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SCAT Inc.
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The corporate governance of Scat Inc. (the "Company") is described below.

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

1. Basic Views

The company's purpose is to "contribute to society by supporting the management of small and medium-sized enterprises by providing ICT," and our business purpose is to constantly develop new products and services, and to create new customers.

In order to realize this management philosophy, we have positioned strengthening our corporate governance system as an important management issue. The company recognizes that the fundamentals of corporate management are to improve management efficiency and transparency, and to improve corporate value through sound business activities.

Based on this recognition, the Company has established a Board of Directors and a Board of Corporate Auditors at a general meeting of shareholders, and has selected outside directors and outside corporate auditors who meet the requirements for independent officers. In order to improve the decision-making function of the Board of Directors regarding important management matters, we are strengthening the functions of the Executive Officers' Meeting and separating the functions of management and business execution.

The Company has established a "Nomination and Remuneration Committee" and a "Risk Management Committee" in an effort to strengthen management monitoring and supervisory functions.

Through the above, we are working to enhance corporate governance.

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

[Principle 1-2 (4)] Creating an environment for electronic exercise of voting rights.

The Company has started exercising voting rights via the Internet from the 53rd Ordinary General Meeting of Shareholders (FY2020) as an environment that enables the electronic exercise of voting rights.

However, as the current ratio of overseas investors among our shareholders is relatively low at less than 1%, we do not use an electronic voting platform. In the future, if the ownership ratio of institutional investors and foreign investors reaches a significant number (approximately 10%), we will consider using an electronic voting platform. Alternatively, we aim to introduce it in the fiscal year ending October 2026.

[Principle 2-4 (1)] Ensuring diversity including in the promotion to core human resources.

The company conducts human resource development and promotion to management positions based on a comprehensive judgment of ability and aptitude, regardless of gender or nationality. Therefore, we have not set targets for the percentage of management positions or the number of women, foreigners, or mid-career hires.

Going forward, our policy is to place emphasis on human resources strategy and promote people to managerial positions after comprehensively considering their abilities and aptitude. Although we have not yet reached the Japanese government's target of having 30% female managers by 2030, we aim to achieve it by that time.

[Principle 4-8] Effective use of independent outside directors.

The Company has notified the Tokyo Stock Exchange as independent outside directors of those who have been selected in accordance with the Company's "Guidelines and Independence Standards for Appointment of Independent Outside Directors."

In fiscal 2023, the Company appointed one independent outside director. At the general meeting of shareholders to be held in January 2024, we will table a proposal to elect multiple independent outside director candidates, including women, and after selection, we will secure a system of multiple independent outside directors (2 people).

[Principle 4-8-1] Meetings consisting only of independent outside directors

The Company is proposing the election of multiple independent outside director candidates, including women, at the general meeting of shareholders scheduled to be held in January 2024, and after the selection, a meeting consisting only of independent outside directors will be held.

[Principle 4-8-2] Appointment of lead independent outside director

The Company is proposing the election of multiple independent outside director candidates, including women, at the general meeting of shareholders scheduled to be held in January 2024, and from January 2024, the "Lead Independent Outside Director" will be elected by mutual election.

Disclosure Based on each Principle of the Corporate Governance Code

[Principle 1-4] Strategic shareholdings.

Regarding cross-shareholdings held by the Company, our corporate governance guidelines define policies regarding cross-shareholdings, verification details regarding the suitability of holdings, and specific criteria for exercising voting rights.

The Company holds cross-shareholdings when it determines that they will contribute to improving the Company's corporate value over the medium to long term, from the perspective of continuing and strengthening business relationships with business partners over the medium to long term or developing collaborative business.

Individual cross-shareholdings are monitored by the Board of Directors every year. Regarding stock ownership, we make decisions based on improving corporate value from a medium- to long-term perspective, confirming business relationships and technical alliances, and looking at the progress of achieving the goals envisioned at the time of investment.

In addition, when exercising voting rights, we will respect the management policies of the investees and comprehensively consider whether each proposal will harm the significance of our stock ownership.

[Principle 1-7] Transactions among Associated Interested Parties

In order to protect the interests of shareholders, our company has established the following in its Board of Directors regulations.

・If directors wish to engage in transactions that meet certain conditions that constitute a conflict of interest, they must obtain approval from the board of directors.

・Reporting the progress of related party transactions to the board of directors.

[Principle 2-4 (1)] Ensuring diversity including in the promotion to core human resources.

As stated in " Reasons for Non-compliance with the Principles of the Corporate Governance Code."

[Principle 2-6] Roles of corporate pension funds as asset owners.

The company does not have a corporate pension fund system.

[Principle 3-1] Proactive provision of information

The company consider appropriate and reliable disclosure of corporate information to be one of our important management issues, and recognize that it is essential for gaining the understanding and trust of all stakeholders. In addition to disclosing information in accordance with laws and stock exchange rules, we strive to proactively disclose information that is deemed important to stakeholders.

(1) Company goals (management philosophy), management strategy, and management plan

The company management philosophy is posted on our website.

・Posted “Company Policy” and “Management Philosophy” (https://www.scat.inc/company.html)

・Posted “Management policy spoken by the president” (https://www.scat.inc/company/message.html)

・Posted “Medium-term Management Plan (2024-2026)” (https://www.scat.inc/news/2023/12/14/328)

In addition, specific management strategies and plans are disclosed at the time of the full-year financial results report using supplementary materials for financial results.

(2) Basic concepts and policies regarding corporate governance based on each principle

Our company discloses our basic philosophy regarding corporate governance on our website "Corporate Governance Initiatives" (https://www.scat.inc/company/governance.html).

・"SCAT Corporate Governance Guidelines"

・“SCAT Corporate Governance Code Initiatives”

・"SCAT Code of Conduct"

・“Guidelines and independence standards for the appointment of independent outside directors”

(3) Policies and procedures for the board of directors to determine director remuneration

The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors in order to ensure transparency and fairness in decision-making regarding director compensation. This Nomination and Compensation Committee is a voluntary committee based on the Company's Nomination and Compensation Committee Regulations. This committee consists of the President and Representative Director, independent outside directors, and the director in charge of management. Its role is to discuss and make proposals to the Board of Directors regarding various systems related to the appointment and dismissal of directors, remuneration, effectiveness evaluation, and successor development plans. Director remuneration shall be within the amount approved at the general meeting of shareholders,

assessed by the Nomination and Remuneration Committee based on the director remuneration table, taking into consideration each director's duties, abilities, degree of contribution, and company performance. This decision is made with the approval of the president, who is delegated by the directors.

(4) Policies and procedures for the board of directors to appoint and dismiss senior management and nominate candidates for directors and auditors.

In order to ensure the transparency and fairness of the company's decision-making regarding the appointment and dismissal of directors and senior management and the nomination of director and auditor candidates, the Company operates a voluntary committee as an advisory body to the board of directors. The Board of Directors will decide on the dismissal of an officer if he or she has acted in violation of laws and regulations or the Articles of Incorporation, or if the company's corporate value has been significantly damaged due to neglect of duties.

① Appointment of directors.

Candidates for director must have a high level of expertise in their field of responsibility, have the ability to accurately grasp problems in their respective departments, cooperate with other officers and employees to solve problems, and comply with laws and corporate ethics. The Company selects and appoints candidates based on a comprehensive judgment of their deep insight and future potential.

Furthermore, independent outside directors are selected and nominated in accordance with the guidelines and independence standards established by the Company.

② Appointment of auditors.

Candidates for Audit & Supervisory Board Members are selected based on whether they have the qualifications to contribute to the sound development of the Company and the maintenance and improvement of social trust, and whether they can conduct audits in a neutral and objective manner. Please note that candidates are nominated with the consent of the Board of Corporate Auditors.

(5) Explanation of individual appointments, dismissals, and nominations when the board of directors nominate director and auditor candidates.

At our company, when the Board of Directors makes a resolution regarding the appointment or dismissal of senior management, we promptly disclose the resolution. The reasons for the selection and nomination of individual director and auditor candidates are stated in the notice of convocation of the general meeting of shareholders.

The convocation notice is posted on our website. (https://www.scat.inc/ir/meeting.html)

[Principle 3-1-3] Sustainability initiatives.

The company publishes our philosophy, policies, and initiatives regarding sustainability on our website.

(https://www.scat.inc/company/sustainability.html)

On the other hand, with regard to initiatives such as investment in human capital and intellectual property, we are developing systems and environments that allow each employee to demonstrate their abilities, with the aim of achieving the following.

・“A rewarding company to work for” that supports the growth of each employee.

・A “easy-to-work company” that supports diverse work styles for diverse human resources.

Furthermore, in the management resource allocation plan for the fiscal year ending October 2024, we have disclosed a plan for human capital investment (30 million yen), and we will continue to strive to disclose concrete information.

[Principle 4-1-1] Scope of delegation to management

The Board of Directors deliberates and makes resolutions on basic policies and most important matters related to the management of the Company, and resolves matters stipulated in laws and regulations, the Articles of Incorporation, and the Board of Directors regulations. Additionally, the Board of Directors regularly receives business execution reports and internal control reports from each executive director, and supervises business execution. Regarding decision-making on matters for which authority has been delegated from the Board of Directors, the scope of delegation to the president and other senior executives is determined according to the scale, importance, and risk of each matter, based on approval standards.

[Principle 4-9] Independence criteria and qualifications for independent directors.

The Company has established the "Guidelines and Independence Standards for Appointment of Independent Outside Directors" as standards regarding the independence of outside directors. In accordance with the requirements for outside directors stipulated by the Companies Act and the independence standards stipulated by the Tokyo Stock Exchange, the Company will elect the following person as a candidate for independent outside director.

・A person who has no vested interest in our company

・A person who is not likely to have a conflict of interest with general shareholders.

・A person who can be expected to contribute to candid, active, and constructive discussions at the Board of Directors, based on track record, experience, and knowledge.

[Principle 4-10-1] Involvement and advice from outside directors regarding nomination and remuneration

As a voluntary mechanism, the Company has established a "Nomination and Compensation Committee" under the Board of Directors based on the Nomination and Compensation Committee Regulations, and receives appropriate involvement and advice from independent outside directors. This Nomination and Compensation Committee consists of the President and Representative Director, the Director in charge of Management, and the Independent Outside Director. Its role is to examine and deliberate on various systems related to the appointment and dismissal of directors, remuneration, effectiveness evaluation, and succession planning, and to provide advice and opinions to the Board of Directors.

[Principle 4-11-1] Preconditions for ensuring the effectiveness of the Board of Directors and Board of Corporate Auditors.

Director candidates are selected by the Board of Directors based on materials compiled by the Nomination and Compensation Committee that summarize the skills, career, and reasons for selection of each director candidate, and based on the opinions of independent outside directors. Independent outside directors include those with management experience at other companies. The Company has created a skill matrix that lists the main expertise and experience of each director and auditor, and includes it as reference material in the notice of convocation of the general meeting of shareholders.

[Principle 4-11-2] Status of concurrent positions of directors and auditors.

The Company discloses the status of important concurrent positions held by each director and corporate auditor in the notice of convocation of the general meeting of shareholders and the securities report. The attendance rate of our directors and auditors at board meetings is 100%, and we believe that the number of concurrent positions held by directors and auditors is within a reasonable range. Additionally, full-time corporate auditors do not concurrently hold executive positions at other companies outside the Group, allowing them to concentrate on their duties at all times.

[Principle 4-14-2] Training policy for directors and auditors

We provide directors and auditors of the Company with training opportunities necessary to acquire the information and knowledge necessary to supervise management, as well as the knowledge necessary for their own responsibilities and operations. In addition, the company provides support to cover the costs.

[Principle 5-1] Policy regarding constructive dialogue with shareholders.

Our executive officer in charge of IR handles our IR activities and meetings with institutional investors as appropriate, taking into account the wishes of shareholders and investors. In addition, we respond positively to requests for dialogue (interviews) from shareholders within a reasonable range. For general shareholders, we carry out activities to deepen their understanding of our management strategy and business environment by disclosing information such as supplementary financial results materials and our website. The status of IR activities is reported to the Board of Directors as necessary.

In order to disclose information fairly and appropriately to shareholders, investors, and other stakeholders, we have established a disclosure policy and posted it on our website.

[Measures to realize management with an awareness of capital costs and share prices]

Our company's target management indicators are growth in sales and ordinary income, and return on equity (ROE).

The Company use CAPM theory to understand the "cost of capital." To achieve our target level of ROE, we strive to exceed the cost of shareholders' equity and maintain a well-balanced capital structure.

Based on the Tokyo Stock Exchange's request for "response to management that is conscious of capital costs and stock prices," we analyzed the current situation, evaluated it, and considered policies and goals for improvement, as well as specific initiatives. The contents are disclosed on our website. (Disclosure in English available).

https://www.scat.inc/company/cpitalcost.html

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
SCAT Inc.	2,262,426	43.18
Kouichi Kagawa	219,200	4.18
Custody Bank of Japan, Ltd.	217,050	4.12
Fukoku Mutual Life Insurance Company	204,000	3.89
Shigeyuki Yasuda	125,160	2.39
M・H・GROUP LTD	82,500	1.57
Tokio Marine & Nichido Fire Insurance Co., Ltd.	81,000	1.55
SCAT Employee Stock Ownership Association	78,000	1.49
Hideyuki Tanaka	65,400	1.25
Kazuhiro Yoshida	50,200	0.96

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	None.

Supplementary Explanation
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3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Standard Market.
Fiscal Year-End	October
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	100 or more but fewer than 500
Net Sales (Consolidated) for the Previous Fiscal Year	Less than ¥10 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

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

Not applicable.

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*

*Referred to as "Company with *Kansayaku* Board" in the Corporate Governance Code reference translation

Directors

Number of Directors Stipulated in Articles of Incorporation	Ten members
Directors' Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President

Number of Directors	Five members
Election of Outside Directors	Elected
Number of Outside Directors	One member
Number of Independent Directors	One member

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuharu Tomioka	From another company								△			

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

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

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazuharu Tomioka	○	Mr. Kazuharu Tomioka, an outside director, is the representative director and executive officer of Disclosure Co., Ltd. The company has had transactions with the Company in the past, including an advisory agreement with the Company and an advisory agreement regarding the purchase of subsidiary stock.	Mr. Kazuharu Tomioka has a high level of knowledge cultivated through many years of experience in the securities industry and as a corporate manager. The Company believe that he will be able to provide advice and check on management from an objective and neutral perspective from a standpoint independent from the management team, and therefore we request his election as an outside director. Although we have had a business relationship with Disclosure Co., Ltd. in the past, such as through an advisory contract, we do not fall under the category of a major business partner as defined in the independence standards.

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

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

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

Supplementary Explanation

The Company has established a Nomination and Compensation Committee under the Board of Directors in order to strengthen independence, objectivity, and accountability regarding nomination, compensation, successor training, and evaluation of effectiveness of directors. This committee receives appropriate involvement and advice from independent outside directors.
The members of this committee are the President and Representative Director, the director in charge of management, and the independent outside director.

Audit and Supervisory Board Member*

*Referred to as "*kansayaku*" in Corporate Governance Code reference translation

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	Five members
Number of Audit and Supervisory Board Members	Three members

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

Corporate auditors receive brief explanations and exchange opinions with accounting auditors when formulating audit plans, quarterly reviews, and year-end audits. In addition, the corporate auditors conduct interviews as necessary with internal control departments such as the internal audit department, management department, and accounting department to understand the implementation status of internal controls.
Internal audits are carried out by the Internal Audit Office, which is independent from other management and operational departments and under the direct control of the President and Representative Director, and works in collaboration with the accounting auditor. In addition, we exchange information with corporate auditors and accounting auditors in a timely manner,

and share audit methods and audit results related to business audits and accounting audits.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	Two members
Number of Independent Audit and Supervisory Board Members	Two members

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kuniaki Yamasawa	CPA													
Hirokazu Sato	From another company													

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

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

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

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Kuniaki Yamasawa	○	—	Mr. Kuniaki Yamazawa has specialized knowledge as a certified public accountant, and has experience and knowledge related to corporate management as a subsidiary director of a listed company. We have determined that he will be able to appropriately monitor and supervise from a neutral and fair standpoint as an outside corporate auditor of the Company, and have therefore appointed him as an outside corporate auditor.

Hirokazu Sato	○	—	Mr.Hirokazu Sato has a wide range of knowledge as a businessman cultivated through his work at a listed company, as well as internationalism and diversity gained from his experience working overseas. We have elected him as an outside corporate auditor because we believe that he will be able to provide management advice from an objective and neutral perspective from a standpoint independent from management.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	Three members

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

The Company has established the "Guidelines and Independence Standards for Appointment of Independent Outside Directors" as standards regarding the independence of outside directors. The Company elects independent officers who have no vested interests in the Company, who pose no risk of conflicts of interest with general shareholders, and who have a proven track record, experience, and knowledge.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	None

Supplementary Explanation for Applicable Items

We will consider introducing it in the future.

Persons Eligible for Stock Options	—

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items

Individual remuneration is not displayed as there are no individuals with total remuneration of 100 million yen or more. In

addition, in the business report, we disclose the total amount of remuneration for directors and corporate auditors, and the number of persons paid.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The annual general meeting of shareholders held on January 29, 2003 resolved to limit the amount of remuneration for directors to 150 million yen per year. The annual general meeting of shareholders held on January 29, 2014 resolved to limit the amount of remuneration for corporate auditors to 24 million yen per year.
The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors in order to ensure transparency and fairness in decision-making regarding director compensation. This Nomination and Compensation Committee is a voluntary committee based on the Company's Nomination and Compensation Committee Regulations. The members of this committee are the President and Representative Director, the director in charge of management, and an independent outside director. This committee deliberates on various systems related to the appointment and dismissal of directors, remuneration, evaluation of effectiveness, and succession planning, and makes proposals to the Board of Directors. Directors' remuneration shall be determined by the Nomination and Remuneration Committee within the amount resolved at the general meeting of shareholders. Based on the director remuneration regulations, a draft plan is prepared based on each director's duties, abilities, contribution level, and performance, and is approved by the president and representative director.

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

The director in charge and the Board of Directors Secretariat provide advance notice of agenda items and provide advance explanations as necessary before the Board of Directors meeting. In addition, when there is a request for information from an outside director or outside corporate auditor, the Board of Directors secretariat serves as the point of contact, collects the necessary information, and makes a report. The secretariat of the Board of Directors is handled by the Director, General Manager of the Corporate Management Headquarters, and the Corporate Planning Office.

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

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

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Not applicable					

Number of Persons Holding Advisory Positions (*Sodanyaku*, *Komon*, etc.) After Retiring as Representative Director and President, etc.	None

Other Related Matters

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

(Business execution)

Our company is separating management and business execution by introducing an executive officer system. The Board of Directors makes important management decisions, and the Executive Officers Committee makes decisions regarding business execution, thereby speeding up decision-making and clarifying the responsibility structure.

(Board of directors)

Our board of directors consists of five directors (one of whom is an outside director). In addition to regular Board of Directors meetings once a month, extraordinary Board of Directors meetings are held as necessary. The Board of Directors efficiently and carefully makes decisions and judgments regarding basic management policies, matters stipulated by law, important matters related to management, and important matters related to business execution. Full-time corporate auditors and outside corporate auditors attend meetings of the Board of Directors, express opinions as necessary together with outside directors, and audit and supervise the execution of duties by directors. Furthermore, if approved by the Board of Directors, persons other than directors and corporate auditors attend as observers and express their opinions.

(Board of Auditors)

Our company is a company with a board of corporate auditors, and the board of corporate auditors consists of three corporate auditors (including two outside corporate auditors). In addition to regular Board of Corporate Auditors meetings once a month, extraordinary Board of Corporate Auditors meetings are held as necessary. The corporate auditors maintain close cooperation with the accounting auditor and the person in charge of internal audits, conduct audits as appropriate, and audit the execution of duties by the directors.

(Internal Audit Office)

Our internal audit office has been established as a department under the direct control of the president and director. The status of business execution of the Company and its subsidiaries is audited through audits based on internal audit plans and instructions from the president and director, and the audit results are reported to and discussed with the president and the Risk Management Committee. In addition, we exchange information with corporate auditors and accounting auditors in a timely manner, and share audit methods and results related to business audits.

(Executive Committee)

The Company has adopted an executive officer system, with the Board of Directors deliberating management and important matters, and the Executive Officers meeting making resolutions regarding business execution. The Executive Officers' Meeting reports on the progress of management strategies and business execution, reports on the performance of each business, exchanges opinions, and makes arrangements for business execution. The Board of Executive Officers, chaired by the President and Representative Director, holds regular and special meetings as appropriate with three or more executive officers.

(Nomination and Compensation Committee)

The Company has established a "Nomination and Remuneration Committee" as a voluntary mechanism, which is comprised of the President and Representative Director, independent outside directors, and the director in charge of management, and holds meetings according to the annual plan and as necessary. The Nomination and Compensation Committee deliberates on the nomination of candidates for directors, corporate auditors, and executive officers, evaluation of directors, evaluation of the

effectiveness of the Board of Directors, and remuneration of directors, and submits proposals to the Board of Directors.

(Risk Management Committee)

The Company's Risk Management Committee is chaired by the President and Representative Director, and is comprised of business managers (full-time directors and subsidiary directors) and management departments, and meets at least once a quarter. The Risk Management Committee is not an official decision-making body. We discuss internal audit reports, whistleblowing reports, labor status reports, IT control reports, and compliance reports for each business for the purpose of preventing, detecting, and managing risks related to our company.

3. Reasons for Adoption of Current Corporate Governance System

The company has established a general meeting of shareholders, a board of directors, a board of corporate auditors, and an accounting auditor as institutions based on the Companies Act. The Board of Directors, which mainly consists of directors who are familiar with the Company's business, determines basic management policies and the execution of important operations, and carries out efficient business operations. In addition, for the management monitoring function, we have appointed three highly independent outside officers (one outside director and two outside auditors) out of a total of eight officers, and have submitted a notification of independent officers. The Company has adopted the current corporate governance system based on the judgment that the system is fully functional based on the above.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	In order to ensure that shareholders have sufficient time to consider the matter, we will ship the documents to you approximately three weeks before the legal deadline. Considering the year-end and New Year holidays, we will continue to strive to ship items as early as possible.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	Regarding the date of the general meeting of shareholders, we will take care to avoid days when there are many other shareholders' meetings.
Electronic Exercise of Voting Rights	It is possible to exercise voting rights via the Internet (including via smartphone).
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We recognize that this is an issue that should be considered in the future.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	We recognize that this is an issue that should be considered in the future.
Other	—

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The company have established a disclosure policy and have posted it on our website. https://www.scat.inc/ir/irpolicy.html	
Regular Investor Briefings held for Analysts and Institutional Investors	The company are currently responding to these events on an individual basis, but we will consider holding them in the future.	Not Held
Online Disclosure of IR Information	The company have set up an IR information page on our website where we post financial information and timely disclosure materials. https://www.scat.inc/ir.html	
Establishment of Department and/or Placement of a Manager in Charge of IR	Corporate Planning Office	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The company has established "Four Visions to Support the Future" and aims to be a company that is pleasing to our customers, valued by our shareholders, respected by society, and loved by our employees. In addition, we have established regulations such as the SCAT Code of Conduct and Corporate Governance Guidelines to respect the positions of our stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Regarding our response to issues surrounding sustainability, we have established four materialities under the themes of "environment," "society," and "governance," and have posted them on our website.
Formulation of Policies, etc. on Provision of Information to Stakeholders	In order to provide stakeholders with an accurate understanding of our overall corporate activities, we have established corporate governance guidelines and are working to disclose company information in a timely and appropriate manner.

IV. Matters Concerning the Internal Control System

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

In order to execute our business appropriately and efficiently, our board of directors has established a basic policy for our internal control system. The following is an overview of the system to ensure that the execution of business by specific directors complies with laws and regulations and the Articles of Incorporation, as well as other systems to ensure the appropriateness of the company's business.

1) System to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation.

(1) In order for our company to be a corporate group that fulfills social trust and responsibility, all executives and employees must recognize that thorough compliance is the most important management issue, and execute their duties based on high ethical standards, and establish a fair and transparent management system.

(2) For the purpose of monitoring the legal compliance system and ensuring the appropriateness of business execution, an internal audit office will be established, which will be under the direct control of the president and director. Internal auditors will regularly audit the execution of each business in accordance with laws and company regulations, report the results to the president, and request improvements to the relevant departments in the event of problems.

(3) We will develop a compliance system and provide regular in-house training to ensure that all employees comply with laws, articles of incorporation, internal regulations, and social norms, fulfill their social responsibilities, and put our corporate philosophy into practice.

2) System for storing and managing information related to the execution of duties by directors.

(1) Information related to the execution of duties by directors will be appropriately preserved and stored in accordance with laws and internal regulations.

(2) For important information related to management, the authority to view it will be clarified and thoroughly disseminated, and in-house regulations will stipulate responsibility and punishment in the event of information leakage.

3) Regulations and other systems regarding loss crisis management.

(1) In the event that an incident that has a significant impact on the Company's management occurs, the Company will place the President and CEO or a Director in charge and endeavor to minimize losses and restore the situation to its original state as soon as possible (Risk Management Regulations and Business Continuity Program).

(2) Analyze and identify foreseeable risks related to the Company's business execution, and comprehensively and comprehensively manage company-wide risks.

(3) We will prevent risks from materializing by conducting regular internal audits by internal auditors and reporting the results to the president and director. In addition, if any business execution that poses a risk of loss is discovered, the details will be immediately reported to the President and Director, and prompt improvements will be encouraged.

4) System to ensure that directors' duties are executed efficiently.

(1) Regular Board of Directors meetings will be held once a month, and extraordinary Board of Directors meetings will be held as necessary to ensure a system that allows decisions on important matters and appropriate business execution.

(2) The authority and responsibility of directors regarding the execution of business shall be clarified in accordance with organizational regulations and authority regulations, and appropriate management standards shall be maintained. In addition, directors shall manage the status of achievement and development of each item in the business plan and business budget, clarify responsibility for business performance, and strive to improve operational efficiency.

5) System to ensure the appropriateness of operations within the corporate group consisting of the Company and its subsidiaries

(1) In order to ensure the appropriateness of the operations of the corporate group, officers of the Company will be dispatched as subsidiary directors or auditors to regularly supervise the business operations of the subsidiaries. The business execution of subsidiaries will be managed by the Company's Business Administration Headquarters in accordance with the Affiliated Company Management Regulations.

(2) In order to ensure a system for reporting matters related to the execution of duties by subsidiary directors, to the Company, subsidiary directors shall report important management information to the Company's Board of Directors, Executive Officers' Meeting, and Risk Management Committee.

(3) The Company's internal audit staff will work with the corporate auditors to conduct internal audits of the business operations of subsidiaries based on internal audit regulations to ensure the appropriateness of business operations and the reduction of management risks within the corporate group.

6) Matters regarding the system regarding employees who assist the duties of corporate auditors and the independence of such employees from directors

(1) Audit & Supervisory Board Members may appoint employees to assist them in their duties as necessary. The authority to direct these employees is vested in the auditor, and they are not subject to the commands and orders of the directors. (According to the regulations of the Board of Corporate Auditors)

(2) Personnel appointments of employees who assist the duties of corporate auditors shall be determined through prior exchange of opinions between directors and corporate auditors and with the consent of the board of corporate auditors.

7) System for directors and employees to report to corporate auditors, and other systems related to reporting to corporate auditors.

(1) If a director becomes aware of any matter or illegal or tortious act that may cause significant loss to the Company, he shall immediately report it to the Audit & Supervisory Board Members in accordance with laws and regulations.

(2) Audit & Supervisory Board Members attend important meetings for business execution, receive reports on important matters and facts that may cause damage, decisions made at meetings, and the implementation status of internal audits, express their opinions, and View the approval documents.

(3) In addition to regularly receiving reports from directors, internal auditors, and employees regarding the status of construction and operation of the internal control system, corporate auditors may request explanations on matters they deem necessary.

(4) In order to ensure the effectiveness of audits by corporate auditors, ensure that directors and employees are not treated unfavorably due to reporting to corporate auditors. Furthermore, matters related to advance payment and reimbursement procedures for expenses incurred in the performance of duties of corporate auditors, as well as other expenses and debts incurred in the performance of such duties, will be established.

8) Other systems to ensure that audits by corporate auditors are conducted effectively

(1) Audit & Supervisory Board Members shall maintain close cooperation with the Internal Audit Office and conduct efficient and effective audits when investigating the status of the company's business and assets and performing other audit duties.

(2) Audit & Supervisory Board Members shall hold regular meetings with the Accounting Auditor, attend on-site audits, request timely reports on the progress of audits, and maintain close cooperation with the Auditor to conduct efficient audits.

(3) Audit & Supervisory Board Members shall meet regularly with the President and Director to exchange opinions regarding company issues, surrounding risks, auditing issues, etc., and ensure mutual recognition and a relationship of trust.

9) System to ensure reliability of financial reporting

(1) In order to ensure the reliability of financial reporting and prepare appropriate financial statements, the Board of

Directors will establish basic operating policies regarding financial reporting.

(2) In order to ensure the reliability and appropriateness of financial reporting, we will establish an internal control system related to financial reporting based on relevant laws and regulations, and strive to maintain and improve it.

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

(1) In accordance with our basic policy for eliminating anti-social forces, we will take an organized approach and a resolute stance against anti-social forces that threaten social order and the sound activities of our company, and will make unreasonable demands. Refuse to have any relationship with anti-social forces.

(2) We will always strive to collect information from external specialized organizations, etc., and when an incident occurs, we will maintain close contact with related administrative agencies and legal experts, and promptly respond as an organization as a whole.

(3) We will thoroughly disseminate this basic policy to all executives and employees, and build a system that can proactively prevent contact with anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items
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2. Other Matters Concerning the Corporate Governance System

1) About the corporate governance system

Please refer to the imitation diagram (reference material).

2) Regarding the disclosure system (Overview of timely disclosure system)

(1) The company has established the organization, management, and disclosure procedures for information related to our group through our "Disclosure Policy" and "Timely Disclosure Manual."

(2) The information is collected by the department in charge of timely disclosure (Corporate Planning Office) based on internal regulations. The person in charge of IR discloses information through reports from the department in charge of managing information subject to timely disclosure and disclosure of timely disclosure information.

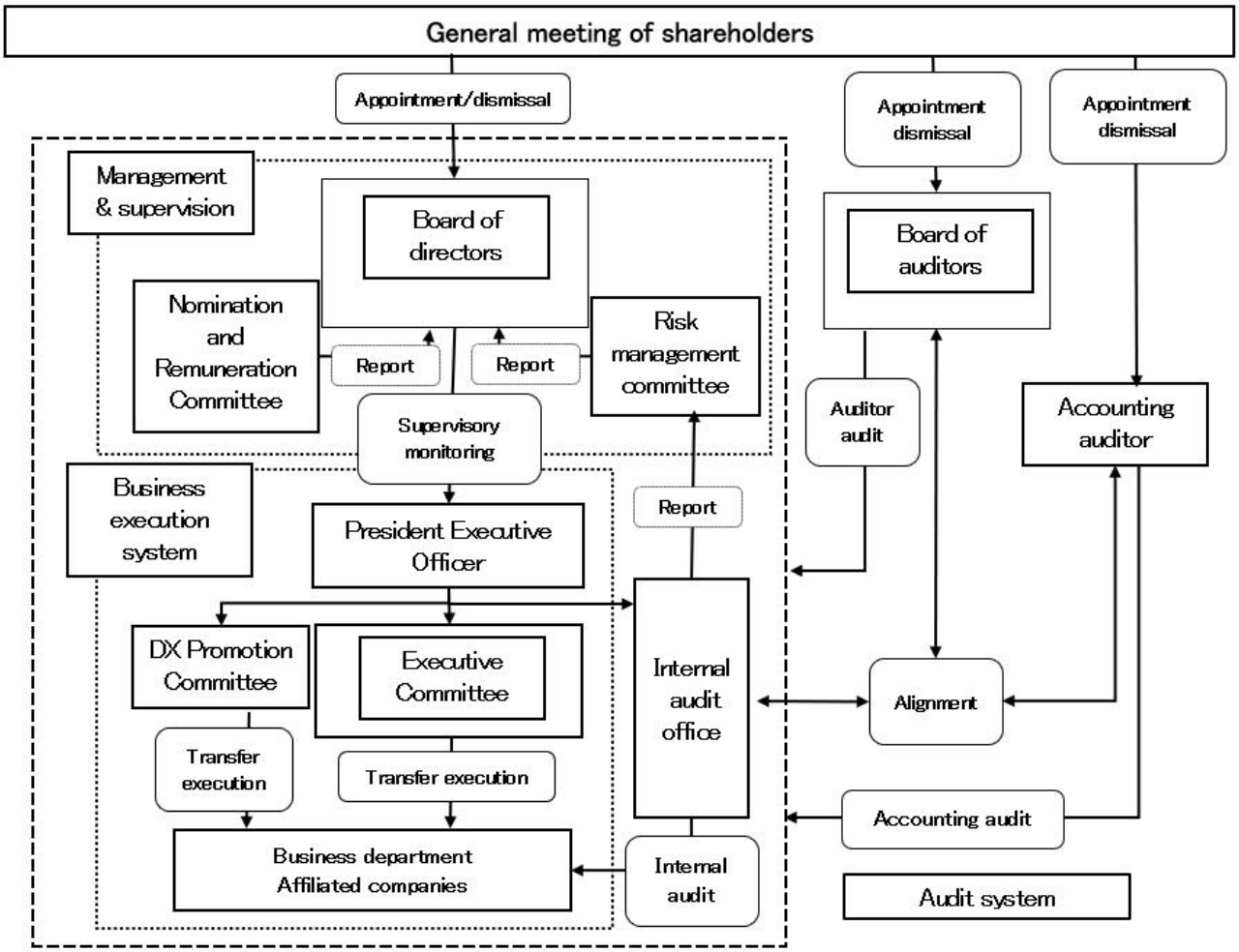
(3) Disclosure by resolution of the Board of Directors

This includes information disclosure requirements such as Tokyo Stock Exchange regulations and the Financial Instruments and Exchange Act.

(4) The person responsible for timely disclosure (executive officer in charge of IR) will disclose information in a timely manner. Report to the President and the Board of Corporate Auditors in advance and after disclosure.

(1) About the corporate governance system

Schematic diagram (reference material)



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