Corporate Governance Report

CORPORATE GOVERNANCE MANI, INC.

Last Update: November 26, 2024

MANI, INC.
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Securities code: 7730
https://www.mani.co.jp/en/index.html

The corporate governance of MANI, INC. (the "Company") is described below.

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

1. Basic Views

In June 2001, we went public to become a more open company and to obtain an objective evaluation of our management from the market. We have endeavored to operate our business based on an objective evaluation of our stock price and have also made efforts to disclose information in order to obtain a correct evaluation. Furthermore, in November 2004, in pursuit of management transparency, we adopted the "Company with Committees" system (currently the "Company with Nominating and Other Committees" system), whereby the Board of Directors, which is composed of a majority of outside directors, supervises the executive officers, creating a tense management structure. In this way, we are striving to pursue and establish a better corporate governance system.

Our basic corporate governance policy is to "pursue the interests of all stakeholders" while adhering to the "shareholders as owners" principle.

In other words, we aim to increase sales and profits by seeking to improve customer satisfaction (CS) by providing customers with good products at reasonable prices. For our employees (including executive officers), we aim to provide sufficient remuneration and an excellent environment that enables employees to achieve results in securing talented human resources suitable for our company and aim to conduct accurate and efficient corporate activities by improving employee satisfaction (ES). To achieve these goals, all executive officers, including the Representative Executive Officer, will take the initiative in improving corporate value and establishing each management system.

On the other hand, the Board of Directors, which is composed of directors elected by the General Meeting of Shareholders, decides the basics, supervises the proper execution, and evaluates executive officers. Through this governance, we aim to increase shareholder profits and achieve shareholder satisfaction (SS).

The key point here is to realize "pursue the interests of all stakeholders." Pursue the interests means that the interests of customers are the interests of employees and shareholders, the interests of employees are the interests of customers and shareholders, and the interests of shareholders are the interests of customers and employees. The Company believes that the basis of governance is to ensure that appropriate decisions are made and to prevent the interests of one stakeholder from becoming the loss of another stakeholder.

Disclosure Based on each Principle of the Corporate Governance Code

The Company has established the “Basic Policy on Corporate Governance” (hereinafter referred to as the “Basic Policy”) and posted it on the Company's website.

【Principle 1-4 Cross Shareholdings】

Policies on cross shareholdings and exercise of voting rights related to cross shareholdings are described in “Article 5 (Basic Policy Regarding Cross Shareholdings and Exercise of Voting Rights Related to Cross Shareholdings)” of the Basic Policy. As of August 31, 2024, the Company did not hold any cross shareholdings.

【Principle 1-7 Transactions among Related Parties】

Procedures for conducting transactions with related parties are described in “Article 6 (Code of Conduct and Conflicts of Interest)” of the Basic Policy.

【Supplementary Principle 2-4-1 Ensuring Diversity】

We recognize that human resources are the source of our company, and we are striving to promote diversity and expand various systems to suit the way we work. In September 2021, we renovated our old seniority-based personnel system and launched a new system with a focus on diverse work styles.

We fully understand that “Diversity” and “Inclusion” of human resources are the source of sustained innovation, such as the application of diverse market needs. We have positioned the promotion of this as a key management policy. As long as there is empathy with our corporate philosophy and values, such as the challenge to be the best in the world, we will consider hiring classifications (new graduates and career recruitment) regardless of gender, age, religion, nationality, race, ethnicity, existence of disabilities, or sexual orientation.

To create an environment in which each employee can demonstrate his/her own abilities, we have introduced a work-from-home system and a flex-time work system, and we are promoting employees who are performing well to positions regardless of their attributes. In this way, we aim to achieve a balance between individual job satisfaction and business results, and we also aim to achieve a female manager ratio of 30% or more for MANI Group (hereinafter referred to as the “Group”) and 15% or more for MANI headquarters by the end of the fiscal year ending August 31, 2026. In September 2023, we received the certification "Eruboshi (level 3)” from the Ministry of Health, Labor and Welfare for the excellent implementation of initiatives to promote the advancement of women.

We will continue to further promote diversity by becoming a company where female employees who are motivated to grow can play a more active role through the expansion of career training and other programs that are appropriate for women's life stages.

【Principle 2-6: Roles of Corporate Pension Funds as Asset Owners】

Since the management of corporate pension fund assets affects not only the stable asset formation of employees but

also the Company's financial position, we have assigned personnel with appropriate qualifications to the department in charge and strive to develop human resources through participation in various seminars and other means.
In addition, the Company is working to improve the value of pension assets through the selection and monitoring of investment managers in accordance with the rules and has established a system for obtaining necessary information receive periodic reports from investment institutions as needed.

【Principle 3-1: Enhancement of Information Disclosure】

1. Company objectives (e.g. Management Philosophy)
   The management philosophy and strategies that form the basis of the Group's activities are described in "Management Policies," "Medium-Term Management Plan," and "Financial Results Briefing Materials" on the Company's website.
2. Basic views and basic policies on corporate governance
   Our basic philosophy and policies regarding corporate governance are described in the "I.1. Basic Views" of this report.
3. Policies and procedures in determining the remuneration of directors and executive officers
   Policies and procedures for the Compensation Committee to determine the remuneration for directors and executive officers are described in "II.2. (4) decisions on remuneration" of this report and "Article 28 (Remuneration of Directors and Executive Officers)" of the Basic Policy.
4. Policies and procedures for election and dismissal of candidates for director
   The policies and procedures for the Nominating Committee to appoint and dismiss candidates for directors are set forth in Article 17 (Qualifications of Directors and Procedures for Election and Dismissal) of the Basic Policy.
5. Reasons for election of candidates for director including those who concurrently serve as Representative Executive Officer
   Reasons for the appointment of each director candidate, including those who concurrently serve as Representative Executive Officer, are stated in the Notice of Convocation of the General Meeting of Shareholders. Reasons for the appointment of outside directors are also described in "II. 1 Outside Directors" of this report.

【Supplementary Principle 3-1-3 Disclosure Related to Sustainability Initiatives】

As part of our sustainability initiatives, we have disclosed "MANI Sustainability" in our medium-term management plan from April 2021. Our corporate philosophy is "contributing to the world welfare through development, production and distribution of its products beneficial to patients and doctors." We believe that realizing this philosophy is the greatest contribution we can make to society. On this basis, we will promote "MANI Sustainability" to achieve both our sustainable growth and the realization of a sustainable society. "MANI Sustainability" is based on the following key initiatives: "promotion of energy-saving activities to achieve carbon neutrality," "creation of a workplace where diverse human resources can play an active role based on our corporate philosophy," and "establishment of an environmentally friendly green supply chain evaluation system." Efforts to achieve targets are

reviewed monthly, and the progress of these efforts is monitored by the Board of Directors. We will accelerate the following efforts on the four items recommended in TCFD recommendations: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Indicators and Targets.

(1) Governance

The ESG & Environment Group will work with related departments of MANI Group as the lead department to address key elements of "MANI Sustainability," including climate change, human rights, coexistence with local communities, and governance. Important matters related to these activities are reported to and supervised by the Board of Directors.

(2) Strategy

As a strategy for climate change, the following two future scenarios have been formulated to summarize the major risks and opportunities in each scenario.

1). 1.5°C-2°C scenario: the government is strengthening environmental regulations and making progress in responding to climate change.

2). 4°C scenario: Disaster intensifies and increases due to lack of progress in responding to climate change.

(3) Risk Management

The Company has set the promotion of "MANI Sustainability" as a company-wide activity goal, and the Board of Directors monitors the progress of efforts to achieve the goal by reviewing them monthly.

(4) Indicators and Targets

1). Use of renewable energy-derived electricity

25% by 2030

100% by 2050

2). CO_2 emissions (compared to FY2022)

25% reduction by 2030

85% reduction by 2050

As part of our efforts in the fiscal year ended August 31, 2024, we introduced solar power generation systems at our bases in Japan, Vietnam, and Germany to promote environmentally friendly business activities.

(1) Japan

In June 2024, we have concluded a Power Purchase Agreement with a local company and started operation of a solar power generation system at our Kiyohara Factory. The annual power generation at our headquarters will be approximately 153,080 kWh, which is expected to reduce CO_2 emissions by approximately 67 tons per year. In July 2024, a similar power purchase agreement was concluded for the Hanaoka Factory (Smart Factory), and the factory is scheduled to start operation in June 2025. Annual solar power generation at the Hanaoka Factory is expected to be approximately 734,528 kWh, which is expected to reduce CO_2 emissions by approximately 324 tons per year.

(2) Vietnam

We are striving to reduce CO_2 emissions by switching to power-saving LED lighting equipment throughout our factories in Vietnam. At our second factory in Phu Yen, installation of solar panels is currently underway. Installations will be completed in January 2025.

(3) Germany

The solar panels installed at the new factory began operation in September 2023 and generated 165,000 kWh of electricity in the previous fiscal year. In addition, to utilize the EV charger station installed within the factory grounds, we have formulated the “Electronic Vehicle Car Policy” and are promoting efforts to gradually switch company cars to EV vehicles. Furthermore, we have begun using a rainwater collection system to sprinkle water on trees on the new factory site and are making efforts to use rainwater more efficiently.

The actual GHG emissions (Scope 1 and Scope 2) for the Group are disclosed in the “Integrated Report 2023” (actual figures include estimated figures at the time of aggregation).

<Investment in Human Capital and Intellectual Property>

To realize the achievement of the important issues set forth in the medium-term management plan, our Group will strengthen the promotion of human capital management. Please refer to the Annual Securities Report for the fiscal year ended August 31, 2024, “2 [Business Status], 2 [Concepts and Initiatives on Sustainability]" for our approach and initiatives toward human resource strategy and development (Annual Securities Report is available only in Japanese).

In addition, in accordance with our management policy of "possessing original technology and securing future profits," the Company is striving to secure rights to intellectual property, including patents. Please refer to our website below for information on the Group's proprietary technology information, such as microfabrication technology, and the status of patent acquisition.

https://www.mani.co.jp/en/research/creative.html

【Supplementary Principle 4-1-1 Scope of Delegation to Executive Officers】

The scope of delegation to executive officers determined by the Board of Directors is based on the policy described in "Article 13 (Roles of the Board of Directors)" of the Basic Policy. In addition to matters that are determined exclusively by the Board of Directors through laws and regulations, including basic management policies (corporate philosophy or management plans), the Board of Directors makes decisions on investment projects exceeding a certain percentage of the Group's consolidated total assets and the establishment of subsidiaries as matters that have a significant impact on the Group's management. Other business execution decisions are delegated to executive officers.

【Principle 4-9 Independence Criteria and Qualifications for Independent Outside Directors】

The Company's criteria for independence of independent outside directors are set forth in “Article 16 (Composition

of the Board of Directors)" of the Basic Policy.

【Supplementary Principle 4-11-1: Approach to Balance, Diversity, and Scale of the Board of Directors】

To ensure the effectiveness of the Board of Directors, we have established a personnel structure that considers the balance of knowledge, experience, ability, gender, age of the Board of Directors as a whole. In addition, most outside directors have a variety of expertise and sophisticated management decision-making abilities, including corporate managers, attorneys, and university professors, from the viewpoint of diversity, and we are working to strengthen the supervisory function of management. (Concepts regarding the balance, diversity and scale of the Board of Directors are also described in "Article 14 (Qualifications and Election Procedures for Directors)" of the Basic Policy.) The Director Skills Matrix is stated in the Notice of Convocation.

【Supplementary Principles 4-11-2: Concurrent Positions Held by Outside Directors】

The status of concurrent appointment of outside directors is described in "II. 1 [Outside Directors] Outside Directors' Relationship with the Company (2)" of this report.

【Supplemental Principles 4-11-3: Analysis and Evaluation of Effectiveness of the Board of Directors】

Since the fiscal year ended August 31, 2015, the Company has been conducting an evaluation of the Board of Directors and its Committees through questionnaires for each director to verify whether the functions of the Board of Directors are appropriately performed and to improve the effectiveness of the Board. From the fiscal year ended August 31, 2023, we have evolved this evaluation and introduced a method in which a third-party organization conducts a survey (conducting and collecting questionnaires from each individual director and conducting individual interviews). Based on the results of this survey, the Board of Directors analyzes and evaluates the effectiveness of the directors.

1. Review of the fiscal year ended August 31, 2024

   (1) General discussion

   In general, the Board of Directors in the fiscal year ended August 31, 2024 determined that our Board of Directors continues to function effectively. In the fiscal year ended August 31, 2024, the Board of Directors presented themes for important deliberations at the beginning of the fiscal year, regularly requested reports from executive officers, and conducted deliberations, so that they can "carry out deliberations on truly important issues that should be discussed," which was one of the issues in the effectiveness evaluation of the previous fiscal year. As a result, the Board of Directors was able to realize more efficient and deeper discussions at Board of Directors meetings. Major deliberations are as follows.

   During the fiscal year under review, the Board of Directors took the lead in making major decisions regarding the Company's management, including the decision to appoint a new Representative Executive Officer and President. In addition, the Board of Directors supported the external appointment of several executive officers. These achievements demonstrate our aim of "contributing to the enhancement of MANI's corporate value over the medium to long term."

【Major Deliberations by the Board of Directors for the Fiscal Year Ended August 31, 2024】

Key strategies of the medium-term management plan

- Progress of the medium-term management plan
- Global sales strategy in North America
- Progress of the Hanaoka Smart Factory
- Progress of new product development

Matters related to finance

- Progress of management plan in fiscal year ended August 31, 2024
- Establishment of business plan for fiscal year ending August 31, 2025
- Establishment of medium-to long-term capitalization policy

Matters related to governance

- Change of Representative Executive Officer and President
- Strengthening of management team
- Recognition of recent risks and risk response initiatives
- Initiatives for compliance
- Assessment of Board of Directors effectiveness
- Internal audit and reports related to response to authorities

Other important management issues

- Human capital management
- Corporate culture reform
- Strengthen product development system
- System strategy
- Digital transformation strategy

(2) Proactive efforts to enhance corporate value

In addition, in the fiscal year ended August 31, 2024, the Board of Directors strengthened their proactive approach to decision-making to enhance corporate value. Specifically, the Board of Directors established the Strategy Committee to review the progress of the medium-term management plan, summarize the current state of MANI's business model, and hold discussions for medium-to long-term growth.

The Board of Directors believes that it is necessary to hold discussions aimed at enhancing corporate value in response to the action plan for the second half of the medium-term management plan, which will continue to be reviewed by executive officers, and the discussion points for formulating the next medium-term management plan.

(3) How the Board of Directors should be

The Board of Directors has a common understanding of how the Board of Directors should "contribute to the enhancement of MANI’s corporate value over the medium-to long-term." On the other hand, in response to the strengthening of the executive structure, they believe it is necessary to discuss from a new perspective how the Board of Directors will contribute to the enhancement of corporate value over the medium to long term, and what roles outside directors are required to play and should play. At the same time, they believe that discussions on composition of board members and the diversity of skills and experience are necessary.

(4) Efficiency of the operation of the Board of Directors

Improving the efficiency in the operation of the Board of Directors was also mentioned as an issue in the previous fiscal year. In the current fiscal year, the Board of Directors has worked to improve operational efficiency by presenting important deliberative themes schedules and organizing resolutions and reporting items. As a result, in addition to deepening the content of deliberations, the Board of Directors were able to greatly reduce the time required to hold Board of Directors meetings, which had previously been an issue.

2. Toward the fiscal year ending August 31, 2025

Based on the statements above, in the fiscal year ending August 31, 2025, the Company aims to further improve the effectiveness of the Board of Directors, by focusing on the following three issues.

(1) How the Board of Directors should be

In the fiscal year ended August 31, 2024, the Company has worked actively to enhance corporate value by strengthening the execution structure.

In the fiscal year ending August 31, 2025, as the next step, the Board of Directors will discuss ways to enhance corporate value by reviewing the action plan for the second half of the medium-term management plan, and the discussion points for the formulation of the next medium-term management plan. Discussions will be held to enhance corporate value. In the discussions, the Board of Directors will improve the gap between information and communication between outside directors and executive officers and improve the management of the Board of Directors so that discussions can be conducted more constructively and effectively.

(2) Increasing corporate value over the medium-to long-term

In response to the strengthening of the executive system, the Board of Directors will discuss with the executive side on how the Board of Directors can "contribute to the enhancement of MANI’s corporate value over the medium-to long-term" through sufficient communication.

In particular, regarding the roles required of and to be played by directors, the Board of Directors will reorganize the skills and experience required as a director based on how the Board of Directors should be

and will realize the diversification of the composition of board members and aim to evolve as a Board of Directors.

(3) Global governance

The Company established a sales subsidiary in the United States in September 2024 and are strengthening sales strategy by utilizing sales subsidiaries in both developed and emerging countries. With the global expansion of base network, global governance as the MANI Group is becoming increasingly important. The Board of Directors will cooperate with the executive side to conduct highly effective discussions and supervision on how to monitor and support the state of global governance by the executive side.

【Supplemental Principles 4-14-2 Policy on Training for Directors】

The basic policy on training for directors is described in "Article 20 (Studying and Training for Directors)" of the Basic Policy.

【Principle 5-1 Policy on Constructive Dialogue with Shareholders】

The policy regarding the establishment of a system and initiatives to promote constructive dialogue with shareholders is described in "Article 26 (Dialogue with Shareholders)" of the Basic Policy.

< Action to Implement Management that is Conscious of Cost of Capital and Stock Price >

As for financial targets in the medium-term management plan, we have set targets for consolidated net sales and consolidated operating income (target for the fiscal year ending August 31, 2026: consolidated net sales of 30 billion yen and consolidated operating income of 10 billion yen), as well as a target for return on equity (ROE), which is an index of capital profitability (ROE target for the fiscal year ending August 31, 2026: 12.0%). The Company discloses the performance of these financial indicators in its financial results presentation materials for the full fiscal year and evaluates the degree of achievement.

In addition, from the fiscal year ended August 31, 2023, the Company introduced a restricted stock remuneration system as a remuneration system for executive officers. In addition to the performance targets (consolidated net sales and consolidated operating income), the Company has set the lifting of transfer restrictions as the achievement of all targets, including stock price, aims to further share value with shareholders. In addition, the Company actively engage in dialogue with shareholders and investors and strive to evaluate our stock price appropriately and sufficiently by further enhancing disclosure information. Information obtained through IR activities is fed back to the Board of Directors on a regular basis. Data such as the number of IR interviews are also disclosed in the Integrated Report.

As of August 31, 2024, the Company’s ROE was 12.3% and price-to-book value ratio (P/B ratio) was 3.7, both exceeding the targets (ROE of 8% and P/B ratio 1.0) advocated in the ITO Report, which is positioned as a guideline for sustainable enhancement of our corporate value. Accordingly, we recognize that we have earned a certain level

of evaluation from investors in terms of both capital profitability and market-based evaluation. On the other hand, we recognize that effective use of equity capital and balance sheet optimization are important issues. In addition to growth investment such as capital investment in Hanaoka Smart Factory and investment in overseas subsidiaries, we aim to further increase corporate value from a medium-to long-term perspective by allocating a certain amount of funds to shareholder returns.

	FY2020	FY2021	FY2022	FY2023	FY2024
ROE	9.3%	11.3%	12.5%	12.5%	12.3%
P/B ratio	7.2	5.5	3.8	4.1	3.7

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,913,500	13.11
MANIX Co.	10,600,000	10.76
Custody Bank of Japan, Ltd. (Trust Account)	7,152,100	7.26
Matsutani Giken Co.	5,084,000	5.16
MANI Matsutani Medical Scholarship Foundation	3,200,000	3.25
Kanji Matsuya	2,169,800	2.20
CEPLUX-COLUMBIA THREAD NEEDLE (LUX) I	2,099,600	2.13
Masamitsu Matsutani	2,064,400	2.10
Masamitsu Co.	2,048,000	2.08
Masaaki Matsutani	1,828,200	1.86

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

Supplementary Explanation

1. The above [Status of Major Shareholders] indicates the status as of August 31, 2024.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	August
Business Sector	Precision instruments
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
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

-

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

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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 Nominating and Other Committees

Directors

Number of Directors Stipulated in Articles of Incorporation	8
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	7

Outside Directors

Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tatsushi Yano	From another company											
Yukiko Moriyama	Attorney at law											
Yosuke Mitsusada	From another company											
Yukio Matsui	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	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Tatsushi Yano	○		○	○	—	As an officer of an operating company, he has been involved in overseas business and will utilize his abundant experience and wide range of knowledge through the operation of overseas manufacturing and sales companies in the management of the Company, and as an outside director, he will realize socially fair decision making and improve the effectiveness of management supervision, which will ensure appropriate decision making by the Board of Directors and strengthen governance of the Company. In addition, he is designated as an independent director because he is an outside director with absolutely no interest in the Company or its executive officers, and there is no risk of a conflict of interest with general shareholders.

Name	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Yukiko Moriyama		○	○	○	—	As an attorney, she has been utilizing her abundant experience and her sophisticated expertise in matters such as harassment issues, personal information protection, and business legal affairs for the Company's management. As an outside director, she will strive to ensure the adequacy and appropriateness of the Company's Board of Directors' decision-making mainly from the perspective of business law and diversity by making socially fair decisions and improving the effectiveness of management supervision. In addition, the Company has designated her as an independent director because she is an outside director who has absolutely no interest in the Company or its executive officers, and there is no risk of a conflict of interest with general shareholders.

Name	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Yosuke Mitsusada			○	○	—	As an investor, he has abundant and wide-ranging business experience through dialogue with companies and management through his stock investment business, and as a university professor, he has in-depth knowledge in the field of finance. He also has experience in serving as an independent outside director at several companies. As an outside director, the Company believes he will make use of his broad knowledge to the management of the Company and to realize socially fair decisions and improve the effectiveness of management supervision and ensure the adequacy and appropriateness of the decision-making of the Company's Board of Directors, mainly from his perspective as a finance expert. In addition, he is designated as an independent director because he is an outside director with absolutely no interest in the Company or its executive officers, and there is no risk of a conflict of interest with general shareholders.

Name	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Yukio Matsui	○	○	○	○	—	As an executive officer of a global healthcare company, he has abundant global experience in the healthcare industry, broad knowledge on business transformation and internal controls, and has the capability to utilize his global leadership skills, including his understanding of diversity and human resource development, in the Company's management. As an outside director, the Company believes he will realize social fairness in decision-making, improve the effectiveness of management supervision, and to ensure appropriate decision-making by the Board of Directors of the Company, mainly from a global compliance perspective. In addition, he is designated as an independent director because he is an outside director with absolutely no interest in the Company or its executive officers, and there is no risk of a conflict of interest with general shareholders.

Supervisory Committees

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chairperson
Nominating Committee	3	0	1	2	Outside Director
Compensation Committee	3	0	1	2	Outside Director
Audit Committee	4	0	0	4	Outside Director

Executive Officers

Number of Executive Officers	7

Status of Concurrent Duties

Name	Representative Authority	Concurrent Duties as Director			Concurrent Duties as Employee
			Nominating Committee Member	Compensation Committee Member	
Masaya Watanabe	Yes	Yes	No	No	No
Masahiko Saito	No	No	No	No	No
Kazuo Takahashi	No	Yes	No	No	No
Hideshi Fukumoto	No	No	No	No	No
Shuichi Kurita	No	No	No	No	No
Tomomi Kosaka	No	No	No	No	No
Naohisa Hashimoto	No	No	No	No	No

Auditing Structure

Appointment of Directors and/or staff to Support the Audit Committee	Appointed

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

The Audit Committee Office oversees employees who should assist the Audit Committee in their duties. The Company has established the following internal regulations regarding employees to assist the Audit Committee in its duties. In addition, there are no directors who should assist with the duties of the Audit Committee.

1. Employees who are transferred to the Audit Committee Office shall be required to obtain the prior consent of the Audit Committee. Employees who are transferred from the Audit Committee Office and where they are transferred shall require the prior consent of the Audit Committee.
2. Personnel evaluations shall require the prior consent of the Audit Committee.
3. Salary revisions shall require the prior consent of the Audit Committee.
4. With regard to the duty of consideration to be given by executive officers, consideration shall be given so that employees, who assist the duties of the Audit Committee, may not be unreasonably restricted in the performance of their duties. In addition, if an employee who is to assist the Audit Committee in the performance of its duties is subject to undue restrictions in the performance of his/her duties, he/she may report to the Audit Committee, or an Audit Committee member appointed in advance by the Audit Committee and request that the undue restrictions be eliminated. Furthermore, there is no control over the executive officers with respect to assisting the Audit Committee in its duties.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit

The Audit Committee meets seven times a year to confirm the status of accounting audits (auditing plans, auditing systems, auditing implementation status, internal control system status, etc.) with the accounting auditors, and to exchange information and opinions on other audits.

The Audit Office oversees internal audit and exchanges opinions with the Audit Committee (audit plans, audit systems, audit implementation status, internal control system status, etc.) about several times a year.

Matters Concerning Independent Directors

Number of Independent Directors	4

Other Matters Concerning Independent Directors

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Incentives

Implementation Status of Measures related to Incentives Granted to Directors and/or Executive Officers	Introduction of Performance-linked Remuneration System

Supplementary Explanation for Applicable Items

1. With regard to the performance-linked remuneration system, the Company has prepared the "Performance-linked Remuneration Payment Standards" for executive officers and has determined the amount of payment based on the "coefficient of achievement compared to the average of the two most recent fiscal years" and "coefficient of achievement compared to the record-high fiscal year" of consolidated operating income. Annual linked remuneration is 0-7.4 months of monthly remuneration depending on performance.
2. In addition, from December 2022, the Company introduced a new remuneration system for executive officers, which includes the abolishment of retirement benefits for directors, and a new long-term incentive remuneration system, such as performance units, with the aim of providing them with an incentive to continuously increase our corporate value and to further promote value sharing with shareholders. This system consists of two types: the “Medium-Term Management Plan Achievement Requirement RS,” which lifts transfer restrictions based on the degree of achievement of performance targets in the medium-term management plan, and the “Medium-Term Management Plan Wrap Target Achievement Requirement RS,” which is granted based on the achievement of targets in the medium-term management plan and the lifting of transfer restrictions on the condition that the Company continues to be in the position of a target executive for a certain period of time.

Persons Eligible for Stock Options	

Supplementary Explanation

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Remuneration for Directors and Executive Officers

Status of Disclosure of Individual Director’s Remuneration	No disclosure for any directors
Status of Disclosure of Individual Executive Officers’ Remuneration	No disclosure for any executive officers

Supplementary Explanation

Although individual remuneration is not disclosed, the total amount is disclosed in the categories of inside directors, outside directors, and executive officers.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic policy

The basic policy of the Compensation Committee is "the level of remuneration necessary for securing human resources suitable for us to increase corporate value." The role of the Compensation Committee is "to contribute to the improvement of our business performance by setting the level of remuneration necessary for securing directors and executive officers suitable for us to increase corporate value, as well as establishing a remuneration system to provide incentives, and conducting transparent and appropriate management."

2. Policy on remuneration for directors

Directors' remuneration consists of basic remuneration. Basic remuneration is the amount equivalent to the amount of work to be delegated, and there is no retirement benefit system for directors. In addition, remuneration as a director is not paid for concurrently serving as an executive officer.

3. Policy on remuneration for executive officers

Executive officer remuneration consists of basic remuneration (fixed remuneration) and variable remuneration, and the percentage is generally 65%: 35% (at the time of standard performance).

(1) Basic remuneration (fixed remuneration)

Fixed remuneration shall be the amount necessary and sufficient to put the work into consideration our business environment, the level of other companies.

(2) Variable remuneration

Variable remuneration consists of performance-linked remuneration (short-term incentives) and restricted stock units (long-term incentives) ("RS").

(A) Performance-linked remuneration

Performance-linked remuneration is calculated by multiplying the "coefficient of achievement compared to the average of the two most recent fiscal years" and "coefficient of achievement compared to the record-high fiscal year" of consolidated operating income for the fiscal year in which the term belongs at the time of appointment as an executive officer by a fixed monthly fee. The performance-based remuneration is limited to the amount equivalent to 7.4 months of the executive officer's monthly base remuneration, which is equivalent to 0-40% of the total remuneration with a fixed remuneration of 65% (100%).

(B) Restricted stock units

Restricted stock units are intended to provide incentives to continuously improve the Company's corporate value and to promote further value sharing with our shareholders. This consists of two components: "RS Requirements for Achieving the Medium-Term Management Plan" and "RS Requirements for Achieving the Medium-Term Management Plan Wrap Targets."

(a) Medium-Term Management Plan-Achievement Requirement RS

In the first year of the Medium-Term Management Plan, the Company has granted monetary

remuneration claims in an amount equivalent to 15% of the total remuneration amount (100%) for which the fixed remuneration determined in accordance with the position is 65%, and then issue or dispose of such claims in kind. In accordance with the medium-term management plan term (assuming five years), the Company will grant shares RS the requirements for achieving the Medium-Term Management Plan, which are common shares of the Company, in bulk.

In the final year of the Medium-Term Management Plan, if all three indicators (consolidated net sales, consolidated operating income, and share price) are achieved and they meet the criteria for employment in the final year of the Medium-Term Management Plan, the transfer restrictions on the shares (RS) granted will be lifted. Otherwise, we will acquire all of the granted shares (RS) at no cost.

(b) Medium-Term Management Plan-Wrap Target Achievement RS

In each fiscal year under the medium-term management plan, for the portion where the weighted average of the target achievement rates for the three indicators (consolidated sales, consolidated operating profit, and stock price) exceeded 100%, we will grant a money remuneration amount of 0 to 15% of the total pay amount (100%) with a fixed reward value determined based on the role position as 65% in accordance with the achievement rate calculated with an upper limit of 200%, and then issue or dispose of the credit with the investment in the cash object. We will grant RS Share, our common stock, which meets the medium-term management plan lap target.

If the Company meets the criteria for enrollment in the final year of the medium-term management plan, the restrictions on the transfer of shares (RS) that have been granted will be lifted. Otherwise, we will acquire all the granted shares (RS) at no cost.

4. Ensuring transparency

To ensure transparency, the Company's policy is to disclose individual remuneration for directors and executive officers in accordance with disclosure standards.

Support System for Outside Directors

The section in charge of assisting the outside directors is carried out by the President's Office/Legal Affairs Group of the Business Administration Department. Details of the meeting are distributed to outside directors in advance (mainly by the Chairperson of the Board of Directors, but in cases where the Chairperson stays), the minutes of meetings are distributed after the fact, and other necessary information is conveyed mainly by e-mail. In addition, each executive officer distributes information as necessary, including business trip reports, important risks, and important compliance-related reporting matters. At meetings of the Board of Directors, directors, who also serve as the Chairperson or executive officer, provide detailed explanations of the content of agenda items over time, and a system is in place to allow outside directors to understand and then deliberate on the agenda. Most of the meeting materials are distributed by e-mail in advance, which improves the efficiency of the Board of Directors and actively exchanges opinions.

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
Kanji Matsutani	Honorary Supreme Advisor	If the Board of Executive Officers, the Board of Directors, the President, the Chairperson of the Board of Directors or the Committee (Nominating, Compensation and Audit) requests for his duties and he approves the request, he shall perform his duties.	Part-time No remuneration	2010/11/22	2038/11
Masamitsu Matsutani	Honorary Special Advisor	If the Board of Executive Officers, the Board of Directors, the President, the Chairperson of the Board of Directors or the Committee (Nominating, Compensation and Audit) requests for his duties and he approves the request, he shall perform his duties.	Part-time No remuneration	2005/11/28	2028/11
Masaaki Matsutani	Honorary Advisor	If the Board of Executive Officers, the Board of Directors, the President, the Chairperson of the Board of Directors or the Committee (Nominating, Compensation and Audit) requests for his duties and he approves the request, he shall perform his duties.	Part-time No remuneration	2013/11/22	2030/11

Number of Persons Holding Advisory Positions (*Sodanyaku*, *Komon*, etc.) After Retiring as Representative Director and President, etc.	3

Other Related Matters

- Although we do not have an advisor system, we may appoint a former Representative Executive Officer as honorary advisor (“honorary supreme advisor," "honorary special advisor," and "honorary advisor" are hereinafter collectively referred to as "honorary advisor") based on the "standards and duties for the appointment of honorary advisors" established by the Board of Directors.
- The Company believes that management decision-making and business execution should be undertaken only by those who have the duty of loyalty under the Companies Act and whose activities and responsibilities will be clarified to each stakeholder. Our honorary advisor (without remuneration or authority) is not involved in management at all.
- The “date of resignation from the position of President” in the “Names of former Presidents and advisors” of Kanji Matsutani is the date of resignation from the position of Representative Executive Officer (the appointment of honorary advisor is November 21, 2018).
- The “date of resignation from the position of President” in the “Names of former Presidents and advisors” of Masamitsu Matsutani is the date of resignation from the position of Representative Executive Officer (the appointment of honorary advisor is November 22, 2013).
- The “date of resignation from the position of President” in the “Names of former Presidents and advisors” of Masaaki Matsutani is the date of resignation from the position of Representative Executive Officer (the appointment of honorary advisor is November 25, 2020).

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

1. Business execution

   The Board of Executive Officers has been established as a decision-making body for business execution. In accordance with the annual schedule, the Board of Executive Officers meets at least once a month for approximately twenty times a year. In addition, the executive officers conduct their business in an appropriate manner in accordance with the Regulations for Executive Officers (including matters delegated authority by the Board of Directors) and the Regulations for Administrative Authority.

2. Auditing and supervision

   - The Board of Directors consists of seven directors (six men and one woman), three internal directors and four external directors. The Board of Directors and various Committees are required to make reports to directors and executive officers on a regular basis or on an as-needed basis. Through such reports, the Board conducts appropriate deliberations and other activities. In particular, for executive officers, the Company requires the Board of Directors to submit a business report for each quarterly settlement of accounts, and based on this, the Company holds an interview and report meeting between the executive officers and the Board of Directors to ascertain and evaluate the status of the execution of each executive officer.
   - The Audit Committee consists of four outside directors and is chaired by persons with experience as company officers. The Audit Committee meets about thirteen times a year in accordance with the annual schedule. (The Audit Committee's on-site audits are carried out outside of this number of times.) In addition, considering the expertise to enable appropriate auditing and supervision, the Company has appointed an outside director who has experience as an attorney and director.
   - The Audit Committee prepares an Audit Policy, which is reviewed and implemented every fiscal year. In addition, the Board of Directors, Executive Officers, and employees regularly submit reports on the status of their construction and operation, request explanations as necessary, express their opinions, and in accordance with the audit policy and assignment of duties determined by the Audit Committee, investigates the decision-making process and contents of important meetings in cooperation with the Audit Office of the Company and other departments in charge of internal control, the contents of important documents related to the execution of duties, the status of the execution of duties of executive officers and key employees, and the status of the Company's business and assets. Subsidiaries seek to communicate and exchange information with directors of subsidiaries and, when necessary, request reports from subsidiaries on their business operations and investigate the status of their operations and assets. In addition, we discuss with the accounting auditor the policies and methods of the audit, provide explanations and reports on the status of the audit and the results of the audit, and exchange opinions. At the same time, we examine consolidated financial statements, financial statements, annexed statements, and business reports. In addition, we receive reports on the status of audits from the Audit Office as needed.

- The Audit Committee Office (consists of one person) has been established as an organization for audits, and in order to ensure the independence of the Audit Committee, the duties of the Secretariat, which should be assisted by the Audit Committee, are handled independently from the executive officers. In order to further enhance the auditing function, the Audit Office conducts audits from an independent standpoint. The results of these audits are reported to the Audit Committee as needed to facilitate cooperation.
- As of the date of the filing of this report, our accounting auditor is Deloitte Touche Tohmatsu LLC, and our designated limited liability partner and operating partner who conducts accounting audits are Hiroyasu Sakai and Norihiko Asai. The number of continuous audit years is omitted because it is seven years or less than five years.

  *The audit firm has introduced a system for the replacement of operating partners in accordance with the Certified Public Accountants Law and the Japan Certified Public Accounting Ethics Rule (up to five years for the largest operating partners and up to seven years for other operating partners).

<Changes in Accounting Auditor>

At the 64th Annual General Meeting of Shareholders held on November 20, 2023, we resolved to appoint an accounting auditor. Our accounting auditor has changed as follows.

- FY2023 (From September 1, 2022 to August 31, 2023) KPMG AZSA LLC
- FY2024 (From September 1, 2023 to August 31, 2024) Deloitte Touche Tohmatsu LLC

Items to be included in the extraordinary report are as follows.

Name of the auditing certified public accountant related to the said change

(1) Name of appointed audit certified public accountant
Deloitte Touche Tohmatsu LLC

(2) Name of retired audit certified public accountant
KPMG AZSA LLC

Date of transfer

November 20, 2023

Date on which the retired auditing certified public accountant became the Company's auditing certified public accountant

November 25, 2016

Matters concerning opinions in audit reports prepared by the retired auditing certified public accountant

No applicable

Decision on the transfer or the reason and background of the transfer

As one way of preventing corporate scandals, the Company has made it a basic policy to not reelect the same auditing firm for more than 5 years in principle (seven years under special circumstances) in order to develop an environment for receiving accounting audits while maintaining a good tension with the accounting auditor. The Company has recently reviewed this policy and decided not to re-appoint the same accounting auditor for more than 6 years, as in the case of the maximum term of office of our outside directors. In addition to this, we have adopted a basic policy of not appointing the same auditing firm as that of an outside director whose background is in accounting audit comes from. As a result of the selection and mutual evaluation of several auditing firms, Deloitte Touche Tohmatsu LLC was determined to be suitable as an accounting auditor, taking into consideration its size, experience and other abilities to perform duties as an accounting auditor, as well as its independence and expertise.

Opinions of the retired auditing certified public accountant on the above reasons and background stated in the audit report

We have received a response stating that there are no opinions.

3. Nomination of candidates for directors

- Decisions on candidates for directors are made by the Nominating Committee and are held in accordance with the annual schedule.
- The Nominating Committee consists of one internal director and two outside directors, and the chairperson is an outside director who has experience serving as an operating officer at another company. In addition, to appoint directors from a diversified perspective, the Company has appointed internal directors and individuals with experience as outside directors to serve as other members of the Committee.
- The Nominating Committee prepares "Standards for Selecting Director Candidates" and "Standards for Deliberating Proposals for the Dismissal of Directors," which are reviewed and implemented every fiscal year. Regarding the appointment of outside directors, the Company has established independence from the Company as a selection criterion, as shown below, and in principle, the Company does not elect persons over six terms of office as candidates for the next term of outside directors.

＜Criteria for the Independence of Outside Directors＞

We deem that outside directors are not independent if they fall under any of the following.

(1) If the individual has been a director, executive officer, or employee of the Company or its subsidiaries (the “Group”) in the past ten years.

(2) If the individual has been an executive officer of a consolidated corporate group whose major business partner the Company Group as the main customer or of a consolidated corporate group that is a major business partner of the Company Group in the past five years.

*Major business partners are defined as those whose transaction amount exceeds 2% of the consolidated sales of the Company Group or the relevant consolidated business group in the most recent fiscal year.

(3) If the individual has been compensated or received other remuneration from the Company Group as a legal, accounting, tax expert or consultant in the past five years.

(4) If the individual has overseen auditing services of the Company Group as an accounting auditor or as an employee in the past five years.

(5) If the individual has been a recipient of monetary or other financial contributions from the Company Group in the past five years.

(6) If the individual is a major shareholder holding 10% or more of our voting rights or an executive officer of such a shareholder.

(7) If the individual's spouse or a relative within the second dree of kinship falls under any of the above conditions from 1. to 6. in the past five years.

(8) If the individual is an executive officer of a company with which the directors are mutually appointed between the Company.

(9) If the individual has any other significant interest in the Company or its group companies.

(10) If the individual fails to meet the qualification requirements for outside directors as stipulated in the Companies Act.

4. Decisions on remuneration

- Individual remuneration for directors and executive officers is determined by the Compensation Committee and is held in accordance with the annual schedule.
- The Compensation Committee consists of one internal director and two outside directors and is chaired by an attorney. In addition, from the viewpoint of managing and verifying the appropriate and reasonable remuneration system, the Company has appointed internal directors and persons with experience as outside directors as other members of the Committee.
- The Compensation Committee has prepared a "Policy on Determining the Details of Individual Remuneration for Directors and Executive Officers," which is reviewed and managed annually.

5. Roles and functions of outside directors

- Our outside directors have no interest in the Company or all our executive officers, including our Representative Executive Officer. Their extensive experience and wide-ranging knowledge of legal affairs, tax affairs, accounting, research and development, and corporate management are utilized in our management. At the same time, they are responsible for making socially fair decisions and enhancing the effectiveness of management oversight, thereby further invigorating the Board of Directors.

3. Reasons for Adoption of Current Corporate Governance System

The reason we have adopted the current corporate governance system, which is the Company with Nominating and Other Committees, is to pursue improvements in our basic policy on corporate governance-that is, customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS), and to realize "pursuing the interests of all stakeholders." "Pursuing the interests of all stakeholders" means that the interests of our customers are the

interests of our employees and shareholders, the interests of our employees are the interests of our customers and shareholders, and the interests of our shareholders are also the interests of our customers and employees. The Company believes that the basis of corporate governance is to prevent executive officers from running things on their own, and to prevent the interests of one stakeholder causing the loss of interests of other stakeholders. To this end, we have established a prompt and accurate decision-making system and an appropriate internal control system. To further promote management transparency, we have appointed outside directors who are independent and proactively disclose necessary information. We have determined that this basic policy has been achieved through the operation of a system that separates supervision and execution from the former form.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meetings 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 proposals for the General Meeting of Shareholders and to enable them to appropriately exercise their voting rights, convocation notices are sent prior to the legal regular date, and convocation notices are posted on the Company's website prior to the date of dispatch.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	We settle our accounts on August 31, and we do not have a concentration date itself.
Electronic Exercise of Voting Rights	In order to improve convenience for shareholders, the Company exercises voting rights by electronic means.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	In order to improve convenience for shareholders, we participate in an electronic voting platform.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	An English translation of the convocation notice is posted on our website
Other	After the General Meeting of Shareholders, we hold meetings to exchange opinions between shareholders and the Company and strive to raise the level of understanding of our company among shareholders. In addition, because our fiscal year ends in August, the date of the meeting will not be a peak day. Furthermore, we have created an environment in which more shareholders can attend the meetings by holding them at venues near major train stations.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a Representative Director or a Representative Executive Officer
Regular Investor Briefings held for Individual Investors	From time to time, but not periodically, the Company actively participates in meetings for individual investors hosted by the Securities Analysts Association of Japan and by securities companies to broaden the scope of our IR activities and to promote an increase in the number of individual investors.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The President and Representative Executive Officer holds company briefings twice a year (at the second quarter and at the end of the fiscal year). In addition, executive officers visit institutional investors at the same time. IR materials used for explanations include graphs, charts, and photographs, and are designed to be comprehensible to listeners.	Held
Online Disclosure of IR Information	On our website, both in Japanese and English (some in Japanese only), we post our medium-term management plan, integrated report, financial results briefing materials, Q&A on the financial results briefing, annual securities report, quarterly reports, Q&A on general shareholders' meetings, business reports, financial statements, quarterly financial results, and financial information on financial results.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The department in charge of IR is the Corporate Planning Group of the Corporate Planning Office, and the Chief Financial Officer is responsible for IR administrative liaison.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company obtained ISO 14001 (environment) and ISO 45001 (occupational health and safety) certifications, which we disclose on our website as part of our environmental efforts. In addition, we have also established a system that allows shareholders to choose to donate to the Japanese Red Cross Society as a gift.
Other	Aiming to create an attractive workplace environment that maximizes individual capabilities, we have introduced a work style that supports working styles that suit various lifestyles, including childbirth, childcare, and nursing care.

IV. Matters Concerning the Internal Control System

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

We recognize that the establishment and enhancement of effective internal controls by senior management of directors and executive officers will lead to the enhancement of the soundness of management, the maintenance of a corporate governance system, and the improvement of corporate value. To this end, we have created a system that emphasizes risk management and emphasizes internal audits to establish internal rules and to verify the compliance system and effectiveness of laws and regulations.

The Company has established the following internal control system.

1. A system to ensure that the execution of duties by our executive officers and employees, as well as directors and employees of our subsidiaries, complies with laws and the Articles of Incorporation.
   - Our Company Group has established “law-abiding spirits” as its basic management policy and “Integrity” as its code of conduct and makes compliance with laws and regulations a prerequisite for the actions of all employees.
   - The Company established the Compliance Committee and continue to improve the compliance system and raise awareness within the Company. In addition, in order to ensure thorough compliance with laws and regulations in business operations, we have established a Compliance Manual and will raise employee awareness through regular training. We have established rules for each phase of business activities, such as product development, purchasing, production, and sales, and will thoroughly implement rules-based business operations.
   - The Company has established the Audit Office under the direct control of the President and Representative Executive Officer to conduct audits of the Group's internal controls and operations and direct corrections or improvements to inappropriate or inadequate areas.
   - The Company has set up a contact point to receive consultations and reports on compliance, which will lead to the early detection and correction of improprieties.
   - The Company will take a firm stance against anti-social forces that pose a threat to the order and safety of civil society and will cut off any relationship with them.
2. A system for storing and managing information pertaining to the execution of duties by our executive officers
   - The Company stores information pertaining to the performance of duties by executive officers in documents (including electromagnetic media and e-mail) in accordance with laws and regulations as well as in-house regulations such as the document management regulation. Directors may at all times have access to these documents.
3. Rules and other systems for managing the risk of loss for the Company and its subsidiaries
   - The Company comprehensively manage the risks of the entire Group through prudent deliberation and approval procedures at meetings of the Board of Directors and the Board of Executive Officers.
   - The Company established the CRO (Chief Risk management Officer) as the executive officer in charge of risk management, and under the CRO, a risk management system for the entire Group, including subsidiaries, shall be developed and operated.

- The Company established the Chief Quality Officer (CQO) as the executive officer in charge of quality control and occupational health and safety of the Group. The CQO will develop and operate quality control and occupational health and safety systems in accordance with ISO.

4. A system to ensure the efficient execution of duties by our executive officers and directors of subsidiaries
   - The Board of Directors stipulates the matters to be resolved by the Board of Directors and the matters to be delegated to the executive officers in the Regulations for Board of Directors and the Regulations for Executive Officers, and delegates to the executive officers the basic management policy (corporate philosophy or management plans), and business execution decisions except for matters that have a significant impact on the Group.
   - The Board of Executive Officers, which consists of the Representative Executive Officer and all executive officers, shall receive the transfer of authority from the Board of Directors and decide and approve business execution matters. In addition, the Board of Executive Officers shall execute the business after preparing the organizational rules, the Regulations on Division of Duties, the Regulations on Segregation of Duties, and other provisions necessary for appropriate organizational operations, and clarifying the responsibilities and authority of major positions.
   - The Board of Executive Officers regularly reviews the execution of duties and the progress of business plans, and the Board of Directors, including the Board of Executive Officers, regularly reviews the execution of operations and encourages improvements, thereby achieving company-wide operational efficiency.
5. A system to ensure the appropriateness of business operations of the corporate group consisting of the Company and its subsidiaries, and a system for reporting matters related to the execution of duties by directors of subsidiaries to the Company
   - The Company shall establish a basic group policy to improve the soundness and efficiency of management in our Group.
   - Each subsidiary shall be assigned a department within the Company. The relevant department shall receive reports from and discuss important matters concerning the business operations of the subsidiary and shall provide guidance and support to ensure that the subsidiary under its control can appropriately manage risks.
   - The Company's Executive Committee shall deliberate on particularly important matters in addition to requiring the Company's approval on important matters concerning the business operations of subsidiaries when necessary to improve the soundness of management and ensure the appropriateness of business operations in the Company group.
6. Matters concerning employees who assist the duties of the Audit Committee
   - Employees who assist the duties of the Audit Committee shall belong to the Audit Committee Office and shall not concurrently serve in other departments and shall perform duties exclusively in accordance with the instructions and orders of the Audit Committee.
7. Matters concerning the independence of the employees in the preceding item from the Company's executive officers and ensuring the effectiveness of instructions given to such employees

- Personnel evaluations, transfers, and transfers of employees to assist the Audit Committee shall require the prior consent of the Audit Committee, and care shall be taken to ensure that such employees are not subject to undue restrictions in the performance of their duties.

8. A system for reporting to the Company's Audit Committee by the Company's directors (excluding directors who are Audit Committee members), executive officers and employees, and directors, auditors and employees of subsidiaries, or persons who receive reports from them
   - When requested by our Audit Committee to report on matters relating to the execution of operations, our Group employees shall promptly make appropriate reports. In addition, in the event any facts that may cause significant damage to the Company or its subsidiaries, such as violations of laws and regulations are discovered, a report shall be immediately submitted to our Audit Committee. In addition, our Audit Office regularly report to our Audit Committee and report on the status of internal audits in our group.
9. A system to ensure that a person who has made a report under the preceding item will not be treated unfavorably due to the report
   - The Company will prohibit our Group employees who report to our Audit Committee from engaging in unfavorable treatment due to the fact that they have made such reports and inform our Group employees of such prohibition.
10. Matters concerning procedures for advance payment or reimbursement of expenses incurred in connection with the execution of duties by members of the Audit Committee and other policies concerning the treatment of expenses or liabilities incurred in connection with the execution of such duties
   - In the event that an Audit Committee Member requests advance payment of expenses, etc. for the performance of his or her duties, the Audit Committee shall promptly dispose of such expenses or liabilities unless it is deemed that such expenses or liabilities pertaining to such request are not necessary for the performance of duties of the Audit Committee. When a member of the Audit Committee requests for advance payment of expenses to the Company in connection with the performance of his/her duties, the Company shall promptly dispose of such expenses or liabilities, unless the expenses or liabilities in connection with such request are deemed not necessary for the performance of the duties of the Audit Committee.
11. Other systems to ensure that audits by the Audit Committee are conducted effectively
   - The Audit Committee shall report to the Board of Directors and exchange opinions as necessary. In addition, members of the Audit Committee shall hear quarterly reports from the executive officers at the Board of Directors meetings. The Audit Committee shall appoint people with experience as corporate officers, attorneys, certified public accountants as Audit Committee Members to ensure appropriate management of audit services.

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

The Company has blocked all relationships with anti-social forces, such as organized crime groups, members and quasi-members of organized crime groups, companies affiliated with organized crime groups, corporate racketeers, groups engaging in criminal activities under the pretext of conducting social and political campaigns, and special intelligence violence groups. These anti-social forces pose a threat to the order and safety of society and the development of sound economic and social life. In order to eliminate anti-social forces, we have established the following systems.

1. Establishment of department to respond to anti-social forces

   The person in charge of the prevention of unreasonable demands is the Department Head of the Business Administration Department, and the department in charge of responding to unreasonable demands by anti-social forces is the President's Office/Legal Affairs Group of the Business Administration Department.

2. Establishment of a system for collecting and managing information on anti-social forces

   The Company exchanges information with external specialist organizations and other companies to centrally manage information on anti-social forces collected, and each business execution division conducts anti-social force investigations of business partners in an effort to block relations with anti-social forces.

3. Establishment of a system of cooperation with external specialist organizations

   The Company respond to unreasonable demands by anti-social forces in cooperation with external specialist organizations (Anti-Organized Crime Campaign National Center, Anti-Organized Crime Campaign Center of Tochigi Prefecture, Police Station, others) and actively participate in training sponsored by external specialist organizations.

4. Formulation of a manual for dealing with anti-social forces

   The Compliance Manual has been prepared and in-house training is conducted to ensure that all employees are fully aware of the set of concepts and rules concerning the elimination of anti-social forces, in addition to operating and managing them according to the Anti-Social Force Countermeasures Rules.

5. Introduction of the organized crime groups exclusion clause

   The Company has incorporated provisions in its business contracts and other documents to the effect that anti-social forces will refuse to become counterparties to such transactions, and that if the counterparty is found to be an anti-social force after the commencement of such transactions, the Company may cancel the contract and exclude such counterparty from the transactions.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items
-

2. Other Matters Concerning the Corporate Governance System

The status of our internal system for timely disclosure of company information is as follows.

We have established a system that enables prompt disclosure based on the timely and appropriate disclosure of corporate information necessary for investors to accurately judge the value of their investment in us, while complying with the rules for timely disclosure and other relevant laws and regulations. In addition, the Chief Financial Officer is responsible for information handling, and the Corporate Planning Group of the Corporate Planning Office is responsible for the department in charge of disclosure.

1. Information on decisions

   In principle, decisions are made by the Board of Directors or by the Board of Executive Officers, which is the decision-making body for business execution. The Corporate Planning Group of the Corporate Planning Office obtains agenda items for discussion at meetings of the Board of Directors and the Board of Executive Officers in advance, reviews whether there are material facts subject to timely disclosure, and prepares disclosure materials as soon as applicable, and promptly discloses such materials with the approval of the Board of Directors or the Board of Executive Officers. In addition, the Chairperson of the Audit Committee attends the meetings of the Board of Directors (concurrently serving as a director) and the Board of Executive Officers. In preparing disclosure materials, the Audit Committee strives to appropriately disclose information by obtaining advice from the counsel in advance as necessary.

2. Information on events occurred

   If an important fact occurs, information is consolidated from each internal department into the Chief Financial Officer and the Corporate Planning Group of the Corporate Planning Office. The Corporate Planning Group of the Corporate Planning Office confirms the facts, prepares disclosure materials immediately, and discloses them promptly with the approval of the Chief Financial Officer.

3. Information on financial results

   The Corporate Planning Group of the Corporate Planning Office prepares materials for disclosure of financial results, and after confirmation by the accounting auditor, the Company promptly discloses such information with the approval of the Board of Executive Officers and the Board of Directors. The Audit Committee's Chairperson attends the meetings of the Board of Directors (also serving as a director) and the Board of Executive Officers.

《Organization Chart of a Company with Nominating and Other Committees》 As of November 25, 2024

