supplier of the Group<sup>(Note 4)</sup> or an executive thereof
  - (3) A major creditor<sup>(Note 5)</sup> of the Group
  - (4) An executive of a party of which the Group is a major equity holder<sup>(Note 6)</sup>
  - (5) A party belonging to an auditing firm performing statutory audits of the Group
  - (6) A consultant, certified accountant, certified public tax accountant, lawyer, judicial scrivener, patent attorney or other professional who receives substantial amount<sup>(Note 7)</sup> of cash and/or other assets from the Group besides officer remuneration (when a person who receives such assets is an organization such as a corporation or an association, a person who belongs to such organization)
  - (7) A recipient of substantial amount<sup>(Note 7)</sup> of donations from the Group or an executive thereof
  - (8) An executive of another company with which there is a relationship involving cross-assumption of office<sup>(Note 8)</sup> of outside officers
4. A close relative<sup>(Note 9)</sup> of the party who does not meet any of the conditions of 1. - 3. above.
5. Notwithstanding the stipulations above, does not have special grounds that would cause a conflict of interest with the Group.

(Note 1) "Executive" refers to an executive director, Executive Officer (*shikkoyaku*), executive officer (*shikkoyakuin*), other equivalent person, or other employee.

(Note 2) "Major shareholder" refers to a shareholder that holds, directly or indirectly, 10% of shares or more in voting rights under their own name or another person's name. If



- the shareholder is an organization such as a corporation or an association, an executive who belongs to such organization.
- (Note 3) "A party whose major client or supplier is the Group" is one whose transaction amount with the Group is equivalent to 2% or more of its consolidated annual sales.
- (Note 4) "A major client or supplier of the Group" is one where the transaction amount with that client or supplier is equivalent to 2% or more of the Company's consolidated annual revenue.
- (Note 5) "Major creditor" refers to a financial institution on which the Company is dependent to the extent that it is indispensable for its financing and is not substitutable.
- (Note 6) "Major equity holder" refers to a party where 10% of its shares or more in voting rights are held, directly or indirectly, by the Group.
- (Note 7) "Substantial amount" refers to an amount of at least ¥10 million in one fiscal year in the case of an individual, and an amount of at least 2% of the organization's annual sales or annual total revenue or ¥10 million, whichever is higher, in the case of an organization.
- (Note 8) "Relationship involving cross-assumption of office" refers to a relationship where an executive of the Group serves as an outside officer of another company and an executive of that company serves as an outside officer of the Company.
- (Note 9) "Close relative" refers to a spouse or persons within the second degree of kinship.

## [Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
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Supplementary Explanation [Updated]

The Company resolved, at its Board of Directors meeting and the extraordinary shareholders meetings of its subsidiaries held in November 2022, to continue and partially revise the performance-linked share-based remuneration plan (hereinafter referred to as the "Plan"), which was introduced in FY2017, for directors (excluding outside directors and those who are non-residents of Japan) and Group Executive Officers (excluding those who are non-residents of Japan; hereinafter the directors and Group Executive Officers collectively referred to as "Directors, etc.") of the Company. A proposal for partial revision of the Plan was submitted to and resolved at the 32nd Ordinary General Meeting of Shareholders held on December 21, 2022.

The Plan aims to make the linkage between the remuneration for Directors, etc. and the Group's medium- to long-term performance and shareholders value clearer, and to serve as a sound incentive toward making contributions to improving performance of the Group over the medium- and long-term and to increasing corporate value. Also, the Company entered into a trust agreement in February 2023 on the premise that the trust period of the established BIP (Board Incentive Plan) trust will be extended to May 31, 2026 through the continuation of this system.

As the indicators for the performance-linked remuneration, the Company has set the titles of Directors, etc. and the degree of attainment of performance targets, etc. according to the non-GAAP operating profit targets for each business year in the Midterm Business Policies for the fiscal year ending December 31, 2023 and thereafter. As the reason for selecting these indicators, the Company has deemed that they are appropriate indicators for evaluating the achievement of improvements to the medium- to long-term corporate value.

When the Plan is introduced, the Company shall abolish the current stock-option remuneration plan for the officers of the Company.

Grantees of Stock Options	None
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Supplementary Information
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#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Partial individual disclosure
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Supplementary Explanation [Updated]
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- Total amount of remuneration, etc. the Company paid to directors in the fiscal year ended December 31, 2023.  
¥261,066 thousand

Policy for Determining Remuneration Amounts or Calculation Methods Thereof [Updated]	Established
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Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof
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The Company adopted a resolution on the policy for determining details of individual remunerations, etc. for directors, etc. at the Board of Directors meeting held on November 22, 2016.

Furthermore, regarding remuneration, etc. for individual directors in the business year under review, the Board of Directors has deemed that the method of determining the details of the remuneration, etc. and the details of the decided remuneration, etc. are consistent with the determination policy. The Board of Directors has also reported on performance evaluations including the approach to evaluating independent outside directors and their personal evaluation to confirm the validity of remuneration levels, and has confirmed that they were decided while referencing the advice from the Nomination and Remuneration Advisory Committee and that the evaluations follow the determination policy.

The details of the policy for determining details of individual remunerations, etc. for directors, etc. are as follows.

a. Basic policy

Remuneration for directors (excluding outside directors) is composed of basic remuneration (monthly cash remuneration) and performance-linked remuneration. The amount of basic remuneration paid will be an amount that considers the rate of change in performance of the controlling company in the business year under review on top of the amount of remuneration paid in the previous business year. However, fixed upper and lower limits will be set in the remuneration revisions. Furthermore, the total amount of remuneration paid as cash every month must be within the total remuneration limit for directors decided by the general meeting of shareholders. Performance-linked remuneration will take the form of share-based remuneration using the officers remuneration BIP trust.

Remuneration for outside directors is composed of only monthly basic remuneration (fixed with no changes based on performance).

Remuneration for company auditors is composed of only monthly basic remuneration (fixed with no changes based on performance).

b. Concerning other determination for remunerations, etc.

Following the above basic policy a., basic remuneration for directors (excluding outside directors) will be within the total limit of director remuneration set by a resolution of the general meeting of shareholders (Note 1), and individual and specific allocations will be decided by the Group President and Chief Executive Officer referencing the advice from the Nomination and Remuneration Advisory Committee. Regarding performance-linked remuneration, based on the share-based remuneration system using the officer's remuneration BIP trust resolved by the general meeting of shareholders, "share delivery rules" will be concluded with the trustee of the trust (Note 2), and according to these rules, the trustee will delivery shares and pay cash.

Following the above basic policy a., remuneration for outside directors will be within the total limit of director remuneration set by a resolution of the general meeting of shareholders (Note 1), and individual and specific allocations will be decided by the Group President and Chief Executive Officer referencing the advice from the Nomination and Remuneration Advisory Committee.

Following the above basic policy a., remuneration for company auditors will be within the total limit of company auditor remuneration set by a resolution of the general meeting of shareholders (Note 3), and individual and specific allocations will be decided through discussions with the company auditors.

(Notes)

1. Up to ¥600 million per year for the Company's directors (decided by a resolution at the 23rd Ordinary General Meeting of Shareholders held on December 20, 2013).
2. Trust-related operations will be conducted by Mitsubishi UFJ Trust and Banking Corporation, etc. and share-related operations will be conducted by DSB Co., Ltd.

3. Up to ¥50 million per year for the Company's company auditors (decided by a resolution at the 9th Ordinary General Meeting of Shareholders held on December 14, 1999).

### **[Support system of outside directors (company auditors)]**

Currently, there is no full-time employees that assist the outside directors and company auditor. If there is a request from outside directors, decision will be made a decision based on the Board of Directors. Additionally, the employees are put under the control of the supervising and commanding right by the outside directors and ensured their independence.

## **2. Matters regarding Decision-making Functions related to the Execution of Duties, Audit and Supervision, Appointments, Compensation, Etc. (Outline of the current corporate governance system) [Updated]**

The Group is managed under a holding company structure in which the Company is a holding company and its group companies are operating companies. By separating the function of administering its overall business from executing its individual businesses, the Group has been working to facilitate the delegation of authority and strengthen the Company's function of monitoring the Group's businesses.

The Board of Directors shall consist of a majority, at the minimum, of highly independent Outside Directors. The Board currently consists of 8 Directors, five of whom are Outside Directors. It determines matters prescribed by laws and regulations and the Articles of Incorporation and matters concerning the execution of important business and oversees the execution of business. Furthermore, as part of strengthening of its corporate governance system, the Company introduced an executive officer system in January 2017. Under this system, the authority for making decisions and executing business operation is delegated to Executive Officers (hereinafter, "Group Executive Officers") to the extent permitted by relevant laws and regulations, in order for the Board of Directors to mainly focus on the oversight (monitoring) of the Group Executive Officers who are responsible for the execution of business (monitoring model- oriented).

The Group Executive Officers are responsible for the execution of business of the Company, that of the business companies in its group or that across several business companies. The Board of Directors appoints Group Executive Officers in charge of respective areas of business operation, and the Group President and Chief Executive Officer who concurrently serves as Representative Director oversees the execution of business operations by the Group Executive Officers.

Moreover, matters to be resolved by meetings of the Board of Directors, those regarding which authority is to be delegated to the Group Executive Officers and those to be reported by the Group Executive Officers to the Company's Board of Directors are clearly stipulated in the regulations of the Board of Directors.

In addition to the above, Group Management Meeting has been established, as a system regarding decision-making on the execution of business, with the functions of supporting decision-making by the Group President and Chief Executive Officer and of considering important managerial matters of the group. The Company has also established a Group Risk Management Committee that supervises risk management of the group, a Sustainability Committee that promotes sustainability activities to enhance the corporate value and a Financial Results and Disclosures Committee that reviews and evaluates financial results information, information for timely disclosure, among other things. In doing so, the Company has put in place a system that clarifies authority and responsibilities and enables prompt and appropriate decision-making.

On the other hand, Nomination and Remuneration Advisory Committee, the majority of which consists of Outside Directors, has been established as an optional committee of the Board of Directors to handle personnel matters regarding the group's management team (appointment, removal etc. of Directors of the Company, Group Executive Officers and others), in order to ensure the independence, objectivity and accountability of the deliberation process. In addition, meetings attended only by the Outside Directors (Executive Session) are held once a month in principle, thereby securing a place for information exchange and shared awareness from objective standpoints. Outside Auditors, external accounting auditors and other independent outside persons may attend such meetings, thereby providing a place for promoting cooperation among independent outside persons.

The Company has adopted a company auditor system. Under the system, there are currently four Company Auditors including three highly independent Outside Auditors. Each Company Auditor audits the execution of business by the Directors, in accordance with the auditing policy, audit plans and so forth determined by the Board of Company Auditors.

### **3. Reasons for Adoption of Current Corporate Governance System**

As a policy of the Company, the Board of Directors shall consist of a majority, at the minimum, of independent outside directors, and has established a system that functions effectively and efficiently to make decisions with regard to the basic management policy and oversee business execution by the Board of Directors through the involvement of outside directors, who have abundant experience and keen insight regarding management, in deliberation at the Company's Board of Directors meetings. Additionally, the Board of Company Auditors consists of a majority of independent outside company auditors, and the company auditors, who have expertise in finances, law, etc., have established an auditing system that functions effectively and efficiently through mutual cooperation with the financial auditor as an external auditor. As described above, as a result of the functioning of both oversight of the execution of duties by outside directors through deliberation of the Board of Directors, as well as auditing by independent company auditors who are not involved in decisions regarding the execution of duties, the Company is utilizing the current corporate governance system as it believes that it will guarantee further enhanced governance functions and will further increase the effectiveness of corporate governance.

### III. Implementation of measures for shareholders and other stakeholders

#### 1. Measures to vitalize the General Meeting of Shareholders and enable smooth exercise of voting rights [Updated]

	Supplementary information
Early Delivery of Convocation Notice for General Meeting	<p>The latest date for the 33rd Ordinary General Meeting of Shareholders</p> <ul style="list-style-type: none"> <li>- The date of providing information in electronic format on the website: February 28, 2024</li> <li>- Delivery of Convocation Notice: March 8, 2024</li> <li>- Event Date: March 27, 2024</li> </ul>
Scheduling General Meeting of Shareholders Avoiding the Peak Day	<p>The Company holds the Ordinary General Meeting of Shareholders around March 20 every year.</p> <ul style="list-style-type: none"> <li>• The date of the latest 33rd Ordinary General Meeting of Shareholders: March 27, 2024</li> </ul>
Allowing Electronic or Magnetic Exercise of Voting Rights	<p>The Company has adopted the exercise of voting rights via the Internet, and shareholders can exercise their voting rights from a computer, smartphone, etc.</p>
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	<p>The Company has used the Electronic Proxy Voting Platform operated by ICJ, Inc.</p>
Providing Convocation Notice in English (Translated Fully or Partially)	<p>English translations of the convocation notices are available on the websites of the Company and the Tokyo Stock Exchange (disclosed on the same day as the Japanese).</p> <p><a href="https://www.septeni-holdings.co.jp/en/ir/stock/shareholders/index.html">https://www.septeni-holdings.co.jp/en/ir/stock/shareholders/index.html</a></p>
Others	<ul style="list-style-type: none"> <li>- The convocation notices are available on the Company's website before delivery.</li> <li><a href="https://www.septeni-holdings.co.jp/en/ir/stock/shareholders/index.html">https://www.septeni-holdings.co.jp/en/ir/stock/shareholders/index.html</a></li> <li>- The business report video is posted on the Company's website.</li> <li>- The 33rd Ordinary General Meeting of Shareholders on March 27, 2024, was held as a general meeting of shareholders without a designated location for the shareholders meeting (virtual-only shareholders meeting) with the aim of providing an opportunity for shareholders to attend the meeting in an equal manner, regardless of physical location or whether there is time to spare.</li> </ul>

## 2. IR Activities [Updated]

	Supplementary Explanation	Explanation by Representative
Preparation and publication of disclosure policy	The Company makes a disclosure policy and the policy is posted on the Company's website. <a href="https://www.septeni-holdings.co.jp/en/ir/disclosure.html">https://www.septeni-holdings.co.jp/en/ir/disclosure.html</a>	
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>- The Company holds financial results briefings once every quarter, and the representative will explain the details of financial results and future business developments, etc.</li> <li>- A video of the results briefing is recorded and released on the Company's website on the same day or the day after the briefing.</li> </ul>	Yes
Regular Investor Briefings for Overseas Investors	The Company does not hold briefing sessions for overseas investors, but it discloses English transcript for financial results briefings on its website. In addition, individual meetings with overseas investors are held on an ongoing basis both domestically and overseas.	Yes
Posting of IR Materials on Website	Materials requiring timely disclosure, such as the summary of consolidated financial statement, the annual securities report, materials for financial results briefings, the stock information and Integrated Report are posted on the IR section of the Company's website in a timely manner.	
Establishment of Department and/or Manager in Charge of IR	<p>The IR Department of CEO Office is in charge of IR operations. Various legal disclosure materials are prepared in collaboration with the Finance &amp; Accounting Department and the Legal Department.</p> <p>The Integrated Report is prepared in cooperation with the Public Relations Department.</p>	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
a. Internal Rules and Regulations that Promote Respect for the Status and Position of Stakeholders	<p>This is stipulated in the Group's Corporate Philosophy. In addition, Group-wide projects are being conducted to disseminate the Corporate Philosophy.</p> <p><a href="https://www.septeni-holdings.co.jp/en/company/philosophy.html">https://www.septeni-holdings.co.jp/en/company/philosophy.html</a></p>
b. Implementation of Environmental Activities, CSR Activities etc.	<p>The Group believes that helping to resolve social issues through business is its unique way of fulfilling the sustainability activities placed upon the Group by society and stakeholders.</p> <p>This contribution aims to realize a sustainable society and realize the Group's mission of "To inspire the world with entrepreneurship." Inspired by this notion, the Group will move forward with its activities.</p> <p>Specific details of activities are posted on the Company's website.</p> <p><a href="https://www.septeni-holdings.co.jp/en/csr/">https://www.septeni-holdings.co.jp/en/csr/</a></p>
c. Policy Formulation for the Disclosure of Information to Stakeholders	<p>In order to realize fair and transparent management, the Company complies with laws, regulations, and related regulations, and disclose information in a timely and appropriate manner as described in this report V-2, " Status of internal system for timely disclosure of Company information."</p> <p>The Company's disclosure policy is also available on the website.</p> <p><a href="https://www.septeni-holdings.co.jp/en/ir/disclosure.html">https://www.septeni-holdings.co.jp/en/ir/disclosure.html</a></p>



## **IV. Matters Related to Internal Control System**

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

#### **A. Systems to ensure the properness of operations of the corporate group comprised of the Company and its subsidiaries**

- (1) The corporate group comprised of the Company and its subsidiaries (hereinafter referred to as the "Group") is managed under a holding company structure in which the Company is a holding company and its subsidiaries are operating companies. By separating the managerial function from the function of executing its individual businesses, the Group shall work to facilitate the delegation of authority to its operating subsidiaries and strengthen the Company's function of monitoring the Group's businesses.
- (2) The Company's function of managing the business of its operating subsidiaries shall be implemented effectively and efficiently based on the execution of its direct and indirect shareholders' rights and under the "Basic Agreement on Business Management Services for the Group" entered into with the operating subsidiaries.
- (3) The Company shall establish principles, regulations, guidelines and others common to the Group to ensure efficient and proper execution of duties by the Group's directors, Group Executive Officers and employees (hereinafter referred to as "officers and employees").
- (4) The Company shall clarify a system for reporting any situations concerning execution of duties by the Group's officers and employees such as the state of the business and financial results to the Company's Board of Directors or the Group Management Meeting. In cases where certain significant decisions are made, prior approval of the Company's Board of Directors or the Group Management Meeting shall be required.
- (5) The Internal Auditing Office of the Company shall provide assurance operations (auditing and guarantee function) and consulting operations (advisory and guidance function) from an independent and objective position to the Group, and examine and assess the status of ensuring the properness of operations of the entire Group.

#### **B. Systems to ensure compliance with laws and regulations and the Articles of Incorporation by directors and employees when executing their duties**

- (1) Officers and employees of the Group shall recognize compliance with laws and regulations and social ethics as being one of basic points for the Group to fulfill its corporate social responsibilities, enhance corporate values and achieve sustainable growth, and practice the compliance through the Group's sustainability activities.
- (2) The Group's corporate philosophy and code of conduct shall call for compliance with laws and regulations and social ethics and adopt it as the Group's basic policy for the business operation.
- (3) Directors and Group Executive Officers of the Group shall practice and encourage the compliance with laws and regulations and social ethics proactively.
- (4) Directors and Group Executive Officers shall assign authorities for execution of duties appropriately and clearly and execute the duties in accordance with regulations including the regulations of the Board of Directors and the regulations of the Executive Officers.
- (5) In the event that directors and Group Executive Officers find a violation of laws and regulations or other important facts regarding compliance, they shall report to the

Company's Board of Directors or the Group Management Meeting without delay and take corrective measures.

- (6) The Company shall conduct regular compliance trainings for the Group's officers and employees continuously and have the Internal Auditing Office, which is directly under Group President and Chief Executive Officer, perform internal audits of the Group
- (7) In order to respond appropriately to reporting or consultation from the Group's officers and employees on organizational or individual violations of laws and regulations, detect and amend inappropriate actions and others early, and strengthen the compliance, the Company shall establish a whistleblower hotline with external lawyers being as the person who directly receives a report.

**C. Systems for the storage and management of information regarding the execution of duties by directors**

- (1) With regard to information security of the Group, the Company shall set the "Basic Policy on Information Security," develop internal regulations regarding information security in line with laws and regulations, and establish the "Security Management Office" to oversee and manage information security in an integrated and effective manner under the common policy as the Group.
- (2) With regard to documents, forms and other records related to duties of the Group's officers and employees (including electromagnetic records), the Company shall develop internal regulations regarding document management in line with laws and regulations, and manage and store such documents in an integrated and effective manner under the common policy as the Group.
- (3) With regard to personal information management of the Group, the Company shall establish "Privacy Policy," develop internal regulations regarding personal information security in line with laws and regulations, and manage such information in an integrated and effective manner under the common policy as the Group.
- (4) With regard to documents, forms and other records related to duties of the Group's officers and employees (including electromagnetic records), the Company shall establish a system to ensure that directors and company auditors can have access to these records at any time.
- (5) With regard to insider information on shares of listed companies, the Company shall establish the "Group Regulations on Prevention of Insider Trading," manage such information in an integrated and effective manner under the common policy as the Group, and communicate it to the division in charge of information disclosure appropriately.
- (6) When storing and managing information through electromagnetic records, the Company shall strive to gather the up-to-date information on threats for electronic information to build the latest system for storage and management possible.

#### **D. Regulations and other systems for managing the risk of loss**

- (1) In order to recognize significant events that may affect the business management of the Group, identify, analyze and assess risks that may harm the development and growth of the business, and make responses to the risks such as risk aversion, mitigation, transfer and others, the Company shall establish the "Group Risk Management Regulations" and set up the "Group Risk Management Committee" as a body to oversee and manage such risks in an integrated and effective manner under the common policy as the Group.
- (2) With regard to usual risk management of the Group, each operating subsidiary or division shall make a risk assessment and response to the risk, and the Group Risk Management Committee shall receive a report from the operating subsidiary or division and oversee the risk management of the Group.
- (3) In case of an emergency, the "Crisis Management Headquarters" with the Group President and Chief Executive Officer as its head shall oversee the risk management of the Group.
- (4) Risk management policies of the entire Group as well as assessment of and responses to the risks related to strategic decision-making such as management strategy and merger and acquisition shall be treated as the exclusive prerogatives of the Company's Board of Directors. In making these management decisions, the Company shall assess the risks appropriately.
- (5) The Company shall establish a reporting system for any event or indication that may affect the Group significantly in cases where risks have become apparent, so that its Board of Directors can figure out such an event or indication in advance.

#### **E. Systems to ensure the efficient execution of duties by directors**

- (1) The Company's Board of Directors shall make decisions on matters stipulated in laws and regulations and the Articles of Incorporation and the execution of important operations, and transfer its authority to Group Executive Officers with regard to the execution of other operations pursuant to the "regulations of the Board of Directors" and the "Resolution and Entrustment Criteria" to ensure swiftness and efficiency of the execution of duties.
- (2) Multiple subsidiary groups that are part of the same chain of command in the Group shall be deemed as companies without Board of Directors in terms of institutional design under the Companies Act in order to promote the swiftness and efficiency of the decision-making process. Their information shall be consolidated by the Company's Board of Directors or the management meeting of the core subsidiary to uniform the decision-making process.
- (3) Directors and Group Executive Officers shall execute duties efficiently based on the Midterm Business Policies and goals and annual budget set by the Company's Board of Directors, as well as report the progress of these policies and goals and budget to the Company's Board of Directors or the Group Management Meeting and implement necessary improvement measures.

- (4) In cases where subsidiaries make significant decisions, approval of the Company's Board of Directors or the Group Management Meeting shall be required, and coordination shall be made for the efficient resource allocation avoiding overlaps of business activities and capital investments between the Company and subsidiaries or between subsidiaries.

**F. Matters relating to employees that assist the company auditors upon the request of such company auditors, independence of the relevant employees from directors and effectiveness of directions given to such employees of the company auditors to be ensured**

- (1) Employees that assist the company auditors shall be assigned at the request of company auditors.
- (2) Employees that assist the company auditors shall not concurrently serve other duties and posts.
- (3) Matters related to personnel evaluations, personnel transfers, disciplinary actions, etc. for employees that assist the company auditors shall be conducted separately from the other employees and determined with the consent of the company auditors.

**G. Systems for enabling directors and employees to make reports to company auditors and systems for ensuring that the persons who made such reports shall not be treated disadvantageously on the grounds that they have submitted the said reports**

- (1) Company auditors of the Company may attend the Board of Directors meetings of the Company, Group Management Meeting and other important meetings, and request explanations from officers and employees as necessary.
- (2) In cases where company auditors request reports on operations or inspections of documents such as minutes, approval documents and accounting books, officers and employees of the Group shall respond to the request in a prompt and appropriate manner.
- (3) In the event that officers and employees of the Group detect any facts or situations that may cause significant damage to the companies, such officers and employees shall immediately report the matters to company auditors.
- (4) The Company shall establish regulations for prohibiting removal from duty, discharge and any other disadvantageous treatment to officers and employees of the Group on the grounds that the officers and employees made a report to company auditors, and make the regulations well known.
- (5) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the Board of Company Auditors.

**H. Matters relating to policies on procedures for prepayment or reimbursement of expenses arising from the execution of duties by company auditors and processing of other expenses or obligations arising from the execution of duties by company auditors**

- (1) Expenses that are considered necessary in the execution of duties of company auditors shall be budgeted in advance. In cases where company auditors request payment for reasonable expenses for the execution of their duties, the Company shall accept the request.

**I. Systems for ensuring the effective functioning of audits by company auditors**

- (1) The Company shall ensure that it provides its company auditors with opportunities to sufficiently exchange opinions with the Group President and Chief Executive Officer, outside directors, financial auditor and internal auditors.
- (2) The Company shall establish a system that allows its company auditors to perform audits equivalent to audits of the Company by the company auditors under individual agreements between the Company and its subsidiaries, in addition to investigations of subsidiaries under laws and regulations, so that the company auditors can audit the entire Group effectively and efficiently as needed.

**2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

The Company will stand up to antisocial forces that potentially pose a threat to social order and safety with a resolute attitude, and prevent any relationship with such entities.

In the unlikely event that the Company receives contact from antisocial forces, it will appropriately respond in a systematic manner and cooperate with external institutions, such as the police, lawyers, etc.

## **V. Other**

### **1. Adoption of anti-takeover measures**

Adoption of Anti-takeover Measures	Not adopted
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Supplementary Explanation
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### **2. Other matters concerning the corporate governance systems** [Updated]

Status of internal system for timely disclosure of Company information is as follows.

#### (1) Information handling officer and department in charge

The person responsible for handling information for timely disclosure at the Company is the Group Executive Officer in charge of the CEO Office. The IR Department of CEO Office and the Finance & Accounting Department handle the collection of information disclosures, and the creation and disclosure procedures of disclosure statements.

#### (2) System of understanding each information

##### a. Information on decisions made by the company

Important business execution under the Company's decision is, in principle, decided by the Board of Directors and always understood by the person responsible for handling information. Additionally, the representative of each company will promptly report information related to the decision of group companies to the person responsible for handling information (or in some cases, the IR Department of CEO Office and the Finance & Accounting Department). After this, the specific details of any matters to be disclosed will be reviewed at the Financial Results and Disclosures Committee, to which the Board of Directors delegates decision making related to disclosure, and then the matter will be disclosed upon receiving approval from the Group President and Chief Executive Officer.

##### b. Occurrence of material facts

Regarding information related to material events, the representative of the company where the material event occurred or the division head of the division where it occurred (within the Company) will be the manager in charge. In the event that material facts are generated, they will be promptly reported to the person responsible for handling information (or in some cases, the IR Department of CEO Office and the Finance & Accounting Department). After this, the specific details of any matters to be disclosed will be reviewed at the Financial Results and Disclosures Committee, to which the Board of Directors delegates decision making related to disclosure, and then the matter will be disclosed upon receiving approval from the Group President and Chief Executive Officer. The person responsible for handling information will work to gather information related to material events through periodic meetings and reports with the representatives of each company.

c. Business result

The Finance & Accounting Department is in charge of quarterly financial information and will report it to the Board of Directors. After this, the specific details of any matters to be disclosed will be reviewed at the Financial Results and Disclosures Committee, to which the Board of Directors delegates decision making related to disclosure, and then the matter will be disclosed upon receiving approval from the Group President and Chief Executive Officer.

(3) Judge of necessity for timely disclosure

Regarding important decisions, material events and financial information collected by the person responsible for handling information (or in some cases, the IR Department of CEO Office and the Finance & Accounting Department), after discussing with and reporting to the Board of Directors or reporting to the Group President and Chief Executive Officer, the IR Department of CEO Office will decide on the necessity for disclosure based on the related laws and regulations including the Financial Instruments and Exchange Act and the rules of timely disclosure stipulated by the Tokyo Stock Exchange, and will decide on the details and specific timing.

Additionally, when necessary, they will receive advice from external specialists including audit corporations, lawyers, etc., and work to guarantee objectivity, compliance and validity.

(4) Procedure of timely disclosure to Tokyo Stock Exchange

Finally, after the above procedures, they will be verified by the person responsible for handling information and the Group President and Chief Executive Officer, and disclosure procedures will be conducted by the IR Department of CEO Office for the Tokyo Stock Exchange.

**[Governance Chart]**

