Corporate Governance Report	
CORPORATE GOVERNANCE	Quest Co., Ltd.
Last Update:	**Jun,28,2024**
Quest Co., Ltd.	
Ichiro Seizawa, Representative Director, Chairman, President and Chief Executive Officer	
Contact:	Yutaka Koizumi, Director, Senior Executive Officer ir@quest.co.jp
Securities code:	2332
https://www.quest.co.jp/english/	

The corporate governance of Quest Co., Ltd. (the "Company") is described below.

Note : This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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

1. Basic Views

Quest group believes that corporate governance is based on the Corporate Philosophy, Purpose, Vision, Values, and Quest Way (Code of conduct), and aims to achieve long-term stable growth and development by establishing good relationships with all stakeholders, including stockholders, in order to maximize company value. The details are as follows.

[Corporate Philosophy]

Pursue technology, create value, and grow together with customers.

[Purpose]

Quest will continue to support the safety and well-being of people and society with our technological capabilities and creativity.

[Vision]

For realization of the digital data society performing co-creates the value, Quest will continue to become a leading company in "IT services trusted by you".

[Values]

Quest use innovative technologies to provide "sincere service "

Beyond the constraints of time and space, we provide our heartful IT services, such as automation of operations, supporting and enhancing the human capability, with technology and innovation.

[Code of Conduct（Quest Way）]

Quest & Exploration

Being excited and curios, we continue to quest and explore, with firm perseverance and no fear of fail.

Technology focused

We put technology and quality first and practice innovation and improvement as IT professionals.

Cultivation of Human resources

We bring up the culture and place, where we quest and grow autonomously and perform one's ability best.

Customer-focused

We always provide with sincere service that exceeds customers' expectations.

Social contribution

We will strive to improve corporate value, create new value through technology, and solve social issues.

Corporate ethics and compliance with laws

We put observing corporate ethics, laws and regulations, our top priority, and carry out fair and transparent management.

Steadiness & sincerity

We continually earn the trust of customers, partner firms, employees, shareholders, and other stakeholders by being steady and sincere.

Teamwork

We grow up together with co-worker and pursue our vision as a team.

Diversity & Communication

We always respect diversity, listen one's opinions carefully, and communicate with honest and respect.

Speedy decision making

Seizing the opportunity of current trends, we will make prompt decisions and take actions.

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

Supplementary Principle 1.2.2

We hold an annual general meeting for our shareholders avoiding the peak days and are not able to dispatch the notice early due to the time required to prepare it. However, we disclose it on the Tokyo Stock Exchange and our company website earlier than three weeks before the meeting, ensuring shareholders have ample time to consider and exercise their voting rights.

Supplementary Principle 2.4.1

We recognize diversity management as a strategic priority and is committed to creating a workplace environment where everyone can maximize their potential regardless of attributes, nationality, or age, establishing flexible working conditions and rewarding human resource management system that is conducive to optimal performance, and enhancing talent development efforts.

Regarding the hiring of female graduates, our target is to exceed 30% yearly graduated in 2023 and after. (44% for 2024, 28% for 2023, and 21% for 2022). Furthermore, as for the promotion of women into managerial positions, we are actively working towards achieving a ratio that corresponds to the proportion of women

in our workforce by FY 2030. (10.1% in April 2024, 6.9% in April 2023, and 6.1% in April 2022 for managerial positions at the section chief level or higher).

Regarding talent acquisition, we will continue to assess the characteristics of new graduate and experienced hires and strive to maintain a balanced approach in our recruitment efforts. (Experienced hires; 50% in FY 2023, 40% in FY2022, and 43% in FY 2021).

In terms of international recruitment, we are actively seeking diverse talent, particularly among international students (1 hire for 2024, 1 hire for 2023, and 0 hires for 2022).

We have announced goals regarding the promotion of women into managerial positions in the phase 2 of our mid-term management plans. Furthermore, our policies and the status of implementation regarding talent development and internal environment enhancement are disclosed on our company website and in our securities reports.

Disclosure Based on each Principle of the Corporate Governance Code

Principle 1.4 Cross-Shareholdings

Quest group will decide whether to acquire or hold shares of suppliers that contribute to the strengthening and expansion of our company business and the promotion of our company's basic business strategy, and that contribute to the improvement of Quest group's company value and stock value over the mid to long term, considering our company's capital costs.

The Board of Directors also checks whether the cross-shareholdings meet the purpose of holding individual shares. After examining the status of transactions with the relevant company, the merits of cooperation, and the future outlook, we will check each time whether holding the shares will contribute to the improvement of our company value and share value, and if it determines that holding the shares is unsuitable, it will proceed with reduction.

We will exercise its voting rights in cross-shareholdings after determining whether the proposed agenda meets the purpose of our company's holding and whether it contributes to the improvement of the company value and the value of shares.

Principle 1.7 Related Party Transactions

We evaluate the profitability, significance, and transparency of transactions with our directors and major shareholders on a case-by-case basis, and these transactions are subject to approval by the Board of Directors.

Furthermore, significant related-party transactions are disclosed in our securities reports and shareholder meeting notices.

Additionally, we conduct an annual written confirmation procedure with our directors and major shareholders to verify the existence of related-party transactions.

Supplementary Principle 2.3.1

We have established a basic policy on sustainability, aiming to contribute to the enhancement of corporate value and the sustainable development of society through business activities based on our corporate philosophy.

We recognize that addressing challenges related to sustainability is a crucial management issue towards achieving sustainable growth. The Board of Directors provides guidance and oversight to ensure that initiatives based on materiality are appropriately implemented.

< Examples of initiatives based on materiality>

・Promotion and enhancement of employee health (including occupational health and safety)

・Leveraging senior employees with high skills (advanced problem-solving, knowledge transfer, and experience)

・Strengthening relationships with partner companies (responsibility procurement)

・Strengthening information security and personal data protection management

・Practicing risk management

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

We operate a structure where not only the primary department overseeing corporate pensions but also departments with expertise in accounting and asset management support are involved in managing pension assets. The investment policy and performance of pension assets are reported to the management team, ensuring a framework for appropriate management of pension assets.

We have established a "Basic Policy on Pension Asset Management" and set a decision-making process, regularly reviewing our policies. Furthermore, in accordance with regulations, we obtain consent from representatives of a majority of employees, ensuring proper management of potential conflicts of interest that may arise between the company and beneficiaries.

In addition to our corporate pension, we have entrusted the management of a defined benefit corporate pension system to the nationwide Information Services Industry Pension Fund as a fund-type, and we have also established a defined contribution pension system.

Principle 3.1 Full Disclosure

We believe that timely, appropriate, and proactive information disclosure is necessary to ensure transparency in management and fulfill our social responsibilities. To consistently implement this across our entire organization, we have strengthened our information disclosure framework.

Here is the status for each item:

(i) We disclose our corporate philosophy, mid to long-term management goals, and mid-term management plans on our website, in Financial result briefing, and in business reports.

(ii) Our basic principles regarding corporate governance are disclosed on our website, in corporate governance reports, and in business reports.
(iii) Policies regarding the compensation of directors and outside directors are disclosed in our general meeting of shareholders' notices and in our securities reports. When determining the compensation amounts, levels, and structure for directors, we enhance transparency and fairness by deliberating in the Nomination and Remuneration Advisory Committee, and the Board of Directors respects the committee's recommendations in making final decisions.
(iv) We disclose our policies for selecting and dismissing executive officers and candidates for director and outside director. When nominating candidates for director, we enhance transparency and fairness by deliberating in the Nomination and Remuneration Advisory Committee, and the Board of Directors respects the committee's recommendations in making final policy decisions.
(v) We disclose individual reasons for the selection and dismissal of executive officers and the nomination of directors and outside directors in our general meeting of shareholders' notices.

Supplementary Principle 3.1.3

Regarding our initiatives related to sustainability, including efforts on ESG (Environmental, Social, and Governance) and policies for talent development, we document and disclose these on our company website and in our securities reports.

Regarding investment in human capital, we continue to focus on developing technical talent responsible for key areas based on Quest Vision 2030, enhancing the human resource development system aimed at creating a workplace filled with fulfillment, reviewing, and improving various human resource management systems, and persistently working on improving workplace environments and organizational culture reforms. As for investment in intellectual property, we allocate budgets in our annual business plans and mid-term management plans. We execute and strengthen investments aimed at acquiring new technologies and skills to expand into targeted enhancement areas through our management discussions and other relevant meetings.

Supplementary Principle 4.1.1

Our Board of Directors determines matters stipulated by laws, articles of incorporation, board regulations, as well as important issues concerning our company and group companies. For topics requiring thorough deliberation before consultation with the Board or matters that necessitate seeking broad opinions and information for decision-making, we conduct deliberations at management meetings composed of internal directors and outside directors who also serve as full-time supervisory committee members.
Furthermore, concerning delegation to the Directors and Executive Officers, we have clearly defined the authority and responsibilities of the management, including the President, Directors, and Executive Officers, in our rules on authority and approval procedures. This framework enables us to execute business operations appropriately and swiftly.

Principle 4.9 The criteria and qualifications for assessing the independence of outside directors

We have established separate independence criteria in addition to those defined by the Tokyo Stock Exchange and disclosed in the corporate governance section of our securities reports.

Furthermore, the Board of Directors selects candidates for independent outside directors who meet the independence criteria and are expected to contribute constructively to our deliberations.

Supplementary Principle 4.10.1

We have a "Nomination and Remuneration Advisory Committee" as an optional body of the Board of Directors, which includes independent outside directors. This committee ensures objectivity, transparency, and accountability in our processes.

We have established a framework where independent outside directors can appropriately participate and provide advice regarding the nomination of directors based on diversity such as gender and skills, as well as matters related to director compensation and other related issues. The Nomination and Remuneration Advisory Committee is structured with an independent outside director serving as the committee chairperson.

Supplementary Principle 4.11.1

When appointing director candidates, the Nomination and Remuneration Advisory Committee thoroughly evaluates each candidate's knowledge, experience, and capabilities. Subsequently, the Board of Directors makes decisions based on these evaluations.

In this process, we aim to compose the Board with individuals who possess deep understanding of our various businesses, capable of flexible business execution, as well as those with advanced expertise capable of providing oversight and execution in management from a broad perspective. We strive for a balanced selection of diverse talents.

Additionally, we define and clarify the required skills, and based on each director's experience, we create a Skills Matrix that outlines the key knowledge and skills they bring, particularly those deemed significant for contributing to our company. This matrix is published in our general meeting of shareholders' notices.

In addition, among our independent outside directors, we include individuals with executive experience from other companies.

Supplementary Principle 4.11.2

All directors, including outside directors who hold concurrent positions in other companies, undergo deliberation and resolution by the Board of Directors. We disclose information regarding such concurrent positions in our general meeting of shareholders' notices.

Supplementary Principle 4.11.3

To further enhance the supervisory function of our Board of Directors, our company has implemented an

annual survey among all directors to evaluate the effectiveness of the board. The results of these surveys are analyzed and evaluated during board meetings, and a summary of the findings is disclosed on our website.
Starting from the FY 2022 evaluation, we have engaged a third-party organization to conduct surveys, analyze data, and evaluate and aim to further improve the board's effectiveness.

Supplementary Principle 4.14.2

Upon assuming the role of director, we provide basic knowledge about directorship and the necessary legal knowledge. Additionally, to ensure that directors fulfill their roles effectively, we encourage them to participate in external training opportunities to acquire the required knowledge and deepen their understanding of their roles and responsibilities.
Regarding the operation of these external training opportunities, we cover the costs as needed upon request from directors. Additionally, for our independent outside directors, we provide opportunities to enhance their understanding of our business operations and challenges by periodically offering explanations about our business activities and issues.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

To foster constructive dialogue with shareholders, we have an Investor Relations (IR) responsible director. This director plays a central role in ensuring timely and appropriate disclosure of information to shareholders about our activities. We have structured internal organization to support this effort. Furthermore, in practical terms, we encourage direct dialogue between the director and shareholders wherever possible.
We provide opportunities for direct dialogue with shareholders, particularly during our annual general meetings, where we explain our mid to long-term management plans.

Efforts towards achieving management focused on capital costs and stock prices (Disclosure in English)

Regarding our response aimed at achieving management focused on capital costs and stock prices, as requested by the Tokyo Stock Exchange, we have disclosed the "current situation analysis" as part of a series of measures (current situation analysis, planning and disclosure, implementation of initiatives) on December 20, 2023, on both our company's and Tokyo Stock Exchange's websites. We have also disclosed the formulated plans in conjunction with the announcement of our mid-term management plans Phase2. Based on these disclosed plans, we will proceed with specific initiatives and implement PDCA management.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)

Hiroshi Uchida	837,410	15.64
Quest Group Employee Stock Ownership Association	313,690	5.85
Yuji Hanawa	293,415	5.48
SCSK Corporation	268,710	5.01
UNIRITA Inc.	265,000	4.94
Scala, Inc.	254,000	4.74
Masako Uchida	150,000	2.80
Hisae Uchida	150,000	2.80
Shigefumi Higono	119,949	2.24
HIKARI TSUSHIN, INC.	105,500	1.97

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	N/A
Name of Parent Company, if applicable	N/A

Supplementary Explanation
N/A

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Standard Market
Fiscal Year-End	March
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	500 or more but fewer than 1,000
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 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

N/A

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

N/A

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 Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	14
Directors' Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuhiro Uchino	From another company											
Yukari Soshi	From another company											
Mitsuru Namba	Lawyer											
Hiroyuki 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. Person who executes business for 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/company auditor
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	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazuhiro Uchino	○	○	N/A	Kazuhiro Uchino has engaged in corporate management as head of the finance departments of various major global corporate groups, accumulating extensive experience not only in finance and accounting but also in management and administration. In 2022, He was appointed to the outside director, and the supervisory committee member at our company. Based on his track record in supervising business execution, strengthening audit functions, and achieving management focused on capital costs and stock prices as an outside director, and the supervisory committee member, we believe he is suitable for the position of director at our company and can continue to contribute to enhancing our corporate value. He meets the independence criteria defined by our company for outside directors.
Yukari Soshi	○	○	N/A	Yukari Soshi is well-versed in internal audit operations and has a wealth of experience and high-level insight as an auditor, current supervisory committee member director. In 2020, She was appointed to the outside director, and the supervisory committee member at our company. Based on her track record in supervising business execution, strengthening audit functions, and her active involvement as a permanent

				director of the Japan Audit and Supervisory Board Members Association, we believe she is suitable for the position of director at our company and can continue to contribute to enhancing our corporate value. She meets the independence criteria defined by our company for outside directors.
Mitsuru Namba	○	○	N/A	Mitsuru Namba was registered as a lawyer in 2000. He possesses specialized knowledge and expertise as a lawyer, and in addition to activities within bar associations and international legal organizations, he also has extensive global experience and an international perspective. In 2022, He was appointed to the outside director, and the supervisory committee member at our company. He also joined the Nomination and Compensation Advisory Committee in the same year. He has not been involved in the corporate management in a way other than serving as an outside director or outside supervisory committee member in the past. However, based on his track record in supervising business execution and strengthening audit functions as an outside director, and the supervisory committee member, we believe he is suitable for the position of director at our company and can continue to contribute to enhancing our corporate value. He meets the independence criteria defined by our company for outside

				directors.
Hiroyuki Sato	○		N/A	Hiroyuki Sato brings extensive corporate management experience as a former executive of a major global corporate group and as a president of a semiconductor business company. His deep insights and excellent judgment in semiconductor operations, a key focus area for our company, underscore his wealth of experience in business management and operations. He is considered well-suited for the position of director due to his ability to contribute to our company's sustainable growth and enhance corporate value through his objective and specialized perspectives as an outside director. Mr. Sato has already resigned from the executive and representative director positions mentioned above. However, we have business relationship with the above operation company. To ensure there are no conflicts of interest arising from transactions with the company, we will handle procedures appropriately at the board of directors' meetings and secure diverse perspectives by appointing multiple outside directors.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	1	0	3	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Not Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

Currently, we do not have dedicated staff to assist the Supervisory committee's duties, as one member of the Supervisory committee is a full-time supervisory committee member. However, we have a policy to establish support staff to assist the Supervisory committee's tasks when requested by the committee.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

・Cooperation between Supervisory Committee and Accounting Auditors

The Supervisory Committee shares key audit matters for the FY 2023 with the outside auditors at the beginning of the year and strengthens its information sharing framework by conducting quarterly discussions on the appropriateness of financial processing, including goodwill assessment in subsidiary M&A transactions, KAM, and the existence of issues related to internal controls. This leads to effective and efficient audit activities.

・Cooperation between Supervisory Committee and Internal Audit Department

The internal audit department explains the annual internal audit plan and reports on internal audits to the outside directors, who are full-time Supervisory Committee members, as needed, and the same information as the report to our president to the Supervisory Committee every quarter. In addition, the outside director who is also a full-time Supervisory Committee member accompanies the Internal Audit Department in its audits to monitor for any violations of laws, regulations, or internal controls.

・Cooperation between Internal Audit Department and Accounting Auditors

The Internal Audit Department and the Accounting Auditors regularly exchange information and engage in discussions regarding the operation of our internal control system. The outcomes of these discussions are incorporated into internal audits as necessary, and the results are reported to the Accounting Auditors. This process helps to ensure a unified understanding of the operation status of our internal controls, the presence of risks to address, and the outcomes of internal audits within our company.

Voluntary Established Committee(s)

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	the Nomination and Remuneration	4	3	2	2	0	0	Outside Director

	Advisory Committee							
Voluntarily Established Committee Equivalent to Remuneration Committee	the Nomination and Remuneration Advisory Committee	4	3	2	2	0	0	Outside Director

Supplementary Explanation

1. Purpose of Establishment

To enhance the governance function of the Board of Directors, we have established the Nomination and Remuneration Advisory Committee as an optional advisory body, ensuring objectivity and transparency regarding director personnel and compensation matters.

2. Roles

(1) Deliberation on the nomination of director candidates

(2) Deliberation on the selection, appointment, and dismissal of the President, directors, executive officers, and advisors

(3) Planning for the succession of the President

(4) Deliberation on the total amount of director compensation and individual compensation (including advisors)

(5) Deliberation on the selection and duties of executive officers with specific roles

3. Composition

Chairman: Independent outside director who is also a member of the Supervisory Committee

Members: Independent outside director who is also a member of the Supervisory Committee, President (also Chairman), Senior Executive Officer in charge of HR and General Affairs,

4. Others

(1) Frequency of Meetings: Held 11 times in FY 2023.

(2) Main Considerations: Discussions and deliberations on the topics listed in "2" above.

(3) Attendance of Individual Members: Takashi Yoshimura (11/11 meetings), Mitsuru Nanba (11/11 meetings), Ichiro Seizawa (11/11 meetings), Akio Oka (11/11 meetings), Jun Kanai (11/11 meetings),.

Matters Concerning Independent Directors

Number of Independent Directors	3

Other Matters Concerning Independent Directors

All outside directors are designated as independent directors who meet the qualifications for independent directors. In determining independence, we define the requirements as follows:

a) Regarding "major customers," we consider whether there has been any instance within the past three years where the customer accounted for 5% or more of our net sales, or in the case of expenses, whether the supplier accounted for 5% or more of our major expense category, specifically outsourcing expenses, within the past three years
b) As an immateriality standard disclosed to the listed stock exchanges regarding the above (a), we treat cases where the percentage is less than 0.5% as a minor and exempt from disclosure of amounts in the Independent Director Notification.
c) For the detailed requirements of "major customers" we assess whether transactions with the counterpart represent 10% or more of their net sales as the criterion.
d) In cases involving "significant amounts of money or other property," we use whether there has been a payment exceeding 10 million JPY annually at any point within the past three years as the criterion.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Other

Supplementary Explanation for Applicable Items

At the 55th General Meeting of Shareholders held on June 19, 2019, the introduction of a restricted stock compensation system for directors (excluding directors who are members of the Supervisory Committee) was approved.

Persons Eligible for Stock Options	

Supplementary Explanation for Applicable Items

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Director Remuneration

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

Supplementary Explanation for Applicable Items

As stated in the Notice of the 60th General Meeting of Shareholders dated June 5, 2024, our company disbursed a total of 165 million JPY in remuneration to 11 directors during the FY2023.

Policy on Determining Remuneration Amounts and	Established

Calculation Methods

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

How to determine the policy:

・Regarding the policy for determining the amount and calculation method of executive compensation, decisions are made by the Board of Directors based on recommendations from the optional body, the Nomination and Remuneration Advisory Committee.

Summary of the policy:

・ We comprehensively evaluate the company's performance and industry standards, taking into account each director's contribution, and calculate and disburse compensation according to our remuneration regulations.

・We provide incentives aimed at the sustainable improvement of our company's corporate value through restricted stock awards to eligible directors (excluding outside directors and members of the Supervisory Committee). This initiative aims to foster further value sharing between these directors and shareholders.

・Under this system, the remuneration provided to eligible directors for the issuance of restricted stock with transfer restrictions shall be capped at an annual amount not exceeding 50 million yen in monetary compensation rights. It should be noted that the issuance of such monetary compensation rights will not constitute a separate category under the approved remuneration framework at the shareholders' general meeting but will rather be aimed at providing approximately 10% of each director's total remuneration amount.

Support System for Outside Directors

The outside director who is full-time member of the Supervisory Committee attends important meetings such as department head meetings and budget performance meetings and share information with the Supervisory Committee to ensure that directors who are the committee members are informed.

Regarding the provision of information to outside directors who are not members of the Supervisory Committee, the department responsible for communication and coordination with these directors ensures prompt and accurate provision of necessary information based on their instructions.

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

The Board of Directors meets monthly with all directors in attendance, including those who serve on the Supervisory Committee. The meetings follow our Board of Directors Regulations and involve decisions and reports on important matters. Directors engage in active discussions while mutually overseeing the operations of the board.

For issues requiring thorough deliberation before presenting to the Board, or matters that necessitate seeking broad opinions and information, we convene Executive Meetings twice monthly, as a rule. These

meetings include directors, executive officers, full-time outside directors serving on the Supervisory Committee.

In addition to these, we conduct Department Head Coordination Meetings and Budget Performance Meetings where directors, executive officers, department heads, and full-time outside directors serving on the Supervisory Committee participate to exchange views.
Furthermore, we have established Internal Control Committees for the operation of our Internal Control System, and Integrated Security Committee and dedicated committees for the operation of Information Security Activities. These committees meet monthly to review and confirm their activities respectively.
Through these various internal meetings, we promote governance effectively.
At the board of directors meeting held on June 18, 2020, we revised the executive officer system to clarify the division between supervisory and executive functions in management, aiming to strengthen the oversight and decision-making functions in management as well as the execution function.

3. Reasons for Adoption of Current Corporate Governance System

We have made the change from a Company with Board of Company Auditors to a Company with Audit & Supervisory Committee in accordance with a resolution adopted at 52nd general meeting of shareholders held on June 21, 2016, as the amendment to transition to a company with a supervisory committee was resolved, resulting in the change to the Articles of Incorporation.
This transition aims to strengthen the supervisory function of the board of directors and further enhance corporate governance.