

Last Updated: November 27, 2024
OBIC BUSINESS CONSULTANTS CO., LTD.
Shigefumi Wada
President and Representative Director
Contact: +81-3-3342-1881
Securities Code: 4733
<https://www.obc.co.jp> (in Japanese)

The corporate governance of OBIC BUSINESS CONSULTANTS CO., LTD. (the “Company”) is described below.

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

1. Basic Stance

We see corporate governance as the basic framework for corporate management, the purpose of which is to establish systems that enable efficient and sound corporate management and to properly align the interests of stakeholders who are involved in various aspects of our company’s management, such as shareholders, creditors, employees, business partners, consumers, and local communities. Therefore, we consider the enhancement of corporate governance to be a key issue for management. We will strive to comprehensively enhance corporate governance by building a management structure that enables accurate decision-making to increase corporate value, prompt business execution based on such decisions, and proper supervision and inspection, as well as by conducting thorough training and education to raise the compliance awareness of each officer and employee.

[Reasons for Non-compliance With the Principles of Japan’s Corporate Governance Code]

[Supplementary Principle 4.1.2 Board of Directors and senior management initiatives for the medium-term management plan]

Management of the Company is conducted on the basis of the medium-term management plan, but no formal disclosure is made in this regard.

The environment in which the information services industry to which the Company belongs operates is subject to constant change, and there may be cases where changes to the management plan are unavoidable even during the course of a fiscal year. Going forward we will disclose management strategies and commitments through a variety of disclosure documents and the like, and are working to be able to disclose details that reflect our responses to changes in the business environment.

[Principle 4.8 Effective Use of Independent Outside Directors]

The Company appoints two independent outside Directors. These two independent outside Directors are deeply familiar with trends in the industry to which the Company belongs, and have been involved in senior management for many years. From this perspective they actively express their opinions in relation to the solving of problems faced by the Company, and thus fulfill their responsibilities.

However, given that there are currently nine Directors, an additional independent outside Director must be appointed to fulfill the requirements for a company listed on the Prime Market. Going forward, we will consider the appointment of an appropriate human resource to balance the composition of the Board of Directors as a whole.

When appointing an independent outside Director, we will consider whether the human resource has abundant experience in management, and whether the human resource has the qualifications to contribute to enhance the corporate value of the Company from an objective and neutral viewpoint.

[Supplementary Principle 4.10.1 Stance on composition and independence of the Nomination Committee and the Remuneration Committee]

In order to enhance fairness, transparency, and objectivity in evaluation and decision-making processes in relation to the nomination and remuneration, etc. of Directors, and to strengthen the corporate governance structure, the

[Translation]

Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors.

In response to inquiries from the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates on matters related to nomination and remuneration, etc., and reports back to the Board of Directors. The Nomination and Remuneration Advisory Committee shall consist of three Directors appointed by the Board of Directors, of whom a majority shall be outside Directors.

The three members currently comprise the Representative Director, an independent outside Director, and an outside Director. Although the independent outside Directors do not account for the majority, the composition of the Nomination and Remuneration Advisory Committee will be considered as part of deliberations into the appointment of independent outside Directors in relation to the composition of the Board of Directors itself.

[Disclosure Based on the Principles of Japan's Corporate Governance Code] Updated

[Principle 1.4 Cross-Shareholdings]

Policy on holding shares

Cross-shareholdings are held for the purpose of strengthening business relationship, and are held only in cases where they are deemed to contribute to the continuous development of the Company and the enhancement of corporate value.

Examination and verification of the suitability of holding

When acquiring or disposing of cross-shareholdings, limits on the investment are determined by the Board of Directors, which makes a judgment based on such factors as the results and the economic rationale over the medium to long term, in accordance with the Rules on Funds Management. Issues for which the decision to continue holding has been made are disclosed in the Corporate Governance section of the annual securities report. Issues for which the reason for holding is deemed not to be congruent with this policy are reduced.

Criteria for exercising voting rights

With regard to exercising voting rights associated with cross-shareholdings, the Company's criterion for forming a judgment, which is based on dialogue, etc. with companies in which it has cross-shareholdings, is that the proposal is compatible with mutual sustainable growth and the enhancement of corporate value, and voting rights are not exercised in the affirmative for proposals that do not meet the above criterion.

[Principle 1.7 Related Party Transactions]

The Company requires that competitive transactions and transactions involving conflict of interests with Directors are deliberated and decided by the Board of Directors. The Company also requires each officer to fill in a questionnaire at the end of each fiscal year with regard to transactions with related parties and reports the results to the Board of Directors, thus maintaining its understanding of the situation and confirming that no harm is being done to the Company and the common interests of its shareholders.

[Supplementary Principle 2.4.1 Policies for Human Resource Development and Internal Environment Development to Ensure Diversity]

The Company's management philosophy is "Open, Fair, Flat, Global," which the Company applies to recruitment and training in order to respect the diversity of the individual, believing that through a process of co-creation it can maximize the results of the organization.

In terms of recruitment of human resources, because the Company's policy is to take responsibility for employee development over an extended period, recruitment is currently focused on regular intake of new graduates. However, these recruitment activities are based on uniform evaluation criteria that are applied regardless of gender, nationality, or disability.

With regard to the promotion of active participation of women, the Company is establishing internal systems to allow every employee to independently manage work and life in accordance with their stage of life. Specifically, through our "Action plan for the advancement of measures to support developing the human resources responsible for the next generation," which is disclosed in accordance with laws and regulations, we are promoting measures to raise the percentage of female executives and to create environments in which women can participate actively. As of the end of FY2023, the percentage of female managers at the Company was 4.5%, and we are aiming to raise this to at least 6.0% in the future.

By applying uniform evaluation criteria when promoting employees to managerial positions without categorizing them on the basis of such characteristics as recruitment method, gender, or nationality, we encourage the development and promotion of the core human resources who will be responsible for the future of the Company.

[Translation]

These policies and initiatives are disclosed on the Company's website (<https://corp.obc.co.jp/sustainability/> (in Japanese)).

[Principle 2.6 Functioning as Asset Owner of Corporate Pension Funds]

Because the Company has not currently reached the point of adopting a corporate pension plan, this is not applicable.

[Principle 3.1 Enhancement of Information Disclosure]

(1) Company objectives (e.g., management philosophy), management strategies and management plans

The management philosophy is made available in the President's Message on the Company's website, as well as in the corporate governance report and in briefing and other materials for investors.

(2) Basic stance and policy on corporate governance based on each of the principles of this Corporate Governance Code

These are made available in the corporate governance report and on the Company's website (<https://www.obc.co.jp/> (in Japanese)).

(3) Policies and procedures of the Board of Directors in determining the remuneration of the senior management and Directors

Remuneration for Directors of the Company is a remuneration system that is linked to shareholder benefit so that it can function sufficiently as an incentive for the sustainable enhancement of corporate value. The Company's basic policy on remuneration for individual Directors is to pay reasonable levels based on factors such as work responsibilities. Specifically, remuneration for executive directors consists of basic remuneration, which is fixed, performance-linked remuneration, etc., and share-based remuneration. For outside Directors, who are responsible for supervisory functions, they are paid only basic remuneration in recognition of the nature of their duties.

Remuneration for Directors is decided by the Board of Directors. When making such decision, the Board of Directors consults the Nomination and Remuneration Advisory Committee, and the report received from the committee is respected during the decision-making process. Remuneration for Audit & Supervisory Board Members is decided by deliberations conducted by Audit & Supervisory Board Members.

(4) Policy and procedures of the Board of Directors in the appointment and removal of the senior management and the nomination of candidates for Director and Audit & Supervisory Board Member

When appointing the senior management or nominating candidates for Director and Audit & Supervisory Board Member, we consider whether they have qualifications, career histories, abilities, wide-ranging insights, etc. to drive enhancements in corporate value, as well as considering whether they have abundant experience and extensive knowledge of the businesses and operations of the Company. Based on this, the best-qualified persons are appointed/nominated by resolution of the Board of Directors.

In addition, for outside Directors we also take into account whether they can fulfill the management supervisory function for the Company's management from a neutral, fair and objective viewpoint.

For the nomination of Directors, the report received from the Nomination and Remuneration Advisory Committee in response to the consultation is respected, and the Board of Directors passes a resolution for the election proposal to submit to the General Meeting of Shareholders. For candidates for Audit & Supervisory Board Member, the Board of Directors passes a resolution for the election proposal to submit to the General Meeting of Shareholders in the same way after obtaining the consent of the Audit & Supervisory Board.

Appointment and removal of the senior management is determined comprehensively by the Board of Directors after taking into account the conditions and role for the election mentioned above, as well as performance and results, etc. during the period of service. When making such judgments, the report received from the Nomination and Remuneration Advisory Committee in response to the consultation are respected.

(5) Explanations with respect to each appointment and removal of the senior management and each nomination of candidates for Director and Audit & Supervisory Board Member based on (4) above by the Board of Directors

Career summaries of candidates for Director and Audit & Supervisory Board Member, and reasons for appointment or removal, etc., are disclosed as necessary on each occasion, such as through inclusion in the reference documents for the notice of the General Meeting of Shareholders.

[Translation]

[Supplementary Principle 3.1.3 Sustainability Initiatives and Enhancement of Information Disclosure]

With a mission of “Innovate business. Excite customers,” the Company has developed alongside its customers while responding to the changing requirements of their businesses and systems.

We believe that the enhancement of the corporate value of the Company will be the result of achieving the three elements of “contributing to society,” “sustainably developing the company,” and “enabling our employees to pursue their own happiness,” which will at the same time open the way to fulfilling our social responsibilities.

In order to achieve these, we have designated the following four key themes, with which we are engaging continuously and over the long term.

- Promoting IT innovation
- Promoting diversity management
- Promoting environmentally conscious business activities
- Conducting responsible corporate activities

As for our initiatives to address climate change, we disclose information in accordance with the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

These details are published on the Company’s website (<https://corp.obc.co.jp/sustainability/> (in Japanese)).

[Supplementary Principle 4.1.1 Scope of Matters to Be Delegated to the Management]

As the decision-making body for the execution of key operations and as the supervisory body for overall business execution, the Board of Directors establishes a management philosophy, and it formulates, clarify, and present management policies to management at the beginning of each fiscal year. The Board of Directors also establishes the scope of matters to be delegated to the management, and such scope is clarified in the Rules on Authority for Duties.

[Principle 4.9 Independence Standards and Qualifications for Independent Outside Directors]

In accordance with the Company Act and the criteria prescribed by the Tokyo Stock Exchange, independent outside Directors are determined through discussion. They are also expected to maintain and continue the supervisory function, and to provide supervision and advice based on their wide-ranging knowledge. Outside Directors are appointed after taking into account the balance of the Board of Directors as a whole in terms of its composition, and include persons with extensive knowledge of management as well as those with professional perspective.

[Supplementary Principle 4.10.1 Stance on composition and independence of the Nomination Committee and the Remuneration Committee]

As stated in “Reasons for Non-compliance With the Principles of Japan’s Corporate Governance Code” above.

[Supplementary Principle 4.11.1 Stance on diversity and size of the Board of Directors as a whole]

With the purpose of enhancing corporate value, the Board of Directors has been constituted to include persons with knowledge of accounting and taxation, persons who are knowledgeable as senior corporate managers, and persons who have a global perspective that incorporates the prospects of the industry to which the Company belongs. Regardless of age and gender, Directors are appointed after taking into account the balance of knowledge, experience, and abilities for the Board of Directors as a whole. This is considered the minimum headcount required to enable strategic and dynamic decision-making, and the term of office is one year.

For independent outside Directors, our stance is to appoint persons who have extensive knowledge of management and also the professional perspective deemed necessary after taking into consideration skills for the Board of Directors as a whole.

When appointing Directors, we ascertain the skills and areas of expertise for each person, ensure well-balanced composition and objective evaluation by respecting the report received from the Nomination and Remuneration Advisory Committee in response to the consultation, and the Board of Directors passes a resolution for election proposal to submit to the General Meeting of Shareholders.

In addition, the reference documents for the General Meeting of Shareholders include a skills matrix that lists the areas of expertise and characteristics of each Director and the reasons for their nomination, to aid shareholders in their consideration of the proposals.

It is also appended to this report.

[Supplementary Principle 4.11.2 Directors and Audit & Supervisory Board Members serving in concurrent roles]

The situation regarding outside Directors and outside Audit & Supervisory Board Members serving in concurrent roles at different companies is disclosed in the business report, annual securities report, corporate governance

[Translation]

report, etc. Directors and Audit & Supervisory Board Members of the Company serving in concurrent roles at other companies are appointed after confirming that there will be no hindrance to their business execution.

[Supplementary Principle 4.11.3 Analysis and evaluation of effectiveness of the Board of Directors as a whole, and disclosure of results]

The Company evaluates the effectiveness of the Board of Directors as a whole through individual interviews with Directors conducted by Audit & Supervisory Board Members, and by requiring Audit & Supervisory Board Members to respond to questionnaires, with the results summarized and discussed by the Board of Directors. As a result, the Board of Directors of the Company is judged to be operating effectively.

A summary of the results of the evaluation is as follows.

- As for the composition and operation, the Board of Directors has a well-balanced composition of members in terms of experience and knowledge, and it is functioning appropriately as a body for supervising decision making and business execution. In addition, regular meetings ensure mutual communication among Directors, and enable the sharing of the management philosophy and business issues.
- Matters relating to the nomination and remuneration, etc. of Directors are discussed appropriately, while the contents of the report from the Nomination and Remuneration Advisory Committee based on its discussion are respected.

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

When nominating candidates for Director and Audit & Supervisory Board Member, the Company considers whether they have qualifications, career histories, abilities, wide-ranging insights, etc. to drive enhancements in corporate value, and places importance on abundant experience and extensive knowledge of the businesses and operations of the Company. To ensure that Directors and Audit & Supervisory Board Members can work continuously to acquire the knowledge, etc. required for their performance of duties, when the Company obtains information about seminars, etc. for Directors and Audit & Supervisory Board Members, it provides that information to the officers in charge.

[Supplementary Principle 5.1 Policy for Constructive Dialogue With Shareholders]

The department in charge of IR, which is under the supervision of the Director and General Manager of Administrative Headquarters, takes a proactive approach to meetings with shareholders and investors, and the President and Representative Director also attends the meetings, as necessary, for active exchanges of opinion. In addition, the Company will strive to promote constructive dialogue through such measures as holding company information meetings for institutional investors and analysts.

The Company will strive to share information through cooperation between the department in charge of IR and other departments of the Administrative Headquarters by having the department in charge of IR within the Administrative Headquarters. The Company also gives full consideration to the management of insider information in accordance with the Rules for the Prevention of Insider Trading, and it strictly manages financial information with particular care. All meetings with shareholders and investors are refused for a period from ten days prior to the closure of each quarter period and fiscal year to the day of announcement of financial results.

[Action to Implement Management That Is Conscious of Cost of Capital and Stock Price]

The Company aims to achieve medium- to long-term corporate growth by continuing to provide business services that digital transformation (DX) for our clients. Additionally, we believe that maintaining a stable return of profit to our shareholders will enhance our corporate value.

The Company's cost of shareholders' equity is estimated to be approximately 5.5%-6.5%, and the ROE has consistently remained above this cost. In recent years, the Company has also maintained a stable price-to-book ratio (PBR) of around three times.

As part of our future policies and initiatives, we aim to enhance the profitability of our core business and achieve an ROE of over 10%. Additionally, the Company plans to maintain a dividend payout ratio of approximately 45% for the foreseeable future, ensuring stable and long-term returns to our shareholders.

Going forward, the Company will focus on improving business results by centering on cloud services that contribute to promoting digital transformation (DX). Additionally, we will strive to further enhance corporate value through dialogue with stakeholders and other initiatives.

2. Capital Structure

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

[Translation]

[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
OBIC Co., Ltd.	27,178,800	36.15
Shigefumi Wada	15,840,840	21.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,441,700	7.24
Hiroko Wada	3,606,600	4.80
SSBTC CLIENT OMNIBUS ACCOUNT	1,709,180	2.27
Custody Bank of Japan, Ltd. (Trust Account)	1,270,200	1.69
JP MORGAN CHASE BANK 380634	876,200	1.17
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	864,200	1.15
Kazuhisa Sawada	628,200	0.84
STATE STREET BANK AND TRUST COMPANY 505103	591,122	0.79

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	None

Supplementary Explanation

The shareholding ratio is calculated after deducting treasury shares (232,206 shares).

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (Consolidated) at End of the Previous Fiscal Year	From 500 to less than 1,000
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	Less than 10

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions, Etc. With Controlling Shareholder

—

5. Special Circumstances Which May Have Material Impact on Corporate Governance

OBIC Co., Ltd., which is an other affiliated company, holds 36.2% of the voting rights of the Company, and three outside Directors of the Company concurrently serve as Directors of OBIC Co., Ltd. Autonomy and independence are respected in management decisions and business activities, including the development of the Company's solution technology and the sales of its products, and the provision of services such as maintenance and implementation guidance, etc.

[Translation]

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
-------------------	--

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated From Among Outside Directors	2

Outside Directors' Relationship With the Company (1)

Name	Attribute	Relationship With the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masahiro Noda	From another company							○	○			
Shoichi Tachibana	From another company							○	○			
Chiaki Ito	From another company											
Junji Narita	From another company											
Hiroyuki Murata	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., and 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 Directors' Relationship With the Company (2)

Name	Independent officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Masahiro Noda		-----	<p>At the time the Company was founded he made an investment through a capital increase through a third-party allotment of shares, and he provided extensive advice on management. He currently monitors and supervises management from a standpoint within the Company that is independent of the management. Moreover, although he takes a monitoring role within the OBIC group, the basic policy is to place great importance on the independence of the Company.</p>
Shoichi Tachibana		-----	<p>Due to his many years of experience in the sales and marketing department, he is deeply familiar with the information services industry to which the Company belongs, and also has abundant experience and broad discernment as a senior corporate manager. The Company has appointed him as outside Director because the Company will expect him to supervise and advice on the management by utilizing his experience and from his objective standpoint independent of the management that executes business operations, and it has concluded that he will contribute greatly towards the Company's management.</p>
Chiaki Ito	○	-----	<p>As she has abundant experience and broad discernment as a senior corporate manager, the Company has concluded that its corporate governance will be further strengthened by her supervision over management of the Company and her advice on overall management. Furthermore, she does not fall under any of the matters stipulated by the Tokyo Stock Exchange that cause a conflict of interest with general shareholders, demonstrating her independence from the Company.</p>

[Translation]

Name	Independent officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Junji Narita	○	-----	As he has abundant experience and broad discernment as a senior corporate manager, the Company has concluded that its corporate governance will be further strengthened by his supervision over management of the Company and his advice on overall management. Furthermore, he does not fall under any of the matters stipulated by the Tokyo Stock Exchange that cause a conflict of interest with general shareholders, demonstrating his independence from the Company.
Hiroyuki Murata		-----	The Company has appointed him as outside Director because the Company has concluded that in addition to currently serving as Managing Director for OBIC Office Automation Co., Ltd., his extensive experience and broad discernment from his many years serving in the Sales Division and his objective standpoint independent of the management that executes business operations will contribute greatly towards the Company's management.

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

Voluntary Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nomination Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
Total Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

[Translation]

Supplementary Explanation

The Company has established the Nomination and Remuneration Advisory Committee as an advisory body under the Board of Directors in order to enhance the independence, objectivity and fairness of function of the Board of Directors, and the accountability in relation to the appointment and removal of the senior management (Representative Director and Directors with special titles), nominations of Director candidates, and remuneration for the senior management and Directors, etc.

For the nomination of Directors, the report received from the Nomination and Remuneration Advisory Committee in response to the consultation is respected, and the Board of Directors passes a resolution for the election proposal to submit to the General Meeting of Shareholders. For candidates for Audit & Supervisory Board Member, the Board of Directors passes a resolution for the election proposal to submit to the General Meeting of Shareholders in the same way after obtaining the consent of the Audit & Supervisory Board.

Appointment and removal of senior management is determined comprehensively by the Board of Directors. When making such decision, the report from the Nomination and Remuneration Advisory Committee in response to the consultation is respected.

Remuneration for Directors is decided by the Board of Directors. When making such decision, the Board of Directors consults the Nomination and Remuneration Advisory Committee, and the report received from the committee is respected during the decision-making process. Remuneration for Audit & Supervisory Board Members is decided by deliberations conducted by Audit & Supervisory Board Members.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	3

Cooperation Among Audit & Supervisory Board Members, Financial Auditor and Internal Audit Department

The Company has adopted an audit & supervisory board member system. The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (of whom two are outside Audit & Supervisory Board Members), and works to ensure the independence of audits and to strengthen the audit system. The Company invites attorneys at law and persons who have a considerable knowledge of finance and accounting for outside Audit & Supervisory Board Members.

In addition, the Internal Audit Office, the Internal Control Committee, and the Personal Information Protection Committee have been established as internal audit bodies.

The Audit & Supervisory Board considers the results of internal audits, and requests the Internal Audit Department to repeat investigations, as necessary. The Company seeks to promote mutual cooperation by creating regular opportunities for the Financial Auditor and the Internal Audit Office to exchange opinions.

The Internal Audit Office conducts internal financial audits and operational audits, and makes proposals for the improvement of operations. At the beginning of each fiscal year the Internal Audit Office prepares an audit plan, and obtains an approval from the President. Based on this, it audits the status of compliance with internal rules and the operational process in sales, and considers ways of improving the effectiveness and efficiency of operations. Audits are conducted rigorously and efficiently on site or based on questions and documentation, or a combination of these.

In order to avoid overlaps between audits conducted by the Audit & Supervisory Board and those conducted by the Financial Auditor, and to exchange audit information, the Internal Audit Office cooperate and coordinate with Audit & Supervisory Board Members and the Financial Auditor.

The Internal Control Committee and the Personal Information Protection Committee function in cooperation with the Internal Audit Office, with the aim of cross-organizational response and continuous monitoring.

[Translation]

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Officers Designated From Among Outside Audit & Supervisory Board Members	1

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

Name	Attribute	Relationship With the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toshiro Takahashi	Attorney at law													
Tomonori Anan	From another company									○	○			

* Categories for "Relationship With the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category; "△" when the audit & supervisory board member fell under the category in the past

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; and "▲" when a close relative of the audit & supervisory board member 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. Audit & supervisory board member 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 an audit & supervisory board member

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., and h.) (the audit & supervisory board member himself/herself only)

k. Executive of a corporation to which outside officers are mutually appointed (the audit & supervisory board member himself/herself only)

l. Executive of a corporation that receives a donation from the Company (the audit & supervisory board member himself/herself only)

m. Other

[Translation]

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

Name	Independent officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Toshiro Takahashi	○	-----	The Company has appointed him as outside Audit & Supervisory Board Member because the Company has concluded that his qualification as an attorney will allow him to objectively assess the overall Company management from a legal perspective. Furthermore, he does not fall under any of the matters stipulated by the Tokyo Stock Exchange that cause a conflict of interest with general shareholders, demonstrating his independence from the Company.
Tomonori Anan		-----	The Company has appointed him as outside Audit & Supervisory Board Member because the Company has concluded that he possesses professional perspective regarding finance and accounting gained through serving in accounting departments of OBIC Co., Ltd.

[Independent Officers]

Number of Independent Officers	3
--------------------------------	---

Matters Relating to Independent Officers

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration and other
---	---

Supplementary Explanation

Remuneration for Directors is decided by the Board of Directors. When making such decision, the Board of Directors consults the Nomination and Remuneration Advisory Committee, and the report received from the committee is respected during the decision-making process. Remuneration for Audit & Supervisory Board Members is decided by deliberations conducted by Audit & Supervisory Board Members.

With regard to the amount of remuneration, etc. for Directors of the Company, it shall be not more than ¥600 million (excluding employee salaries of Directors who concurrently serve as employees). In addition, at the Annual General Meeting of Shareholders held on June 24, 2019, it was resolved that the amount of remuneration for granting shares with transfer restrictions shall be not more than ¥150 million per year, separately from the aforementioned amount of remuneration.

[Translation]

Recipients of Share Options	
-----------------------------	--

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
--	--------------------------

Supplementary Explanation

Total amount: ¥365 million for Directors (of which outside Directors: ¥69 million)

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
--	-------------

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof
--

Remuneration for Directors is decided by the Board of Directors. When making such decision, the Board of Directors consults the Nomination and Remuneration Advisory Committee, and the report received from the committee is respected during the decision-making process. Remuneration for Audit & Supervisory Board Members is decided by deliberations conducted by Audit & Supervisory Board Members.

Remuneration for Directors of the Company is a remuneration system that is linked to shareholder benefit so that it can function sufficiently as an incentive for the sustainable enhancement of corporate value. The Company's basic policy on remuneration for individual Directors is to pay reasonable levels based on factors such as work responsibilities. Specifically, remuneration for executive directors consists of basic remuneration, which is fixed, performance-linked remuneration, etc., and share-based remuneration. For outside Directors, who are responsible for supervisory functions, they are paid only basic remuneration in recognition of the nature of their duties.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

In principle, the Board of Directors meets once a month. In terms of the meeting schedule, the annual schedule plan is announced at the Board of Directors meeting in April of each year so that the schedule can be ascertained in advance. Around one week before the day on which the meeting will be held, notice that the Board of Directors will be convened is given in writing. This clarifies matters to be resolved and matters to be reported, which constitute the purpose of the meeting. For particularly important matters, explanations are provided and materials sent in advance.

For other meetings held on an extraordinary basis, etc., notification is provided in writing after first obtaining consent by telephone or by email.

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

Overview of corporate governance system:

The Company's corporate governance system is as presented in the schematic diagram on the final page of this document.

■ General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body. It resolves matters stipulated in the Companies Act and the Articles of Incorporation. The Annual General Meeting of Shareholders is chaired by the President and Representative Director and attended by shareholders, nine Directors (including five outside Directors) and three Audit & Supervisory Board Members (including two outside Audit & Supervisory Board Members). The shareholders entitled to exercise their rights at the Annual General Meeting of Shareholders are the shareholders who are listed in the shareholder registry as of March 31 that year.

[Translation]

The exercise of voting rights at the General Meeting of Shareholders is a key right that shareholders possess. To enable shareholders to appropriately exercise their rights to vote, we provide an environment for shareholders to exercise their voting rights via the internet, in addition to exercising their rights in the voting form. On the day of the General Meeting of Shareholders, each matter to be reported and other agenda items are presented in an easy-to-understand format with visuals and narration to help attending shareholders deepen their understanding of the company.

■ Board of Directors

The Board of Directors is the body that makes business-related decisions to improve the Company's corporate value and supervises the business execution function as a management supervisory body. The Board of Directors is chaired by the President and Representative Director and consists of nine Directors (four full-time Directors and five outside Directors) and three Audit & Supervisory Board Members (one full-time Audit & Supervisory Board Member and two outside Audit & Supervisory Board Members), and meets once a month as a general rule. The Company analyzes and evaluates the effectiveness of the Board of Directors with the objective of enhancing its function as a whole. Individual interviews with Directors are conducted by Audit & Supervisory Board Members, and Audit & Supervisory Board Members are required to respond to questionnaires, with the results summarized and discussed by the Board of Directors. As a result, the Board of Directors is judged to be operating effectively. A summary of the results of the evaluation is as follows.

- As for the composition and operation, the Board of Directors has a well-balanced composition of members in terms of experience and knowledge, and it is functioning appropriately as a body for supervising decision making and business execution. In addition, regular meetings ensure mutual communication among Directors, and enable the sharing of the management philosophy and business issues.
- Matters relating to the nomination and remuneration, etc. of Directors are discussed appropriately, while the contents of the report from the Nomination and Remuneration Advisory Committee based on its discussion are respected.

■ Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee shall consist of three Directors or outside experts appointed by the Board of Directors, the majority of whom shall be outside Directors or outside experts.

The Nomination and Remuneration Advisory Committee has been established as an advisory body under the Board of Directors in order to enhance the independence, objectivity and fairness of function of the Board of Directors, and the accountability in relation to the appointment and removal of the senior management (Representative Director and Directors with special titles), nominations of Director candidates, and remuneration for the senior management and Directors, etc.

■ Management Committee

Management Committee meetings are held with the attendance of full-time Directors and relevant managers, and outside Directors as necessary. The committee discusses and decides on basic policies and strategies related to management, as well as key matters related to the execution of management. Matters discussed at Management Committee meetings, including a summary of the agenda, are reported to the Board of Directors, and the key matters are decided on by the Board of Directors. As a general rule, the Management Committee meets once a month.

■ Sustainability Committee

Aiming to promote initiatives for sustainability, the Company has established the Sustainability Committee with the President and Representative Director as the Chairperson. Initiatives, matters related to information disclosure, etc. discussed at the Sustainability Committee are deliberated and decided by the Management Committee, and reported to the Board of Directors. Furthermore, reports are received from the Management Committee with regard to important matters, and the Board of Directors makes decisions on them.

■ Audit & Supervisory Board, etc.

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members, of which two are outside Audit & Supervisory Board Members, and is chaired by a full-time Audit & Supervisory Board Member. The Audit & Supervisory Board is responsible for the auditing function and, in line with the Company's management policies and guided by the Audit and Supervisory Board Member Auditing Standards, conducts audits to help the Company achieve its management goals and improve and enhance management controls. Audit & Supervisory Board Members attend key meetings for the execution of management, such as Board of Directors meetings and Management Committee meetings, and audit Directors and the executive function.

In addition, the Internal Audit Office, the Internal Control Committee, and the Personal Information Protection Committee have been established as internal audit bodies.

[Translation]

The Internal Audit Office conducts internal financial audits and operational audits, makes proposals for the improvement of operations, and reports audit results to the Audit & Supervisory Board. It is headed by the Head of the Internal Audit Office, who is assisted in auditing duties by one Internal Audit Office staff member.

The Internal Control Committee and the Personal Information Protection Committee report audit results to the Board of Directors and the Audit & Supervisory Board, with the aim of cross-organizational response and continuous monitoring.

■ Lawyer and Financial Auditor

The Company has entered into a consulting agreement with a law firm regarding corporate management and daily operations, and has adopted a structure in which the Company can receive advice as necessary for reference when making management decisions. In addition, in order to broadly verify the appropriateness and efficiency of the business execution, Audit & Supervisory Board Members and internal auditors ascertain the status of internal controls, etc., based on advice and recommendation from the Financial Auditor, and report to the Audit & Supervisory Board.

■ Others

Sales meetings are held once a month at the head office to discuss specific measures and sales strategies related to company management. The members consist of the President and the heads of every division, including the heads of branches and sales offices across Japan, who report on the sales situation in their respective regions and discuss any sales issues that need to be shared.

In addition, a forum has been established for discussions on sales strategies, etc., held once every two weeks with General Managers and Managers of each headquarters and division as members.

Policy on nominating candidates for Director and Audit & Supervisory Board Member and policy on determining remuneration:

As stated in “Disclosure Based on the Principles of Japan’s Corporate Governance Code.”

Measures to enhance the function of Audit & Supervisory Board Members:

■ Status of human resources and systems to support audits

Please refer to “IV. Basic Stance on Internal Control System and Progress of System Development.”

■ Appointment of Audit & Supervisory Board Members with knowledge of finance and accounting

The full-time Audit & Supervisory Board Member is a certified public accountant. In addition, in order to analyze the status of information disclosure, budgets, business results, etc., and to understand the internal control, etc., for the OBIC group as a whole, the Company shall appoint the head of accounting department of OBIC Co., Ltd. as Audit & Supervisory Board Member.

■ Appointment of highly independent outside Audit & Supervisory Board Members

Please refer to “Reasons for Appointment” of outside Audit & Supervisory Board Members in “Outside Audit & Supervisory Board Members’ Relationship With the Company (2)” in “1. Organizational Composition and Operation.”

The Company appoints outside Audit & Supervisory Board Members, and expects them to maintain and continue the supervisory function, and to provide supervision and advice based on their wide-ranging knowledge. In order to understand the corporate management and day-to-day operations, and to broadly verify the appropriateness and efficiency of the business execution, the Company appoints person with considerable knowledge of law or of finance and accounting as outside Audit & Supervisory Board Member.

Financial audit:

The certified public accountants who performed the financial audit for the Company are Yoichi Honma (one year of continuous auditing, including the current fiscal year) and Shinichiro Shimazu (six years of continuous auditing, including the current fiscal year), and they belong to Grant Thornton Taiyo LLC. Assistants who participated in the financial audit of the Company are three certified public accountants and 15 other assistants.

3. Reasons for Adoption of Current Corporate Governance System

As described above, the Company has built a structure that enables accurate decision-making to increase corporate value, prompt business execution based on such decisions, and proper supervision and inspection.

The Company appoints outside Audit & Supervisory Board Members with the objective of strengthening the management supervisory function from a neutral, fair and objective viewpoint. By strengthening the management

[Translation]

monitoring and audit functions by Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members, the Company also ensures the transparency of decision-making.

The Company appoints outside Directors, and expects them to maintain and continue the supervisory function, and to provide supervision and advice based on their wide-ranging knowledge. With the objective of achieving sustainable growth and enhancing corporate value of the Company, when appointing outside Directors, the Company also takes into account whether they can broadly verify the appropriateness and efficiency of the business execution, and fulfill the supervisory function for the Board of Directors and the business execution by the management. (For details, please refer to “Reasons for Appointment” of outside Directors (Audit & Supervisory Board Members) in “Outside Directors’ Relationship With the Company (2)” and “Outside Audit & Supervisory Board Members’ Relationship With the Company (2)” in “1. Organizational Composition and Operation.”)

In addition to this, the Company uses systems set up as prescribed in its various internal organizational rules, which it has confirmed through continuous management and monitoring to be the optimal arrangement for the Company in its current state.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meetings of Shareholders and Facilitate Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	The date of sending by postal mail is set to roughly three weeks before the meeting is held. Before the notice of General Meeting of Shareholders is sent, it is made available on the Company’s website, the website of the Tokyo Stock Exchange, and the website for posted informational materials for the general meeting of shareholders.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	Every year, the date of the General Meeting of Shareholders is set to one or two days before the peak day of general meetings of shareholders. (Held on June 24 in 2024)
Allowing Electronic or Magnetic Exercise of Voting Rights	This was introduced at the 28th Annual General Meeting of Shareholders (held in June 2007).
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	In order to enhance the convenience of exercising voting rights for institutional investors, the Company began participating in an electronic voting platform in 2017.
Providing Convocation Notice in English (Translated Fully or Partially)	Convocation notice in English (translated fully or partially) is posted on the Company’s website and the website of the Tokyo Stock Exchange.

[Translation]

2. IR Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	Our disclosure policy is made available on the Company's website (https://www.obc.co.jp/ (in Japanese)). In order to provide shareholders and investors with timely, accurate, and fair information, the Company discloses information in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules stipulated by Tokyo Stock Exchange, Inc. ("Timely Disclosure Rules"). In addition, our basic policy on disclosure is to provide information that is useful to shareholders and investors by also fairly disclosing information that is not subject to the Timely Disclosure Rules, so as not to allow information to be concentrated in the hands of certain shareholders and investors.	
Holding Regular Investor Briefings for Analysts and Institutional Investors	These are held at regular intervals four times a year after announcements of quarterly and full-year results.	Yes
Posting IR Materials on Website	Financial results, timely disclosure materials, annual securities reports or quarterly reports, materials for earnings briefings held for analysts and investors, video and other materials are made available.	
Establishment of Department and/or Manager in Charge of IR	Financial Management IR Office	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Formulation of Policies for Information Provision to Stakeholders	In order to provide shareholders and investors with timely, accurate, and fair information, the Company discloses information in accordance with the Timely Disclosure Rules stipulated by Tokyo Stock Exchange, Inc. ("Timely Disclosure Rules"). In addition, our basic policy on disclosure is to provide information that is useful to shareholders and investors by also fairly disclosing information that is not subject to the Timely Disclosure Rules, so as not to allow information to be concentrated in the hands of certain shareholders and investors.

IV. Matters Related to Internal Control System

1. Basic Stance on Internal Control System and Progress of System Development

1. Basic policy on business operations

The following management philosophy is the foundation for the management of the Company.

[Management philosophy]

The basic policies of the Company are "Freedom and fairness," "Recruitment and education," and "Innovation and strategy." The Company takes a "Customer-First" policy that relentlessly pursues diverse information

[Translation]

technologies (IT) and customer satisfaction, for developing products, and provides services such as maintenance and implementation guidance in addition to providing products.

Recognizing our role as a leading company that gives powerful support for the adoption of IT by small and medium-sized enterprises, we bear in mind the need to stand at the head of the industry as we drive the evolution of core operation solutions, aiming to become a company in which shareholders, users, and employees can flourish together and that contributes to the creation of a prosperous society.

[System to ensure appropriateness of business]

(1) System to ensure that execution of duties by Directors, etc. and employees of the Company and its subsidiaries complies with laws and regulations and to the Articles of Incorporation

- In addition to determining policy and plans for the implementation of internal control system, including the system to ensure compliance with laws and regulations (“compliance”), the Board of Directors periodically receive progress reports.
- By continuously appointing outside Directors, the Company seeks to maintain and enhance functions for the supervision of execution of duties of Directors.
- Audit & Supervisory Board Members audit execution of duties by Directors, including progress in implementing and operating the internal control system, from an independent viewpoint.
- The Internal Audit Office confirms whether the internal control system is functioning effectively, and monitor progress in the implementation policy and plans.
- By assigning a responsible person that controls the entire compliance and persons in charge of compliance, creating and rolling out rules related to compliance, and implementing regular ethics training, etc., we guide officers and employees, etc. from their respective perspectives towards viewing compliance as their own problem, and applying it to business operations.
- The Company and its subsidiaries roll out and comply with the internal rules, etc. formulated by each company, and execute business appropriately. In addition, we discern which laws and regulations, etc. apply to the businesses of the Company and of its subsidiaries, and make relevant departments thoroughly aware of this information to establish a foundation for compliance with statutory requirements.
- Systems for consultation and whistleblowing are established, and the Company makes clear that if officers and employees, etc. become aware of an internal infringement of compliance or the potential of such an infringement, they must report it using internal or external consultation hotlines, etc. The Company keeps the details of such reports confidential, and does not subject whistleblowers to disadvantageous treatment.

(2) System for storing and managing information relating to execution of duties by Directors

The Company stores documents, etc. in accordance with laws and regulations, and internal rules.

In terms of management of information, the Company implements, maintains, and continuously improves guidelines for information security, the basic policy on protection of personal information, and matters required by the compliance program.

(3) Rules and other systems for managing risk of loss of the Company and its subsidiaries

- While implementing mechanisms to comprehensively recognize and assess risks that could have a significant impact on the management related to the business purpose, the Company draws up risk management related rules, and establishes systems to prevent risks from materializing in ordinary times.
- In order to ensure the effectiveness of risk management, an Internal Control Committee and a Personal Information Protection Committee have been established with the aim of cross-organizational response and continuous monitoring, and the results of deliberations by each committee are reported to the Board of Directors, the Management Committee, and the Audit & Supervisory Board.
- We have set up systems in advance to prepare for unexpected situations, or the risk of such situations, that could have a significant impact on management, and we respond promptly to emergencies and take measures to prevent a recurrence.

(4) System to ensure efficient execution of duties by Directors, etc. of the Company and its subsidiaries

The Company and its subsidiaries put in place systems to ensure that execution of duties is conducted appropriately and efficiently in accordance with the internal rules, etc. formulated by each company.

In principle, the Board of Directors meets once a month, making decisions on important matters and supervising progress in the execution of business. In order to strengthen the functions of the Board of Directors and enhance the efficiency of management, the Management Committee meets once a month to flexibly make decisions regarding basic and important matters associated with execution of business. Management Committee meetings are held with the participation of full-time Directors and relevant managers, and outside Directors as necessary.

[Translation]

The Strategic Meeting, whose members include the President and those in charge of various departments, is convened every other week to discuss targeted themes at length.

(5) System to ensure appropriateness of business at the Company and its group companies, and system to report matters related to execution of duties by Directors, etc. of subsidiaries

- The Company seeks to maintain and enhance the OBC brand through close cooperation with OBIC Co., Ltd., its affiliate, and its subsidiaries and associates.
- While respecting the independence of subsidiaries and associates, the Company receives regular reports on the description of business, the financial position, and the results of operations, and important projects are discussed with the Company beforehand. Also, the Financial Auditor conducts audits, and the results are reported to the Board of Directors and the Audit & Supervisory Board.

(6) Employees who assist the duties of Audit & Supervisory Board Members

Currently there are no employees who assist the duties of Audit & Supervisory Board Members, but staff will be assigned to assist the operations of Audit & Supervisory Board Members as necessary, with Directors and Audit & Supervisory Board Members exchanging opinions on such matters of personnel.

(7) Matters pertaining to the independence of employees in the preceding item from Directors and matters pertaining to ensuring the effectiveness of instructions given to such employees

- When a staff member who assists Audit & Supervisory Board Members as specified in the preceding item receives a necessary order from an Audit & Supervisory Board Member in relation to Audit & Supervisory Board audits, the staff shall not be subject to directives or orders from Directors or other employees regarding that order.
- Any issuance of orders to, personnel transfers of, merit evaluations of, or reprimands of a staff member who assists Audit & Supervisory Board Members shall require the prior concurrence of Audit & Supervisory Board Members.

(8) System for Directors, Audit & Supervisory Board Members and employees to report to Audit & Supervisory Board Members of the Company, and system to ensure that persons making such reports are not treated disadvantageously because of the said report

- For the efficient execution of duties by Audit & Supervisory Board Members, Directors and employees report to Audit & Supervisory Board Members on company management, important matters related to business operations, and progress in execution of business and their results. These important matters include matters related to compliance, matters related to risk, and matters related to internal control.
- If Directors discover a fact that could cause significant damage to the Company, they are required to immediately report it to Audit & Supervisory Board Members in accordance with laws and regulations. In addition, for the appropriate execution of duties by Audit & Supervisory Board Members, Audit & Supervisory Board Members and Directors and Audit & Supervisory Board Members of subsidiaries cooperate in communicating, information gathering, and exchanging opinions as appropriate.
- The basic approach for reports to Audit & Supervisory Board Members is that they should be conducted sincerely and thoroughly, with reports being made as required in addition to reports made on a regular basis.
- Disadvantageous treatment of persons on the grounds that they have made a report to Audit & Supervisory Board Members is prohibited.

(9) Matters pertaining to policy on advance or reimbursement of expenses arising in the course of the execution of duties by Audit & Supervisory Board Members, or on processing of other expenses and liabilities arising from execution of those duties

When an Audit & Supervisory Board Member requests advance or reimbursement of expenses arising in the course of the execution of their duties, said expenses or liabilities are processed promptly, excluding cases in which they are recognized as not being required for the execution of duties by the Audit & Supervisory Board Member.

(10) Other systems to ensure effective audits by Audit & Supervisory Board Members

- The Representative Director and Audit & Supervisory Board Members meet regularly to facilitate mutual communication.
- Directors also cooperate with investigations into important suppliers deemed necessary by Audit & Supervisory Board Members.
- Directors establish an environment in which, when perceived to be necessary by Audit & Supervisory Board Members in the course of executing their duties, Audit & Supervisory Board Members can cooperate with attorneys at law, certified public accountants, or other external specialists.

[Translation]

(11) Basic stance on eliminating anti-social forces and progress of related efforts

The Company maintains a resolute attitude to anti-social forces and organizations that threaten the order and safety of civil society.

- The work regulations of the Company maintain a resolute attitude towards anti-social forces and organizations, stating that no transactions of any kind must be entered into, and officers and employees are made thoroughly aware of these regulations.
- The Company seeks to gather information on anti-social forces and organizations, and it has established a system whereby it will promptly contact the police and advisory attorneys at law in the event of an unreasonable request or some other situation.

(12) System to ensure the reliability of financial reporting

We recognize that internal control over financial reporting pursuant to the provisions of the Financial Instruments and Exchange Act is one of the most important issues we face as a company, and have built internal systems to prevent misstatements from occurring in important financial reports published externally. The implementation and operational status of internal control is assessed by the Internal Audit Office every year, with its effectiveness confirmed by audits performed by an audit firm. Ensuring the effectiveness of internal control enhances the reliability and appropriateness of financial reporting.

2. State of Operation of System to Ensure Appropriateness of Business

We see corporate governance as the basic framework for corporate management, the purpose of which is to establish systems that enable efficient and sound corporate management and to properly align the interests of stakeholders who are involved in various aspects of our company's management, such as shareholders, creditors, employees, business partners, consumers, and local communities. Therefore, we consider the enhancement of corporate governance to be a key issue for management. An overview of the state of operation of the system described above in the fiscal year ended March 31, 2024 is as follows.

- (1) The Internal Audit Office conducts internal financial audits and operational audits in accordance with various internal rules, and makes proposals for the improvement of operations. The Internal Control Committee conducts audits and checks to ensure that internal control over financial reporting is functioning, as well as monitoring the company-wide state of internal control and the appropriateness of business processes. The Internal Control Committee functions in cooperation with the Internal Audit Office, with the aim of cross-organizational response and continuous monitoring.
These audit and other results are reported regularly to the Board of Directors and the Audit & Supervisory Board.
The appropriateness of materials disclosed for financial results is ensured by disclosing them after they have been put on the agenda of the Board of Directors.
- (2) The Board of Directors met 13 times (with written resolutions being passed by the Board of Directors on 4 occasions), engaging in important decision-making and supervising the progress of execution of business by Directors. In order to enhance the appropriateness and effectiveness of business execution by the Board of Directors, the Management Committee met 12 times. The Management Committee investigated various matters at length, including proposals submitted to the Board of Directors.
- (3) The Audit & Supervisory Board met 12 times, performing audits based on the audit plan set out by the Audit & Supervisory Board. Audit & Supervisory Board Members also attended meetings of the Board of Directors with the aim of enhancing the effectiveness of audits. Moreover, the Financial Auditor coordinated with the Internal Audit Office to exchange information, and the monitoring functioned adequately with regard to internal control.
- (4) In terms of information security countermeasures, we implemented employee training aimed at preventing leakages of the Company's confidential information, including personal information.
- (5) To reflect the latest laws and regulations, we updated the Compliance Handbook, which contains specific details of issues to which every officer and employee should pay attention during the execution of business, and made sure that they were aware of this. We also implemented e-learning and check tests incorporating recent compliance case studies and with exhaustive coverage, aiming to further raise awareness of compliance with laws and regulations.
- (6) In addition to fostering awareness among officers and employees of the need to avoid any kind of relationship with anti-social forces, and are working to ensure the safety and appropriateness of business by incorporating statements excluding anti-social forces into various types of business agreement, etc.

[Translation]

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

As stated in “1. Basic Stance on Internal Control System and Progress of System Development” above.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
------------------------------------	-------------

Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

Overview of timely disclosure system

<Basic policy on information disclosure>

In order to provide shareholders and investors with timely, accurate, and fair information, the Company discloses information in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules stipulated by Tokyo Stock Exchange, Inc. (“Timely Disclosure Rules”). In addition, our basic policy on disclosure is to provide information that is useful to shareholders and investors by also fairly disclosing information that is not subject to the Timely Disclosure Rules, so as not to allow information to be concentrated in the hands of certain shareholders and investors.

<Method of information disclosure>

The Company discloses information subject to the Timely Disclosure Rules through the Timely Disclosure Network (TDnet) provided by Tokyo Stock Exchange, Inc. in accordance with the Timely Disclosure Rules. We will post the information disclosed via TDnet on our website promptly after it is released to the media.

In disclosing information that is not subject to the Timely Disclosure Rules, we make sure that such information is communicated to general investors by appropriate means as accurately and as fairly as possible, bearing in mind the purpose of timely disclosure.

As for the disclosure of financial results, in light of recent examples of large fluctuations in the performance of Japanese corporations in a short period of time, we strive to disclose quarterly and year-end financial results within one month after the closure of the respective fiscal periods.

<Quiet period>

To prevent the leakage of any information that may affect share prices, such as financial information, and to ensure fairness, the Company observes a “quiet period” from ten days prior to the closure of a fiscal period to the day of the announcement of financial results. During this period, we will abstain from commenting on or responding to any inquiries about financial results and related topics. However, in the event that financial results are expected to deviate significantly from our earnings forecast during this quiet period, we will disclose the information as appropriate in accordance with the Timely Disclosure Rules.

<Management structure, implementation of training, etc.>

The Company has established detailed rules for the handling of important company information in the Rules for the Prevention of Insider Trading (internal rules). To deepen understanding of the rules and ensure that all employees are aware of the content, we conduct training for all new employees, including training on compliance. In addition, we post on OASIS (internal bulletin board) reminders regarding restrictions on the trading of the Company’s shares from one month prior to the timing of quarterly disclosure as well as the end of the fiscal year, to ensure that all employees are aware of these restrictions.

<Spokespersons>

The Company’s spokespersons are the President, the officer responsible for information disclosure, officers with special titles, and IR personnel. IR personnel are always present when non-spokespersons make contact with market participants as part of IR activities. In addition, we prohibit non-spokesperson officers and employees from providing IR information.

[Translation]

Skills matrix for the Board of Directors and the Audit & Supervisory Board

The composition of the Board of Directors and the Audit & Supervisory Board, and the skills, experiences, and knowledge of the officers will be as follows.

This table does not show all the skills possessed by the officers, instead comparing the knowledge and experience of the officers that ensure the diversity of the Board of Directors and the Audit & Supervisory Board, while mapping the areas in which they are expected to contribute to the Company.

	Name	Position	Skills						
			Corporate management	Experience of the business or industry	Accounting and finance	Legal affairs / Compliance / Risk management	Innovation / Technology / IT	HR / Personnel development / Labor	Sustainability / ESG
Director	Masahiro Noda	Chairman	●	●	●		●		
	Shigefumi Wada	President and Representative Director	●	●	●	●	●		●
	Hiroko Wada	Vice President and Representative Director	●	●	●	●		●	●
	Katsuhiko Karakama	Managing Director		●			●		
	Toshio Ogino	Managing Director		●			●		
	Shoichi Tachibana	Director	●	●	●	●	●		●
	Chiaki Ito	Director	●	●			●		●
	Junji Narita	Director	●	●					
	Hiroyuki Murata	Director		●			●		
Audit & Supervisory Board Member	Shigekazu Kurozu	Full-time Audit & Supervisory Board Member		●	●	●	●		
	Toshiro Takahashi	Audit & Supervisory Board Member				●		●	●
	Tomonori Anan	Audit & Supervisory Board Member		●	●				●

[Translation]

(Timely disclosure structure)

