August 26, 2022
SG Holdings Co., Ltd.
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The status of corporate governance of SG Holdings Co., Ltd. ("the Company") is as follows.

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

1. Basic Views

The SG Holdings Group (“the Group”) has presented “Stakeholder Management” as the basis for its view of management and is conducting business activities to meet the expectations of a variety of stakeholders through:

(i) sustained improvement of the level of service to *customers*;
(ii) stabilization and improvement of the foundation of living of *employees* and their families;
(iii) contribution to the *local community* through safety, the environment and a variety of business activities and social activities;
(iv) improvement of enterprise value for *shareholders*; and
(v) equal and fair transactions with *business partners*.

Furthermore, in order to realize management for these stakeholders, the Group has established systems based on the awareness that the creation of a highly transparent business administrations system by enhancing and strengthening corporate governance is one of the most important issues.

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

The Company has implemented all principles of the Corporate Governance Code.

[Disclosure in Accordance with Principles of Corporate Governance Code]

[Principle 1.4 Cross-Shareholdings]

The Group holds some shares (cross-shareholdings) of business partner companies for which the purpose of holding is deemed to be necessary and rational, such as maintaining and developing mid- to long-term business relationships and creating synergies.

The cross-shareholdings held are specifically examined regarding the purpose of holding them, the existence of any synergies, and whether the benefits and risks from each holding cover the Company’s cost of capital, and the Board of Directors annually assesses whether or not to continue

holding them.

The voting rights of the shares held are handled based on the determination of whether each proposal contributes to mid- to long-term corporate value of the relevant company and the improvement of shareholder interests in light of factors such as the significance of the holding by the Company.

[Principle 1.7 Related Party Transactions]

With regard to procedures related to ascertaining and constraining related party transactions, the “Related Party Transaction Management Regulations” (the “Regulations”) have been established for the purpose of preventing inappropriate outflows of profit to related parties and contributing to the protection of the Company’s shareholders.

When conducting transactions with related parties, the necessity of the transactions and the appropriateness of the terms of the transactions are carefully checked from the perspective of protecting the interests of general shareholders.

Further, legitimacy of transactions involving conflict of interest are also supervised based on the Regulations. Specifically, by a thorough operation stipulated under the Companies Act, the transactions are implemented by gaining prior approval from the Board of Directors and the results are reported to the Board of Directors after the transactions are implemented.

[Supplementary Principle 2.4.1 Ensuring diversity in hiring key personnel]

1-1. Approach towards ensuring diversity in hiring key personnel

・The Group's Diversity & Inclusion (D&I) initiatives are intended to foster agile decision-making with respect for diverse values, so that we advance as a company with a strong competitive advantage.

・Because the logistics industry as a whole tends to have a high proportion of male employees, the Group recognizes that promoting the active participation of women is an especially important issue within D&I.

1-2. Ensuring diversity in hiring key personnel: status update and objectives

・We are engaged in various initiatives across the Group to meet the objectives of becoming an organization (1) in which women account for 30% of group earnings, and (2) in which women represent 10% of management by 2024 (9.5% as of FY2021).

・We are also actively hiring foreign nationals, and approximately 2,300 such individuals have been hired across the Group to work in appropriate positions.

・We have also appointed foreign nationals to managerial positions according to their functional abilities.

・Approximately 40% of those hired are mid-career recruits.

・Many mid-career recruits have been put in managerial positions and some have been appointed as

officers.

2. Human resources development policy, internal work environment policy, and status update on efforts to ensure diversity

2-1. Human resources development policy

・The Group is strategically automating employee recognition to ensure that all employees are highly motivated and participate actively with a sense of fulfilment from their work, so that the organization grows as individuals grow.

・We hope to ensure diversity by fostering a climate in which everyone recognizes and appreciates each other, so that we work together (respecting each other's views).

2-2. Internal work environment policy

We aim to create a work environment in which people from diverse backgrounds work enthusiastically, regardless of gender, age, disability, or nationality.

2-3. Status update

・The following are examples of our efforts to promote understanding of D&I

Distributing group-wide internal web-based newsletter on D&I

Presenting diversity awards, an internal recognition program

Convening "SGH Diversity Day" D&I seminars for executives and department managers

・To establish a conducive environment for working women, we are working to offer career training for women and expand the roles played by women.

・To promote understanding of LGBT issues, we are holding study sessions and we have established an advice desk.

・We are creating workplaces where people with disabilities can play an active role, and we are establishing a conducive environment for working seniors.

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

The Company has introduced a defined contribution pension scheme, and there are no situations where the Company has a role as an asset owner of corporate pension funds.

The Company periodically assesses and selects investment products and provides education, etc. to members with the awareness that the defined contribution pension scheme plays an important role in asset formation for each employee.

[Principle 3.1 Full Disclosure]

1. The management environment surrounding the Company is undergoing significant changes such as the decline in the domestic working population, advances in technology, the goal of carbon neutrality by 2050, and response to the new normal, and it is believed that the speed of such changes in the socioeconomic environment will increase further in future. Based on this

environment, the Company has established “Grow the new Story. New logistics, nurturing a new society together.” as its long-term vision aimed at FY2030. The capitalized “S” symbolizes the name of the Group and Sagawa Express, which is the core company, in addition to indicating the Group’s resolve to engage in important themes starting with “S” such as Solution, Social, Smart, Share and Sustainable. With a target of 2.2 trillion yen in consolidated operating revenue by FY2030, the Company aims for stable growth while capturing the growth of the market with the express package delivery as the foundation of business, in addition to increasing the Company’s scale by expanding businesses other than express package delivery as the engine to drive growth. Furthermore, the Company will promote initiatives to reduce CO2 emissions with a target to reduce CO2 emissions by 46% in FY2030 using FY2013 as a baseline as a milestone aimed at the realization of carbon neutrality in 2050. The boundary is Scope 1 and 2 for domestic Group companies, and consideration is being given to following with a response for overseas Group companies. This is based on the precondition of the realization of the power generation mix under the Sixth Strategic Energy Plan, and the emission reduction targets may be reviewed if there are any changes in the government’s reduction levels or preconditions due to social conditions.

Furthermore, in Mid-term Management Plan “SGH Story 2024” from the fiscal year ending March 31, 2023 to March 31, 2025, the Company has a basic policy is “expansion of management resources leading to the creation of competitive advantages” for the first three years of the above long-term vision, and is focusing on the following management strategies.

- ■ Enhancement of comprehensive logistics solutions (GOAL)
- ■ Expansion of management resources leading to the creation of competitive advantages
- ■ Further advancement of governance

Details of the management plan are published on the Company’s website below.
https://www.sg-hldgs.co.jp/en/ir/management/plan/

2. The Company has presented “Stakeholder Management” as the basis for its view of management and is conducting business activities to meet the expectations of a variety of stakeholders through:
   (i) sustained improvement of the level of service to *customers*;
   (ii) stabilization and improvement of the foundation of living of *employees* and their families;
   (iii) contribution to the *local community* through safety, the environment and a variety of business activities and social activities;

(iv) improvement of enterprise value for *shareholders*; and

(v) equal and fair transactions with *business partners*. Furthermore, in order to realize management for these stakeholders, the Company has established systems based on the awareness that the creation of a highly transparent business administrations system by enhancing and strengthening corporate governance is one of the most important issues.

3. The remuneration of Directors is determined based on a resolution of the Board of Directors and within the limit determined by the General Meeting of Shareholders, with consideration for factors such as the advice of the voluntary Nomination and Remuneration Advisory Committee, which is the advisory committee of the Board of Directors that is comprised of three Directors (including two Outside Directors), and the economic environment and performance. The remuneration of Audit & Supervisory Board Members is determined through deliberation by the Audit & Supervisory Board.
4. When appointing senior management, comprehensive consideration is given to factors such as abundant operational experience and expertise inside and outside the Company, qualifications as management.

   Furthermore, in accordance with internal rules, the Board of Directors recommends the resignation of any Directors suspected to have performed an act such as fraud or breach of faith. For Audit & Supervisory Board Members, consideration is given to factors such as qualifications as Audit & Supervisory Board Members and specialized knowledge.
5. The reasons for individual nominations of Directors and Audit & Supervisory Board Members are disclosed in the notice of the General Meeting of Shareholders, etc. Furthermore, the appointment and dismissal of senior management are disclosed in a timely manner.

[Supplementary Principle 3.1.3 Sustainability initiatives]

<Sustainability>

The SG Holdings Group's New Long-term Vision discloses its view on growth of operating revenue, in addition to medium- to long-term greenhouse gas emission cap targets aimed at carbon neutrality in 2050, and sets a target of reducing CO2 emissions by 46% in FY2030 using FY2013 as a baseline. The boundary is Scope 1 and 2 for domestic Group companies, and consideration is being given to following with a response for overseas Group companies. This is based on the precondition of the realization of the power generation mix under the Sixth Strategic Energy Plan, and the emission reduction targets may be reviewed if there are any changes in the government's reduction levels or preconditions due to social conditions.

The Mid-term Management Plan (SGH Story 2024) sets targets on greenhouse gas emissions along with operating revenue and income as KPIs, and establishes "promotion of services aimed at solving social and environmental issues such as decarbonization" as a priority strategy, and is consistent with

the “SG Holdings Group Decarbonization Vision” outlining the policy on climate change issues.

Furthermore, Company conducts scenario analysis of medium- to long-term climate change risks and opportunities in line with the TCFD framework to assist future management decisions and has prepared a report of the results, which is disclosed on the website. The scenario analysis uses two scenarios (1.5°C and 4°C) to perform qualitative analysis and quantitative analysis. Qualitative analysis was performed by identifying risks and opportunities anticipated due to climate change by referring to forecasts of socioeconomic trends related to business. Quantitative analysis estimated the financial impact of the identified climate change risks and opportunities that have a large impact and are quantifiable.

<Investment in human capital and intellectual property, etc. >

Regarding human capital and intellectual property, in SG Holdings Group’s Mid-term Management Plan ”SGH Story 2024”, raises “investment in human capital and improvement of employee engagement” and “creation of new value through open innovation” and are working on this as an important management strategy.

Details of the management plan are also posted on the Company's website below.

https://www.sg-hldgs.co.jp/en/ir/management/plan/

[Supplementary Principle 4.1.1 Matters Determined by the Board of Directors]

The Board of Directors makes decisions on matters specified by laws, regulations and the Articles of Incorporation, in addition to basic management policies such as business plans specified in the Board of Directors’ Regulations and other important matters in management. Authority over other business decisions and the execution thereof is clarified in internal rules such as Duty and Authority Regulations, which clearly specify the scope of delegation to management.

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

The Company has established criteria for determining the independence of outside officers which can be referred to in [Independent Officers] under section II.1. of this report.

[Supplementary Principle 4.10.1 Appropriate involvement and advice from independent outside directors through establishment of an independent nomination committee and remuneration committee]

The Board of Directors is currently comprised of eight directors, three of whom are independent Outside Directors. The voluntary Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors. This committee deliberates the selection of

director candidates, including the CEO, as well as director remuneration, and submits its reports to the Board of Directors. As a committee that is comprised of one Internal Director and two Outside Directors (including female representation), its fairness, independence, and objectivity are ensured, and it is able to provide appropriate advice from multiple perspectives, such as insights from their experience in corporate management and academic fields.

[Supplementary Principle 4.11.1 Balance and Diversity of the Board of Directors as a Whole]

The Board of Directors selects director candidates by considering the main skills, career path, and professional qualifications of each director, as well as the combination these individuals, in terms of their numbers and areas of specialization, as they relate to the organizational structure of the company.

We believe that the Board of Directors as a body is an organization that ensures a balance and diversity of knowledge, experience and skills. In selecting director candidates, based on the deliberations of the voluntary Nomination and Remuneration Advisory Committee (an advisory body to the Board of Directors), in addition to directors from within the Group who have expertise and skills in our areas of business, independent outside directors with management experience are selected with an awareness their experience and original fields, such finance, accounting, risk management, and sustainability.

For a skills matrix listing the areas of professional experience needed within the Board of Directors, especially those areas where members are expected to contribute, please refer to the Skills Matrix under "V. Other."

[Supplementary Principle 4.11.2 Concurrent Positions of Directors and Audit & Supervisory Board Members]

Positions concurrently held by Directors and Audit & Supervisory Board Members as officers in other listed companies are disclosed in notices of the General Meeting of Shareholders and the Annual Securities Reports. These concurrently held positions are believed to be within an extent that does not impede duties as Directors and Audit & Supervisory Board Members of the Company, such as attending Board of Directors meetings and Audit & Supervisory Board meetings.

[Supplementary Principle 4.11.3 Analysis and Evaluation of the Overall Effectiveness of the Board of Directors]

The Company endeavors to ensure the effectiveness of the Board of Directors as a whole by conducting surveys of all Directors and Audit & Supervisory Board Members every fiscal year on the state of implementation of corporate philosophy and management vision, and of the composition, operation and supervisory functions, etc. of the Board of Directors, and by sharing and discussing the

results thereof in the Board of Directors for the purpose of verifying the effectiveness of the Board of Directors. A third party was employed to review the survey items and tally results of the survey for FY2021. Based on the results of the surveys, it was confirmed that the effectiveness of the Company's Board of Directors as a whole was ensured. Specifically, it was confirmed that communication is conducted more smoothly than in the past due to the provision of opportunities for Outside Directors to exchange opinions and that Outside Directors can contribute to more in-depth discussion at the Board of Directors meetings. As an issue to address in future, it was mentioned that although materials for Board of Directors meetings are adequately distributed to Outside Directors and Audit & Supervisory Board Members in advance, there is room for improvement in the volume and quality depending on the agenda item. Furthermore, the Company will continue to implement measures aimed at more advanced corporate governance while ensuring the effectiveness of the Board of Directors. [Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members] The Company conducts workshops according to the times as appropriate, such as seminars on diversity, insider trading regulations and economics, for the purpose of providing the knowledge required of Directors and Audit & Supervisory Board Members of a listed company. Furthermore, when a new outside officer is appointed, sufficient explanations on the state of the Company's business and finances and the organizational structure are provided along with tours of offices, etc., in addition to hearings of the Directors in charge as required. [Principle 5.1 Policy for Constructive Dialogue with Shareholders] When requests for meeting are received from shareholders and investors, the Company's policy is to accommodate these requests to a reasonable extent, and the Company has created a system for promoting more constructive dialogue with shareholders and investors such as establishing a department responsible for IR.

2. Capital Structure

Percentage of shares owned by foreign shareholders:	10% or more and less than 20%

[State of Major Shareholders]

Name	Number of shares held	Percentage

Shinsei Kosan Co., Ltd.	103,952,000	16.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,596,500	9.38
SGH Culture and Sports Promotion Foundation	48,400,362	7.61
MUFG Bank, Ltd.	26,381,720	4.15
Sumitomo Mitsui Banking Corporation	25,200,000	3.96
Sumitomo Life Insurance Company	25,200,000	3.96
Mitsui Sumitomo Insurance Company, Limited	25,200,000	3.96
Sagawa Printing Co., Ltd.	22,816,400	3.59
Custody Bank of Japan, Ltd. (Trust Account)	21,572,600	3.39
Isuzu Motors Limited	19,800,000	3.11

Controlling shareholder name	—
Parent company name	None

Supplementary Explanation

The percentages of shares held in relation to the total number of shares issued (excluding treasury stock) are rounded down to two decimal places. (As of March 31, 2022)

3. Corporate Attributes

Stock exchange and market segment	Tokyo Stock Exchange, Prime Section
Fiscal year-end	March
Industry	Land transportation
Number of employees at the most recent fiscal year-end (consolidated)	1,000 or more
Consolidated net sales for the most recent fiscal year	1 trillion yen or more
Number of consolidated subsidiaries at the most recent fiscal year-end	100 to 299 companies

4. Guidelines on Measures to Protect Minority Shareholders When Dealing with Controlling Shareholders

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5. Other Special Circumstances That May Materially Affect Corporate Governance

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II. Corporate Governance Structure for Management Administration Pertaining to Management Decision-Making, Execution, and Supervision, and Others

1. Matters Concerning Institutional Structure and Organizational Operations

Organization form:	Company with Board of Company Auditors

[Directors]

Number of directors specified in the Articles of Incorporation	12
Terms of office specified in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Representative Director other than the Chairperson and President
Number of directors	8
Outside directors appointed	Appointed
Number of outside directors	3
Number of outside directors designated as independent officers	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Mika Takaoka	Academic											
Osami Sagisaka	Other											
Masato Akiyama	From another company											

* Categories for "Relationship with the Company"

a. Executive of the Company or its subsidiary

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

c. Executive of a fellow subsidiary of the Company

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

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

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer

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

h. Executive of a client or supplier of the Company (which does not fall under any of d., e., or f.) (the director

himself/herself only)

i. Executive of a company with which the Company mutually appoints outside officers (only the officer himself/herself)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Independent officer	Explanation of conformance	Reason for appointment
Mika Takaoka	○	—	She has expert knowledge and insight into business administration, etc. as a university professor, and it was determined that her broad knowledge developed through her background could be utilized in the Company's management in general.
Osami Sagisaka	○	—	It was determined that his broad insight developed as a national government employee and through activities related to environmental law, fire and emergency services after retiring could be utilized in the Company's CSR activities and BCM.
Masato Akiyama	○	—	He has been involved in the logistics industry for many years and has extensive knowledge of logistics and experience in corporate management, such as serving as the representative director of multiple companies in

			the same industry. It was determined that his broad knowledge developed through his background can contribute to the Company's management in general.

[Voluntary Committees]

Voluntary committee corresponding to nomination committee or remuneration committee	Established

	Committee Equivalent to the Nomination Committee	Committee Equivalent to the Remuneration Committee
Name of Committee	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
Members (persons)	3	3
Full-time members (persons)	0	0
Internal Directors (persons)	1	1
Outside Directors (persons)	2	2
Outside Experts (persons)	0	0
Others (persons)	0	0
Head (Chairperson) of the Committee	Internal Director	Internal Director

Supplementary explanation

A voluntary Nomination and Remuneration Advisory Committee is comprised a total of three persons: two Outside Directors and one Internal Director. The Committee takes on the function of both a nomination committee and a remuneration committee.

[Audit & Supervisory Board Members]

Audit & Supervisory Board established	Established
Number of Audit & Supervisory Board Members specified in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Status of Collaborative Work among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Department

Audit & Supervisory Board Members endeavor to implement efficient audits by closely working with the internal audit divisions of the Company and its subsidiaries, along with the Audit & Supervisory Board Members of subsidiaries when conducting audit duties. Furthermore, in the relationship with the Accounting Auditors, points for discussion concerning accounting audits are shared through regular meetings.

Outside Audit & Supervisory Board Members appointed	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members designated as independent officers	3

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

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Satoshi Tajima	Certified Public Accountant													
Kenichiro Okamura	Certified Public Accountant													
Yoshitaka Ooshima	Attorney at Law													

* Categories for "Relationship with the Company"

a. Executive of the Company or its subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Executive or non-executive director of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

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

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, with which the Company mutually appoints outside officers (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (only the officer himself/herself)

m. Others

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

Name	Independent officer	Explanation of conformance	Reason for appointment
Satoshi Tajima	○	—	It was determined that he could conduct audits from an expert position and fulfill the role of ensuring the validity and appropriateness of the Company's management based on his extensive experience and knowledge as a certified public accountant, U.S. certified public accountant and a certified tax accountant.
Kenichiro Okamura	○	—	It was determined that his abundant experience and high level of knowledge as a certified public accountant, along with his past experience as an Audit & Supervisory Board Member in other companies could be utilized in audits within the Company.

Yoshitaka Ooshima	○	—	He has abundant knowledge and experience as an attorney at law, and it was determined that his specialized viewpoint based on this knowledge and experience could be utilized in audits within the Company.

[Independent Officers]

Number of independent officers	6

Other matters concerning independent officers

The Company has nominated all outside officers who qualify as independent officers to be independent officers.

[Criteria for Determining the Independence of Outside Officers]

The Company determines the independence of Outside Directors and Outside Audit & Supervisory Board Members stipulated under the Companies Act by checking whether any of the following items apply based on the determination criteria set by Tokyo Stock Exchange, Inc., and deems them to be independent if none of the items apply.

1. A Major shareholder (a person directly or indirectly holding 10% or more of voting rights) of the Company, or a business executive thereof
2. A person whose major business partner is the Company and its subsidiaries (hereinafter referred to as “the Group”), or a business executive thereof
3. A major client of the Group, or a business executive thereof
4. A person providing professional services such as a consultant, attorney or certified public accountant who obtains a large sum of money or other financial gain from the Group other than officer remuneration
5. A person who has received the donation of a large sum of money or other financial gain from the Group, or a business executive thereof
6. A Director (excluding Outside Directors), Audit & Supervisory Board Member (other than Outside Audit & Supervisory Board Members), Executive Officer or employee of the Group
7. A person to whom any of the items in 1 through 6 above have applied during the past three years
8. If a person to whom any of the items in 1 through 7 above applies is in an important position, the spouse and relatives within the second degree of kinship thereof
9. In addition to the preceding items, a person for whom there may be special circumstances preventing the fulfillment of duties as an independent outside officer, such as the possibility of a conflict of interest

[Incentives]

State of Implementation of measures concerning granting incentives to Directors	Introduction of a Company Performance-Linked Share-Based Remuneration Program

Supplementary explanations of applicable items

On July 1, 2018, the Company introduced a company performance-linked share-based remuneration program for the purpose of clarifying the link between compensation for Directors and the Company’s stock value and increasing motivation to contribute to improving mid- to long-term business performance and enhancing corporate value.

(1) Overview of the Program

The Program is a scheme paying remuneration for delivering the Company's common shares, etc. to the Company's Directors, etc. when Directors, etc. leave office according to the level of achievement of company performance indicators, etc. The calculation period of the Scheme is the three continuous fiscal years corresponding to the Company's mid-term management plan (the initial calculation period is the four fiscal years combining the current fiscal year that is the one remaining year of the current mid-term management plan and the three fiscal years under the next mid-term management plan).

(2) Method of calculation and upper limit of the number of the Company's common shares to be granted

The Directors, etc. subject to the Scheme are granted points calculated by multiplying the number of base points calculated using the base monthly remuneration of each Director by the performance-linked multiplier (varying within the range of 0 to 200%) according to the level of achievement of the Company's performance indicators (indicators specified by the Board of Directors such as consolidated operating income) at the prescribed time every year.

Furthermore, the maximum number shall be125,000 shares per fiscal year, and 375,000 shares per calculation period (three fiscal years) (however, 500,000 shares in the initial calculation period of four fiscal years).

When a Director, etc. leaves office, the number of the Company's common shares, etc. are delivered according to the cumulative number of points granted and a number of the Company's common shares equivalent to 70% of this is delivered, while an equivalent amount of money is paid in lieu of the Company's common shares for the remainder.

Please note that if a Director, etc. is found to have performed an illegal act after the vesting date or found to have been employed by a rival company without the Company's permission, the Company may claim compensation for the monetary remuneration claim granted and the total amount of money paid.

*The Company implemented a two for one stock split of its common shares with the effective date of November 1, 2020, and the upper limit of the above common stock is the number of shares after considering the stock split.

For other details, please see the latest Annual Securities Report.

Recipients of stock options	—

Supplementary explanations of applicable items

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[Director Remuneration]

State of disclosure	Only some individually disclosed

Supplementary explanations of applicable items

The total amount of remuneration is disclosed for Directors, Audit & Supervisory Board Members and

outside officers, respectively. Furthermore, persons who receive a total amount exceeding 100 million yen are disclosed individually on the Annual Securities Report and the Company's website.

Policies to determine remuneration and calculation method	Established

Disclosure of policies for determining remuneration and calculation method

(i) Policy on determining the content of the remuneration, etc. of individual Directors

The policy on determination of the content of remuneration, etc. of individual Directors was resolved in the regular meeting of the Board of Directors held on February 26, 2021 to create a remuneration system that adequately functions as an incentive for sustained enhancement of corporate value, is linked to the interests of shareholders and is based on the Medium-term Management Plan.

(ii) Overview of the content of the determination policy

Remuneration of the Company's Directors shall be determined with consideration for the economic environment and business performance, etc. to ensure it functions adequately as an incentive for the sustained enhancement of corporate value, and the basic policy when determining the remuneration of individual Directors is that it shall be at an appropriate level based on their respective duties, etc. Specifically, the remuneration of Directors who execute business is made up of base remuneration as fixed remuneration and performance-linked share-based remuneration as non-monetary remuneration, and the remuneration of Outside Directors who serve in a supervisory capacity is only made up of base remuneration in light of their duties.

The base remuneration of individual Directors of the Company shall be monthly fixed remuneration (monetary remuneration), and policy is that it shall be determined based on comprehensive consideration taking into account the individual's position, duties, performance and ability, and also the level at other companies, the performance of the Company and the level of employee wages. The overview of the content and the calculation method of performance-linked remuneration, etc. and performance-linked share-based remuneration as non-monetary remuneration, etc. are described in the aforementioned "[Incentives] State of implementation of measures concerning granting incentives to Directors"

Furthermore, the remuneration of Directors of the Company is made up of base remuneration and performance-linked share-based remuneration (only base remuneration for Outside Directors), and is provided for results and performance based on the expected duties. With regard to specific distribution, the percentage linked to performance, etc. is higher for higher positions in a system that requires higher accountability for results and performance according to the position.

The original proposals of the specific details of the remuneration, etc. of individuals (amount of base

remuneration and the number of shares granted under performance-linked share-based remuneration) are deliberated in the Nomination and Remuneration Advisory Committee, which is a voluntary advisory body to the Board of Directors, and determined at the sole discretion of the Chairperson and CEO pursuant to a resolution of the Board of Directors based on the content of deliberation in the Committee.

[Support System for Outside Directors (Outside Audit & Supervisory Board Members)]

A support system for Directors and Audit & Supervisory Board Members has been created for Directors by the General Affairs Department that serves as the secretariat of the Board of Directors and for Audit & Supervisory Board Members by the Corporate Audit & Supervisory Board Members' Office.

[Status of Persons Who Retired from the Position of President and COO, etc.]

Names and other information about consultants and advisors who are a former President and COO, etc.

Name	Title/Position	Service	Employment Status/Condition (full-time, part-time, paid or unpaid)	Date of retirement from the position of President, etc.	Term of office
Hideo Araki	Honorary Advisor	Advice on the Group's business	Part-time/ paid	June 25, 2021	One year

Total number of consultants and advisors who are a former President and COO, etc.: 1

Other Matters

- The Company has not provided for the position of honorary advisor in the Articles of Incorporation or internal rules, but it may appoint an honorary advisor, etc. as needed.
- An honorary advisor has no authority extending an impact on management decisions of the Company or the Group, and is not involved in any decision making in management.

2. Functions Including Business Execution, Audit, Supervision, Appointments, and Determining Remuneration (Outline of Current Corporate Governance Systems)

(i) Board of Directors

The Board of Directors is made up of eight Directors (including three Outside Directors), and reports are made on decisions on the general business execution of the Group and the state of Directors' execution of management in accordance with internal rules such as the Board of Directors' Regulations and the Duty and Authority Regulations.

In principle, regular meetings of the Board of Directors are held every month, and extraordinary meetings are held when there are urgent matters to be decided.

(ii) Audit & Supervisory Board

The Audit & Supervisory Board is made up of all Audit & Supervisory Board Members, and meetings are held regularly once every month. In the Audit & Supervisory Board meetings, the full-time Audit & Supervisory Board Member reports on the auditing of operations, and proposals to the Board of Directors are discussed in advance.

Extraordinary meetings are also held as required.

(iii) Other Meetings

A voluntary Nomination and Remuneration Advisory Committee, which is comprised of three Directors (including two Outside Directors), confirms the appropriateness of nominating candidates for Directors and remuneration for Directors.

Further, the Group has established meetings and committees such as “SGH Group Management Strategy Meetings” and “SGH Group Risk Management Meetings” as organs for prior deliberation of matters to be resolved by the Board of Directors and specialized examination of important matters in accordance with the internal rules of Group companies.

The Directors, Executive Officers, full-time Audit & Supervisory Board Members responsible attend each meeting in an effort to achieve more efficient business operations.

3. Reasons for Adopting the Current Corporate Governance System

The Company’s Audit & Supervisory Board has a four-member structure (including three Outside Audit & Supervisory Board Members), and the Audit & Supervisory Board Members attend meetings of the Board of Directors in addition to constantly auditing and monitoring the state of business execution by Directors, such as stating their opinions as required from their position. Furthermore, the full-time Audit & Supervisory Board Member participates in various meetings other than the Board of Directors meetings as an observer to gain a deeper understanding of the state of the Company and management, actively endeavors to establish the audit environment and collect information within the Company, in addition to constantly monitoring the creation and state of operation of internal control systems, and providing objective opinions and advice. As a result, it has been determined that the appropriateness of management is adequately ensured.

Furthermore, Outside Directors also attend important internal meetings other than meetings of the Board of Directors to supervise the Company’s management decisions and decision-making processes from an objective and independent viewpoint outside the Company, and provide opinions and advice as needed based on their own experiences and knowledge.

The Company believes that corporate governance is functioning adequately under the current system in which business execution is supervised and audited by the Board of Directors including Outside Directors and the Audit & Supervisory Board.

III. Measures Relating to Shareholders and Other Stakeholders

1. Efforts to Invigorate General Meeting of Shareholders and Facilitate the Exercising of Voting Rights

	Supplementary explanation
Early delivery of notice of the General Meeting of Shareholders	Sent no later than 14 days prior to the General Meeting of Shareholders.
Exercise of voting rights by electromagnetic means	Shareholders unable to attend the General Meeting of Shareholders may vote by electromagnetic means.
Participation in platform for exercise of voting rights by electromagnetic means and other measures to enhance environment for exercise of voting rights by institutional investors	The Company is participating in the platform for electronic voting operated by ICJ, Inc.
Providing notice (Summary) in English	The Notice of the General Meeting of Shareholders (Summary) is prepared and published on the Company's website.
Other	—

2. Activities Relating to IR

	Supplementary explanation	Explanation by representative
Preparation and publication of disclosure policy	The Company has prepared a disclosure policy and published it on its website.	
Conducting periodic briefings for analysts and institutional investors	Briefings for analysts and institutional investors are held after the announcement of results of the second quarter and the end of the fiscal year, and the Representative Director etc. provides an overview of performance and explain the Company's management policies, etc. In addition to the above briefings, earnings briefings conducted through telephone	Yes

	conferences along with small meetings, etc. are also held by the department responsible for IR.	
Holding regular meetings for foreign investors	We will periodically conduct roadshows for foreign investors to provide an overview of performance and explain the Company's management policies, etc.	Yes
Posting of IR Materials on the Company's Website	We post quarterly earnings reports, mid-term management plans, Shareholders' Meeting Related Materials, Integrated Reports, ESG Book and news releases, etc. on the Company's website.	
Establishment of a department (responsible party) in charge of IR activities	The Investor Relations Office is responsible for IR activities.	

3. Efforts to Ensure Due Respect for Stakeholders

	Supplementary explanation
Establishment of provisions such as internal rules for ensuring due respect for stakeholders	The Group has established the "Charter of Corporate Conduct of the SG Holdings Group" and "Code of Ethics and Conduct of the SG Holdings Group" based on our corporate philosophy to ensure a common policy of conduct is observed.
Environmental conservation initiatives, CSR activities, etc.	The Group conducts a variety of activities aimed at the creation of a sustainable society while fulfilling our corporate social responsibility. The Group's efforts such as activities to protect the environment and CSR activities are summarized and published on the Company's website.
Formulation of policies for providing information to stakeholders	We are aware that it is our social responsibility as a company to ensure transparency of management by providing stakeholders with corporate information appropriately and in a timely manner, and information is actively provided by means such as publication on the Company's website to enable stakeholders to easily and fairly access information.
Other	The Company has appointed one female officer as an Outside Director. The "WakuWaku Diversity Committee" has been established in order to promote diversity management that evolves along with the

	changing times, based on securing a workforce and creating new business opportunities through diverse perspectives and values.

IV. Matters Related to Internal Control System

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

The Company's basic policy on internal control and the progress status of internal control system development is as follows.

(1) Systems related to ensuring that Directors and employees execute their duties in compliance with laws, regulations and the Articles of Incorporation

(i) The Company shall prescribe the "Charter of Corporate Conduct" and "Code of Ethics and Conduct" of the SGH Group in order to establish a corporate culture in which Directors' and employees' business activities are conducted in compliance with laws, regulations and the Articles of Incorporation. It is the President and COO's responsibility to consistently communicate the spirit of "Charter of Corporate Conduct" and "Code of Ethics and Conduct" to Directors and employees to instill these and educate them to place the utmost priority on compliance in every aspect of business operations.

(ii) The Company shall prescribe rules and procedures, etc. in accordance with related laws and regulations, and regularly review the basic policy, rules, procedures, etc. to ensure that they are workable by addressing the changes, etc. in the management environment.

(iii) The Company shall appoint Outside Directors to enhance the monitoring function over Directors' execution of duties.

(iv) The Company shall prescribe "Internal Whistleblowing Regulations" in order to prevent or facilitate early detection of fraud, misconduct, etc., within the SGH Group and establish the "Compliance Hotline" – an internal whistleblowing system of the SGH Group. Furthermore, in order to make the system effective, the Company shall place contacts inside and outside the Company to encourage the use of the system. The Company shall take prompt and appropriate measures in response to reports made to these contacts according to the "Internal Whistleblowing Regulations."

(v) In order to exclude anti-social forces that threaten the order and security of civil society, the Company shall prescribe the "Exclusion of Anti-Social Forces Regulations" and be fully committed to halting the development of any relationships with anti-social forces by rejecting acknowledgment of undue claims, secret deals, provision of funding, etc. Additionally, in cooperation with outside expert institutions, the Company shall address anti-social forces in an organized and legally-compliant manner and prioritize the security of Directors and employees.

(2) Systems related to retention and management of information related to the execution of duties by Directors

(i) The Company shall prescribe an “Information Security Basic Policy” and establish an information security management system in order to appropriately retain and manage information assets.

(ii) The Company shall appropriately retain and manage significant information and decisions, etc. related to the execution of duties by Directors in compliance with laws, regulations and related rules.

(iii) The information described in (ii) above shall be kept accessible for timely use when needed.

(iv) The Company shall appropriately manage personal information according to laws and regulations and the “Personal Information Protection Regulations.”

(3) Policies and other systems related to management of the risk of loss

(i) In order to manage risks appropriately and efficiently, the Company shall prescribe “Risk Management Regulations” and establish a risk management system for the SGH Group, as well as responding appropriately to events that may harm corporate management, business operations or corporate image, or that may have a significant impact on society as a whole.

(ii) The Company shall hold “SGH Group Risk Management Meetings” on a regular basis and enhance the risk management system to minimize and prevent realization of risks, and mitigate losses from the realization of the risks.

(iii) The Company shall set forth a Business Continuity Plan (BCP) to minimize business outages and fulfill its role in society even in emergency situations, and establish/operate a Business Continuity Management (BCM) system.

(4) Systems for ensuring that Directors’ duties are efficiently executed

(i) Directors shall execute their duties based on the organizational structure and duties and authorities authorized by the Board of Directors, and the Board of Directors shall supervise the state of execution of the Directors’ duties to ensure they are executed appropriately and efficiently.

(ii) The Company shall discuss management issues among its Directors and hold meetings of its Directors and Audit & Supervisory Board Members to share significant management information on a timely basis to make efficient management decisions in the Board of Directors meetings.

(iii) In order to improve management efficiency, the Company shall prescribe “Management Plan Administration Regulations” and “Group Management Plan Administration Regulations,” and authorize a mid-term business plan and a single-year budget in meetings of the Board of Directors, and Directors shall execute their duties efficiently based on these.

(5) Systems for ensuring appropriateness of operations within the SGH Group

(i) The Company shall prescribe the SGH Group’s “Charter of Corporate Conduct” and “Code of Ethics and Conduct” and be fully committed to complying with common conduct guidelines.

(ii) The Company shall prescribe “Business Corporations’ Management and Operation Regulations” and “Overseas Corporations’ Management and Operation Regulations” to support business management in every business corporation, paying due regard to their autonomy and independence.

(iii) The Company shall hold “SGH Group Management Strategy Meetings” and “SGH Group Administration Department Managers’ Meetings” on a regular basis and share the SGH Group’s management policies, significant decisions/reports, etc. to enhance the effectiveness of guidance and control over each corporation’s management in general.

(iv) The company shall prescribe “Duty and Authority Regulations” as the SGH Group’s unified standard, and manage each business corporation’s significant decisions in their management activities to ensure they are made with all the necessary prior discussions and reporting to/approvals by the Board of Directors of the Company.

(v) In order to ensure reliability of financial reporting, the Company shall prescribe “Accounting Regulations” and related procedures, manuals, etc. as standard versions for the SGH Group. At the same time, the Company shall consult external experts for their opinions as necessary and establish a monitoring and auditing system.

(vi) In cooperation with the internal audit departments etc. of business corporations, the Internal Audit Department shall conduct internal audits on a regular basis and report the internal audit results to the Company’s Board of Directors. When remedial actions are necessary, the Internal Audit Department shall instruct the business corporations to take actions and conduct subsequent monitoring to check the progress.

(6) Items related to the employees to assist the duties of Audit & Supervisory Board Members and their independence, etc. from Directors, etc.

The Company shall organize the Corporate Audit & Supervisory Board Members’ Office and assign dedicated employees to assist the execution of duties of Audit & Supervisory Board Members. The number, qualifications, etc. of those employees shall be determined based on the discussions with the Audit & Supervisory Board. Additionally, in order to ensure independence from Directors, etc. and the effectiveness of instructions from Audit & Supervisory Board Members, personnel transfers, performance appraisals, disciplinary actions, etc. for those employees shall require consent of the Audit & Supervisory Board.

(7) Systems for Directors and employees to report to Audit & Supervisory Board Members and other systems related to the reporting to Audit & Supervisory Board Members

(i) In addition to the items required by laws and regulations, directors, auditors, and employees of the SGH Group shall report following items to the Company’s Audit & Supervisory Board Members

without delay:

a. Facts that may cause significant losses to the Company;

b. Results of internal audits;

c. The status of reports made through the internal whistleblowing system; and

d. Other items related to the execution of operations that are requested to be reported on by Audit & Supervisory Board Members.

(ii) The Company shall treat Directors and employees appropriately so that they are not treated unfavorably for the reason that they have made reports through the internal whistleblowing system or to Audit & Supervisory Board Members.

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

(i) Audit & Supervisory Board Members shall execute their authority prescribed in laws and regulations, etc. and perform audits on the legality, validity and efficiency of the execution of duties by Directors, in cooperation with Accounting Auditors, the Internal Audit Department and other organizations within the Company.

(ii) Audit & Supervisory Board Members shall appoint external professionals such as lawyers, Certified Public Accountants and consultants when such professionals are found to be necessary for the execution of their duties.

(iii) Audit & Supervisory Board Members shall attend meetings of the Board of Directors, as well as other significant meetings deemed to be necessary.

(iv) Audit & Supervisory Board Members shall hold regular meetings with the President and COO and Accounting Auditors to exchange information and opinions.

(v) Upon request from Audit & Supervisory Board Members, the Company shall bear the expenses incurred for the execution of duties by the Audit & Supervisory Board Members, unless it is regarded as not required for their duties.

2. Basic View for Eliminating Anti-social Forces and Progress of Preparedness for Such Elimination

The Group's "Charter of Corporate Conduct of the SG Holdings Group" states in "Chapter 4 Shareholders' & Business Partners' Expectations 5. Response to Anti-social Forces" that "we shall adopt a resolute stance against anti-social groups and individuals such as organized crime groups, and never establish relationships with anti-social organizations. If any undue requests are made, we shall absolutely refuse them and they shall be promptly reported to our superiors or the person in charge of prevention of undue requests, for the Company to respond in a legal and organizational manner. If appropriate steps are not taken, a report shall be made to the consultation desk for undue requests." Furthermore, it states "The Company shall prioritize the security of employees, and

respond in an organized and legally-compliant manner in cooperation with outside expert institutions such as the police and legal counsel," providing instruction not to act based on individual decisions. Based on this basic policy, the Group has established "Exclusion of Anti-Social Forces Regulations" and is establishing a system aimed at blocking relationships with anti-social forces.

V. Other

1. Introduction of Takeover Defense Measures

Introduction of Takeover Defense Measures	None

Supplementary explanations of applicable items

The Company has not introduced any takeover defense measures.

2. Matters Concerning Other Corporate Governance Systems, etc.

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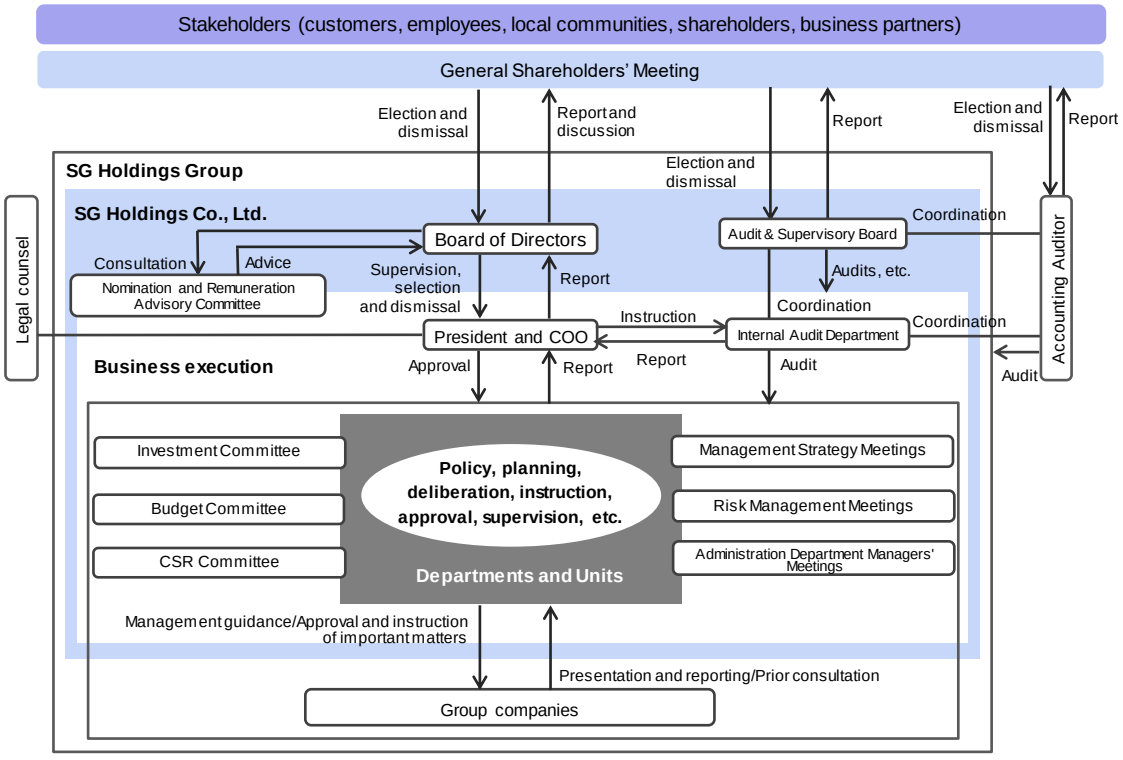
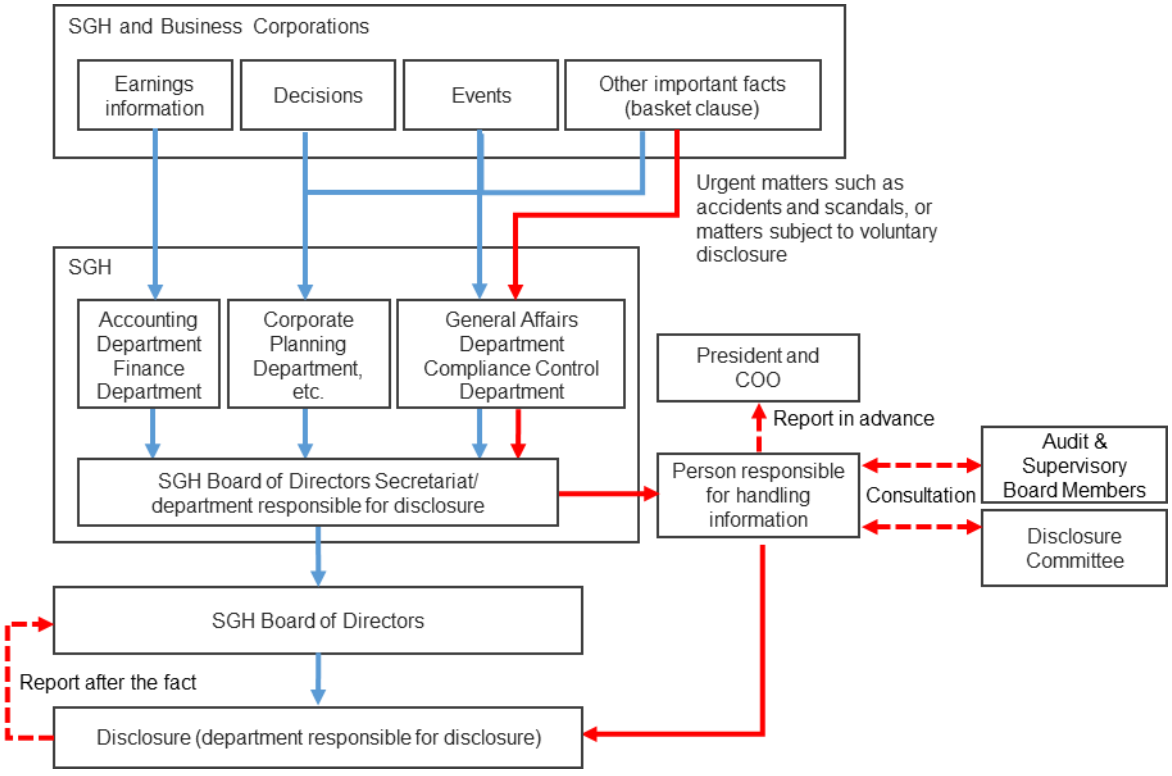
[Model diagram (Reference material)]



[Basic Flow until Timely Disclosure]



[Skills Matrix]

In light of the Company's mid- to long-term management direction and business strategy, the Board of Directors has identified the skills (knowledge, experience, and abilities) that are necessary to properly exercise its decision-making and management oversight functions.

The composition of the Board of Directors as of the date of the filing of this report and the skills of each director and auditor are presented below.

	Name	Independent outside	Corporate management	Business strategy	Finance/ accounting	Legal/ risk management	Sustainability	IT/ digital	Global
Directors	Eiichi Kuriwada		○	○			○		
	Hidekazu Matsumoto		○	○		○	○		
	Masahide Motomura		○	○			○	○	○
	Shunichi Nakajima		○	○	○			○	
	Katsuhiro Kawanago		○	○	○			○	○
	Mika Takaoka	○	○		○		○		
	Osami Sagisaka	○				○	○		
	Masato Akiyama	○	○	○					○
Auditors	Takashi Nakanishi			○		○			
	Satoshi Tajima	○	○		○				○
	Kenichiro Okamura	○	○		○				○
	Yoshitaka Ooshima	○	○			○			

*In the table above the ○ symbol indicates areas in which an individual has professional skills, in light of factors including their experience, but this table does not show all skills.