Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Last Update: July 18, 2024
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The corporate governance of SHINSHO CORPORATION(the "Company") is described below.

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

1. Basic Views

Update

Based on our corporate philosophy, we believe that increasing our corporate value, supporting the manufacturing for tomorrow, and contributing to society through our corporate activities, are ways to meet the expectations of all our stakeholders, including our shareholders and business partners.

Corporate Philosophy

"Integrity" is Shinsho Corporation's Company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values.

Core Values

1. Contribution to tomorrow's manufacturing
2. Corporate activities with compliance
3. Activities in global environment
4. Corporate culture respecting diversity
5. Realization of personal growth

Management Structure

Shinsho Corporation has set as its standard that Independent Outside Directors comprise at least one-third of the Board of Directors' members. The Board of Directors functions to formulate Shinsho Corporation Group's basic philosophy, to conduct management supervision, and to formulate the basic policy on internal control and supervise its implementation. It also serves to strengthen management decision making and supervisory functions, while promoting swift and streamlined management execution within a framework in which Executive Directors and Executive Officers are tasked by the Board of Directors to carry out business execution functions based on the authority delegated by the Representative Director.

The Company has transitioned its governance structure to a Company with an Audit & Supervisory Committee, following a resolution passed at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, with the aim of realizing more transparent management by having the Audit & Supervisory Committee, a majority of whose members are Outside Directors, audit and supervise the legality and appropriateness of business execution, and building a system that can more accurately respond to the expectations of stakeholders in Japan and overseas. As a result of this transition, it will be possible to delegate the authority of the Board of Directors to make decisions on the execution of business to the Directors, thereby further speeding up management decision-making and execution.

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

Shinsho Corporation complies with all of the principles of the revised Corporate Governance Code that took effect in June 2021, including the principles for the Prime Market category of the Tokyo Stock Exchange.

Disclosure Based on the Principles of the Corporate Governance Code

Update

[Principle 1.4 Cross-Shareholdings]

Concerning publicly listed shares held by the Company, in addition to the propriety of holding such shares considering its operating policy, Shinsho Corporation confirms and verifies that the combined total of profit and dividends gained by transactions with the issuing company surpasses the Company's weighted average cost of capital (WACC); specifically, the economic rationality, and that those shares determined to be of little significance for the Company to hold are promptly sold. In the fiscal year under review, the Company soled the number of cross-shareholdings by 9 stocks.

The Company exercises voting rights of cross-shareholdings using a holistic judgement based on impacts it will have on transactions with the Company after confirming that proposals do not cause damage to shareholder value.

[1.7 Related Party Transactions]
The Company has established the Basic Policy on Related Party Transactions. In conducting transactions with related parties, the Company preliminarily deliberates prior to the resolution as necessary, and follows appropriate procedures to prevent transactions that would impair the common interests of the Company and its shareholders. One such effort is a transaction within the range of regular market prices accepted on the basis of trading common sense. In internal monitoring, we audit the appropriateness of the decision on such transactions from the aforementioned perspective. In addition, regarding transactions that would cause conflict of interests between the Company and a Director, the Company preliminarily seeks an approval at the Board of Directors, and in principle, makes the Director report the content of such transactions to the Board of Directors annually in order to examine the adequacy and appropriateness of such transactions. (See the relevant section of the Company's website for the same information.)

[2.4.1 Ensuring Diversity in the Appointment of Core Human Resources, etc.]
○ Approach to Ensuring Diversity
"Corporate culture respecting diversity" forms an integral part of the Company's Conduct Guidelines and materiality. The Company also recognizes that ensuring diversity is an important issue. In this context, the Company established the Basic Policy of Diversity and it is striving to ensure diversity in the workplace.

In FY2022, the Company launched the Diversity Promotion Project Team, a cross-functional in-house team that transcends the boundaries of each segment, to foster a corporate culture in which employees can fully harness their individuality and capabilities.

Please refer to our Basic Policy of Diversity posted on our website.

https://www.shinsho.co.jp/english/csr/social/env_improvement.html

○ Targets and Action Plan for Ensuring Diversity
The Company seeks to create new value by addressing diverse needs as it strives to utilize its diverse workforce, respect their individuality, and maintain/improve a comfortable workplace environment. Amidst this, the Company's initiatives for women's empowerment and work-life balance are positioned as important issues. Additionally, the Company has established an action plan pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace (Women's Advancement Promotion Act) enacted on April 1, 2016. Specific targets include the ratio of women in general career track positions (including general career track positions with restrictions on relocation) at 20% or more and the ratio of female managers at 10% or more by the end of FY2030, along with the ratio of women in general career-track positions and those desiring to switch to general career track positions with restrictions on relocation among the total number of regular hires at 40% every year from FY2022 onwards.

As of March 31, 2024, the ratio of women in general career track positions (including general career track positions with restrictions on relocation) was 14.8% (66) and the ratio of female managers was 2.8% (6). In addition, the ratio of women in general career track positions and those desiring to switch to general career track positions with restrictions on relocation was 52.9% (9 out of 17) among regular hires. Going forward, while implementing a number of initiatives, the Company will continue to encourage the promotion of female managers and activities that provide them a sense of satisfaction at work.
The Company continues to hire foreign nationals out of university, and as of March 31, 2024, there were 18 foreign nationals in general career track positions, including 4 in managerial positions. The Group actively hires employees locally including at its overseas subsidiaries for its corporation operations. Also, the Company has a system in place to accept and develop seconded employees from its overseas subsidiaries.

As for mid-career hiring, as of March 31, 2024, the Company employs 125 persons hired mid-career, with 66 of these in managerial positions.

The Company will continue hiring women, foreign nationals and mid-career workers based on the needs of each workplace and the need for certain skill sets in an effort to develop and promote them to core human resource positions.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]
The Company has adopted a defined contribution pension plan in order to mitigate future risks associated with corporate accounting and to support independent asset formation in line with economic rationality and the life plans of each individual employee. Under the plan, the Company employs a highly specialized financial institution as asset manager, and regularly provides asset management education for employees.

[Principle 3.1 Full Disclosure]

1) Corporate Philosophy, Action Guidelines and Medium Term Management Plan

As described in 1-1. Basic Views of this report, the Company has established a Corporate Philosophy and Core Values (Action Guidelines). The Company established "A trading company that supports manufacturing for tomorrow and contributes to society" as its long-term management vision, and in May 2024 announced its Medium Term Management Plan 2026 in order to unlock greater growth.

In the current Medium Term Management Plan, we will pursue at a time three pillars, namely, (1) further expansion and deepening of business as the core trading company of the Kobelco Group, (2) diversification of the business model by establishing our own supply chain, and (3) promotion of new businesses that contribute to solving social issues and strengthening profitability. At the same time, we will also strengthen the monitoring of business units and improve profitability by introducing an ROIC indicator. For details, please refer to the Medium-Term Management Plan 2026 posted on the Company's website.

Medium Term Management Plan 2026 :
https://www.shinsho.co.jp/english/ir/policy/medium_term_management.html

2) Basic Approach/Basic Policy Concerning Corporate Governance

Based on its corporate philosophy, the Company believes that increasing our corporate value, supporting the manufacturing for tomorrow, and contributing to society through our corporate activities, are ways to meet the expectations of all our stakeholders, including our shareholders and business partners. For details, see the Company's website.

https://www.shinsho.co.jp/english/ir/policy/governance.html

3) Policy and Procedures for Determining Remuneration

In determining remuneration, it is important to provide the management members with incentives for active management, while having them assume appropriate levels of risk. For this reason, the Company incorporated a stock trust scheme as long-term incentive-based remuneration for Directors (excluding Outside Directors, Directors who are Audit & Supervisory Committee Members, and non-residents), in addition to the existing fixed remuneration and performance-linked remuneration as a short-term incentive-based remuneration. This will provide motivation to increase corporate value continuously over the medium to long term and increase its effectiveness.

The remuneration of Outside Directors and Directors who are Audit & Supervisory Committee Members consists only of fixed remuneration. In addition, the remuneration of Directors who are Audit & Supervisory Committee Members is determined through consultation among the Directors who are Audit & Supervisory Committee Members.

4) Policy and Procedures for Selection/Dismissal of Executive Level Management and Nomination of Candidates for Director/Audit & Supervisory Board Member

In selecting candidates for Executive Director, the Company will select candidates who have the qualifications, knowledge, and experience appropriate to be entrusted with the management of the Company by shareholders and other stakeholders in order to realize our long-term management vision of "A trading company that supports manufacturing for tomorrow and contributes to society."

In selecting candidates for Directors who are Audit & Supervisory Committee Members, the Company will select candidates who can broaden their perspective on the appropriateness and efficiency of management and actively speak out at the Board of Directors in addition to those who can conduct appropriate audits based on their job responsibilities and functions based on their specialist knowledge and experiences, etc. as Directors who are Audit & Supervisory Committee Members.

In addition, in selecting candidates for Outside Director, the Company will select human resources from a wide range of backgrounds such as certified public accountants, tax accountants, lawyers, and different industries, and selects candidates who can provide advice from outside fair and neutral opinions from the perspective of appropriateness in decision-making by the Board of Directors, support appropriate risk-taking, and support the sustainable growth of the Company and the enhancement of corporate value over the medium to long term.

Decision making on proposals related to such nomination and remuneration is carried out after preliminary deliberations by the Advisory Committee on Appointments and Compensation, chaired by an Independent Outside Director and a majority of whose members are Independent Outside Directors, in order to ensure the transparency and fairness of the decision-making process of the Board of Directors regarding proposals related to nomination and remuneration.

With regard to the selection of the President and CEO, the Company has established a succession plan that stipulates the requirements and procedures for the selection and appointment of the President and CEO in order to realize the Company's corporate philosophy and management plan and enhance the corporate value of the Company and its Group. In the event that

an executive level management engages in serious violation of law or performs inappropriate duties that seriously damage the corporate value and credibility of the Company, the relevant executive level management may be dismissed.

5) Reasons for Selection and Nomination of Individual Director Candidates

For the reasons for selection of Director candidates, please refer to the Reference Documents for the General Meeting of Shareholders.

https://www.shinsho.co.jp/english/ir/stock/pdf/106reference.pdf

[Supplementary Provision 3.1.3 Sustainability Initiatives]

In order to further strengthen initiatives for sustainability, the Company established the Basic Policy for Sustainability and important sustainability issues (materiality issues), along with the Sustainability Committee as an advisory body to the Board of Directors.

https://www.shinsho.co.jp/english/csr/basic/basic_policy.html

Additionally, the Group recognizes that response to climate change is an important management issue. The Group is working not only to reduce the CO_2 emissions of the entire Group, but is also endeavoring continuously on social contributions concerning climate change initiatives utilizing its trading company functions. The Company discloses its initiatives following the TCFD's recommendations on its website.

https://www.shinsho.co.jp/english/csr/environment/tcfd.html

Fully recognizing that human resources are an important management resource for a trading company, the Company implements and promotes various measures such as reviewing personnel system and recruitment so that diverse human resources can play an active role. In the Medium Term Management Plan announced in May 2024, we will enhance training programs in line with our human resources strategy with the aim of fostering "Human resources who are proactively learn and act on their own." We will work to improve employee engagement by creating new value from diversity, enhancing the empowerment of individuals and organizations, strengthening competitiveness and promoting innovation, and creating a career development support and environment that encourages personal growth and a desire to contribute. The Company continues working to protect intellectual properties.

For details, see the Company's website.

Initiatives to Nurture Human Resources: https://www.shinsho.co.jp/english/csr/social/hr_development.html

Medium Term Management Plan 2026: https://www.shinsho.co.jp/english/ir/policy/medium_term_management.html

[Supplementary Provision 4.1.1 Scope of Delegation to Management]

In accordance with internal regulations (Rules of the Board of Directors, Rules of the Management Committee, Rules on the Delegation of Duties, and Rules on Executive Officers, etc.), the Company clearly stipulates the scope of decision-making by the Board of Directors and the scope of delegation of business to the management team, and based on these regulations, the Board of Directors makes management decisions and supervises operations, and Executive Directors and Executive Officers execute business as part of the governance structure of a Company with an Audit & Supervisory Committee.

[Principle 4.8 Effective Use of Independent Directors]

The Company has strengthened its management decision-making and supervisory functions based on the basic principle that at least one third of the Board of Directors shall comprise Independent Outside Directors.

In addition, by establishing a system in which Executive Directors and Executive Officers perform business execution functions, the Company promotes swifter, more efficient management execution.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The Company has established the Independence Standards for Outside Directors/ Outside Audit & Supervisory Board Members). In accordance with these standards, the Company confirms that the independence of candidates for Independent Outside Director is ensured in terms of their qualifications, background, and knowledge, as well as their substantive independence. The Independence Standards set forth by the Company are posted to the Company's website:https://www.shinsho.co.jp/english/ir/policy/governance.html

[Supplementary Principle 4.10.1 Authority and Roles, etc. of Nomination Committee and Remuneration Committee]

With regard to the nomination and remuneration of the management team, The Company has established the Advisory Committee on Appointments and Compensation, the majority of which is composed of Independent Outside Directors, as an advisory body to the Board of Directors, and the Committee is chaired by an Independent Outside Director.

[Supplementary Principle 4.11.1 Approach, etc. to Diversity of the Board of Directors]
The functions of the Board of Directors are based on the functions of management decision-making and supervision, and the composition of the Board of Directors is based on the basic structure of having Independent Outside Directors comprise at least one-third of all Directors. In addition, each Director is a person who is familiar with the management of each business and urgent issues, and the Board of Directors has a balanced and appropriate size composition in terms of qualities, experience, ability, and global perspective.
The Company has established an Audit & Supervisory Committee, the majority of whose members are Outside Directors, and has strengthened its management and execution supervision functions by conducting audits mainly to audit the legality and appropriateness of management (execution of duties), supervise management, and monitor conflicts of interest.

In addition, in order to realize the Company's corporate philosophy and management plan and enhance the corporate value of the Company and the Group, the Company has identified six skills that it expects from Directors and Audit & Supervisory Board Members: (1) management experience, (2) global perspective, (3) sales and marketing, (4) treasury, accounting, and finance, (5) legal affairs and compliance, and (6) sustainability and governance. The Company has prepared a skill matrix table that lists the skills possessed by each Director and Audit & Supervisory Board Member. For details, see the Convocation Notice of the General Shareholders Meeting posted on the Company's website.
https://www.shinsho.co.jp/english/ir/stock/pdf/106reference.pdf
https://www.shinsho.co.jp/english/ir/policy/governance.html

[Supplementary Provision 4.11.2 Concurrent Positions of Directors and Audit & Supervisory Board Members] The Company discloses the status of concurrent positions of Directors and Audit & Supervisory Board Members every year in the Business Report for the General Meeting of Shareholders.

[Supplementary Provision 4.11.3 Evaluation of Effectiveness of the Board of Directors]
1. Purpose of Evaluation
In order to enhance corporate value and meet the expectations of stakeholders, the Company evaluates the effectiveness of the Board of Directors every year with the aim to strengthen the management decision-making and supervisory functions, which are functions of the Board of Directors.
2. Evaluation Method
In order to ascertain whether Directors and Audit & Supervisory Committee Members are aware of issues related to matters that are considered important for the effective fulfillment of the roles and responsibilities of the Board of Directors (composition and operation of the Board of Directors, deliberations on strategy, etc.), and to objectively confirm matters that should be shared among the members of the Board of Directors in order for the Board of Directors to function more effectively, this fiscal year the Company continued to conduct third-party evaluations of the effectiveness of the Board of Directors.
The evaluation was conducted using a questionnaire for all Directors and Audit & Supervisory Committee Members, interview of the Representative Director, who is the chairperson, Outside Directors, and Outside Audit & Supervisory Committee Members, and deliberation at the Board of Directors based on the results of the analysis compiled by external consultants.
3. Overview of Evaluation Results
As a result of the deliberations, the Board of Directors was highly evaluated for its ability to operate in an open atmosphere, to receive a variety of comments from Outside Officers, and for the Board of Directors' contribution to constructive discussions on the medium term management plan, and the Board of Directors was evaluated as functioning effectively.
The Company confirmed that improvements were made with regard to the issues found in the previous fiscal year of "appropriately feeding back opinions and proposals obtained through dialogue with shareholders and investors to the management of the Company and utilizing them in the management of the Company" and "providing opportunities for discussion on the promotion of management with an awareness of the cost of capital and share price."
In addition, as announced on April 26, 2024, given changes in the environment that could impact corporate governance, the Company changed its management structure, including change in the Representative Director, and change its institutional design to become a Company with an Audit & Supervisory Committee from FY2024, and announced Medium-Term Management Plan 2026 on May 22, 2024, which kicks off in FY2024.
The questionnaire and interviews for the evaluation of the effectiveness of the Board of Directors for the current fiscal year were conducted from March to April 2024 and were conducted before these changes were announced externally. In the evaluation for the current fiscal year, each officer expressed their expectations for the Board of Directors to play a more effective role in the future, stating, for example, “The Company should provide an opportunity for members of the Board of Directors to discuss regarding the evaluation of execution performance from the perspective of realizing the corporate philosophy and achieving Medium Term Management Plan 2026,."

Going forward, the Company will strive to ensure that the Board of Directors functions more effectively.

[Supplementary Provision 4.14.2 Training for Board of Directors and Audit & Supervisory Board]

Following the Basic Policy on Officer Training, the Company prepares a training plan for the Directors including newly appointed officers. In order for them to acquire knowledge on businesses, finance, organizations, and other fields necessary for fulfilling their roles and responsibilities as Director, the Company provides training, such as seminars led by outside experts, in a timely and appropriate manner. In FY2023, the Company conducted training for newly appointed officers and held training and seminars on tax systems based on international agreements and business and human rights led by outside experts.

In FY2024, the Company plans to continue providing training for newly appointed officers and training and seminars on governance.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company's Basic Policy of Investor Relations/Shareholder Relations is as follows:

Basic Policy

The Group positions building long-term relationships of trust with its shareholders and investors as an issue of the upmost importance. We properly provide corporate information necessary for investment decisions and carry out activities that would contribute to the enhancement of corporate value through constructive dialogue, thereby strengthening the bonds of trust with the shareholders and investors.

In addition, please refer to the above Basic Policy, Disclosure Policy, and disclosure targets posted on the Company's website. **https://www.shinsho.co.jp/english/ir/policy/irsr.html**

The General Affairs Department is the department in charge of IR. It works with the Corporate Planning Department and other internal departments to carry out its duties.

In addition, after the announcement of financial results, interviews with shareholders and investors are conducted by multiple people, including managers, to prevent insider information from being leaked to specific interviewees, and internal information management is also thoroughly compliant with the Rules for Managing the Prevention of Insider Trading, including training on the prevention of insider training provided to all company employees.

[Action to Implement Management that is Conscious of Cost of Capital and stock prices]

The Company has been practicing management conscious of capital costs for some time, and has set ROE, which is an indicator of return on capital, as one of the key indicators of the Group's medium term management plan, and has set a target to reach ROE of 9% or more in the previous medium term management plan. It was 12.0% in FY2021, 13.6% in FY2022, and 11.5% in FY2023, each of which was above the target of 9%. In addition, as a measure to return profits to shareholders, the Company has set a target of a dividend payout ratio of 30%. The Company's dividend payout ratio was 30.4% in FY2021, 30.3% in FY2022, and 30.4% in FY2023.

The Company continues to discuss ways to improve capital efficiency. In Medium Term Management Plan 2026 announced in May 2024, the Company will promote management that is conscious of the cost of capital by adding ROIC (return on invested capital) as a key goal indicator (KGI) in addition to ROE, which is the KGI from the previous medium-term management plan. In addition, in Medium Term Management Plan 2026, the Company has set a shareholder return policy of "Maintain a consolidated dividend payout ratio of 30% or more, or a dividend per share of common stock of 300 yen, whichever is higher."

The Company's sustainability management initiatives are as described in Supplementary Provision 3-1-3. For more detailed information, see the Integrated Report and Medium Term Management Plan 2026. As mentioned above, the Company holds financial results briefings twice a year and individual interviews with shareholders and investors. In turn, the Company reports the opinions and advice obtained through this dialogue to management as appropriate and regularly reports to the Board of Directors, thereby making use of these voices in the management of the Company. Going forward, the Company will continue to take both financial and non-financial approaches to sustainably enhance corporate value.

Medium Term Management Plan 2026: https://www.shinsho.co.jp/english/ir/policy/medium_term_management.html
Integrated Report 2023: https://www.shinsho.co.jp/english/ir/library/integrated_report.html

[Principle 5.2 Establishing and Disclosing Management Strategies and Management Plans]

In Medium Term Management Plan 2026 announced in May 2024, the Company has set forth its business portfolio, investment plans, and financial strategies centered on its growth strategy. For details, see Medium Term Management Plan 2026.

Medium Term Management Plan 2026: https://www.shinsho.co.jp/english/ir/policy/medium_term_management.html

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

Status of Major Shareholders

Update

Name or Company	Number of Shares Owned	Percentage(%)
Mizuho Trust & Banking Co., Ltd. Kobe Steel, Ltd. Retirement Benefit Trust Account Re-trust Trustee: Custody Bank of Japan, Ltd.	1,906,200	21.53
Kobe Steel, Ltd.	1,179,118	13.32
Shinsho Client Shareholding Association	789,876	8.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	680,900	7.69
Custody Bank of Japan, Ltd. (Trust Account)	537,500	6.07
Shinsho Employees' Shareholding Association	206,788	2.34
SINFONIA TECHNOLOGY CO., LTD.	150,000	1.69
Tojiro Ashida	115,600	1.31
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Tokyo Branch, Citibank, N.A.)	109,899	1.24
Mizuho Trust & Banking Co., Ltd. Shinko Wire Company, Ltd.. Retirement Benefit Trust Account Re-trust Trustee: Custody Bank of Japan, Ltd.	80,300	0.91

Name of Controlling Shareholder, if applicable (excluding Parent Company)	―――
Name of Parent Company, if applicable	Not Adopted

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Prime Market
Fiscal Year-End	March
Business Sector	Wholesale business
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	100 billion yen or more and fewer than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

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

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

Update

The Company is an equity-method affiliate of Kobe Steel, Ltd., and conducts business transactions with Kobe Steel on an ongoing basis. There are no concurrent officers serving between the Company and Kobe Steel. In addition, we operate our business based on management policies and strategies that are independent of the KOBELCO Group, and we recognize that management independence is ensured. In addition, in order to use the trademarks owned by Kobe Steel, the Company has concluded a Head Office Management Brand License Agreement with Kobe Steel. Based on this agreement, the Company reports on the situation, including at the Company's subsidiaries, etc., but this agreement is from the perspective of maintaining brand credibility and Kobe Steel is not involved in the Company's decision-making.

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

1. Organizational Composition and Operation

Update

Corporate Governance System	Audit & Supervisory Committee

Directors

Update

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President and CEO
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Update

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoshio Tano	From another company								△			
Hiroko Kaneko	Attorney at law											
Miyuki Nakagawa	Certified Public Accountant						△					

***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 of the Company or a subsidiary
b. Person who executes business or a non-executive director of a parent company
c. Person who executes business of a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for such person/entity
e. Major client of the Company or a person who executes business for such client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & Supervisory Board Member compensation from the Company
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of 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 self only)
i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
k. Other

Outside Directors' Relationship with the Company (2) Update

Name	Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Yoshio Tano		○	The Company has a transactional relationship with Kobelco Systems Corporation where Mr. Yano had served as an executive person until March 2021. The transactional value accounts for approximately 0.85% of Kobelco Systems Corporation's net sales. Kobelco Systems Corporation is an equity-method affiliate of Kobe Steel, Ltd., with 51% of the company's shares owned by IBM Japan Ltd. and 49% by Kobe Steel, Ltd.	Yoshio Tano has demonstrated extensive knowledge and business acumen as leader of Kobelco Systems Corporation (a consolidated subsidiary of IBM Japan), justifying his reelection as an outside director. With his expertise in leveraging digital technologies and solutions in general manufacturing, he will help guide the Company's digital transformation and creation of long-term value The Company has designated him as Independent Officer because it determined that this relationship will not impact his objective, fair and neutral judgements as Outside Director and there is no concern of a conflict of interest between him and general shareholders.
Hiroko Kaneko	○	○	-	With the wide-ranging insights into HR and labor matters she has gained in her legal career, Hiroko Kaneko will offer valuable advice from a globally minded, objective, and impartial perspective. Her experience will also aid her in her duties of monitoring and supervising the executive directors' execution of business. Although Kaneko has never been involved in corporate management other than as an outside director and outside member of the Audit & Supervisory Board, the Company nevertheless believes that she will duly perform her auditing and supervisory duties for the above reasons; therefore, it proposes her election as a director who will serve on the Audit and Supervisory Committee. The Company has designated her as Independent Officer because it determined that this relationship will not impact her objective, fair and neutral judgements as Outside Director and there is no concern of a conflict of interest between her and general shareholders.
Miyuki Nakagawa		○	Miyuki Nakagawa joined Asahi & Co. (now KPMG AZSA LLC) in October 1995 and retired in August 2018. KPMG AZSA LLC is the Company's accounting auditor, but Ms. Nakagawa was never involved in audits of the Company. The Company's payments account for around 0.07% of KPMG AZSA LLC's total net sales.	Miyuki Nakagawa has extensive accounting experience, having built a career as a certified public accountant. She has also been active in other areas, including serving on the panel of a public-sector body. Her wide-ranging experience will aid her in her duties of monitoring and supervising the executive directors' execution of business. Although Nakagawa has never been involved in corporate management other than as an outside director and outside member of the Audit & Supervisory Board, the Company nevertheless believes that she will duly perform her auditing and supervisory duties for the above reasons; therefore, it proposes her election as a director who will serve on the Audit and Supervisory Committee. Ms. Nakagawa served as an executive person at KPMG AZSA LLC until five years ago. The relationship between the Company and KPMG AZSA LLC is detailed at left. The Company has designated her as Independent Officer because it determined that this relationship will not impact her objective, fair and neutral judgements as Outside Director and there is no concern of a conflict of interest between her and general shareholders.

【Audit & Supervisory Committee 】

Composition of board members and attributes of the chairperson — Update

	All board members (Number of persons)	Full-time board members (Number of persons)	Internal Directors	Outside Directors	Board Chair
Audit and Supervisory Committee	3	1	1	2	Internal Director

Directors and employees to assist the Audit & Supervisory Committee in its duties	Available

Matters concerning such Directors and employee's independent from the Executive Directors — Update

In response to requests from the Audit & Supervisory Committee Members, the Company assigns a full-time person to assist in the duties conducted by the Audit & Supervisory Committee Members and at the same time to be in charge of the secretariat of the Audit & Supervisory Committee. Decisions on appointment, dismissal, and evaluation are made with the prior consent of the Audit & Supervisory Committee. The Directors' (excluding Directors who are Audit & Supervisory Committee Members) command and order authority shall not extend to such auxiliary work, but shall be subject only to the command and order authority of Audit & Supervisory Committee Members.

Corporation among the Audit & Supervisory Committee, accounting auditors, and internal Audit Department — Update

In order to conduct audits efficiently, the Audit & Supervisory Committee meets regularly with the accounting auditor to promote cooperation by exchanging management information. In addition, the Audit & Supervisory Committee and the Audit Department, which is the department in charge of internal audits, hold regular meetings to exchange opinions on the status of audit implementation.

【Voluntary committee】

Voluntary committee equivalent to the Nominating Committee or the Compensation Committee	Available

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

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

Supplementary Explanation — Update

In order to enhance the transparency and objectivity of the processes for nomination (selection) and remuneration of executive level management and Directors, the Company has established committees on nomination and remuneration as advisory bodies to the Board of Directors. In principle, the Nomination Advisory Committee convenes in March and the Compensation Advisory Committee in June, or as needed. In FY2023, the committees met four times.

In addition, the Company transitioned its governance structure to a Company with an Audit & Supervisory Committee at the conclusion of the General Meeting of Shareholders on June 26, 2024, and the Advisory Committee on Appointments and Compensation under the new structure is chaired by Miyuki Nakagawa (Independent Outside Director and Audit & Supervisory Committee Member) and consists of three members: Yoshio Tano (Independent Outside Director) and Hironobu Takashita (President and CEO).

【Independent Directors】

Number of Independent Directors	3 persons

Supplementary Explanation

In addition to the provisions of the Companies Act on Outside Directors, the Company has formulated the Independence Standards for Outside Directors by referring to the Tokyo Stock Exchange's criteria for determining the independence of independent officers. For details, please see the Company's website.
Link: https://www.shinsho.co.jp/english/ir/policy/governance.html

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme, etc.

Supplementary Explanation for Applicable Items — Update

In addition, the Company introduced a stock compensation plan in FY2022, in which the Company will deliver and provide Directors (excluding Outside Directors, Directors who are Audit & Supervisory Committee Members, and non-residents) with a cash sum equivalent to the conversion value of the Company's shares and the Company's shares in accordance with the role of each Director (excluding Outside Directors, Directors who are Audit & Supervisory Committee Members, and non-residents).

Persons Eligible for Stock Option	-

【Directors Remuneration】

Status of disclosure of Individual Directors Remuneration	Individual compensation is not disclosed.

Supplementary Explanation for Applicable Items — Update

The Company discloses the total amount for each individual Director (excluding Directors who are Audit & Supervisory Committee Members) and Audit & Supervisory Committee Member.

Policy for determining the amount of remuneration or its calculation method	Available

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof — Update

1. Basic Policy on Remuneration

The maximum remuneration paid to Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members was approved following the transition to a Company with an Audit & Supervisory Committee at the conclusion of the 106th Ordinary General Meeting of Shareholders held on June 26, 2024 per the resolution passed at the same meeting, and the maximum amount of remuneration is determined within the range of the remuneration limit set for each.

(i) Remuneration of Directors

Remuneration paid to Directors is the total amount including remuneration for executive officers, and is determined by

resolution of the Board of Directors after deliberation by the Compensation Advisory Committee. Director remuneration consists of fixed remuneration determined by role and performance-linked remuneration that fluctuates according to business performance. Starting in FY2022, in addition to this, the Company introduced a new stock compensation plan for Directors and Executive Officers (excluding Outside Directors and non-residents of Japan, hereinafter "Directors, etc.") after obtaining approval at the 104th Ordinary General Meeting of Shareholders held on June 24, 2022 in order to further enhance Directors' awareness of their contributions to the medium- to long-term enhancement of business performance and maximization of corporate value.

With the introduction of this plan, the remuneration of Directors, etc. consists of fixed remuneration, performance-linked remuneration as a short-term incentive, and stock-based remuneration as a long-term incentive.

Remuneration for Outside Directors, who are independent from business execution, continues to consist only of fixed remuneration because they assume the role of supervisory function.

(ii) Remuneration of Audit & Supervisory Board Members

Remuneration paid to Audit & Supervisory Board Members consists of fixed remuneration only in light of their role and independence.

2. Policy on Determining the Remuneration of Individual Directors

(i) Details of Remuneration

a) Fixed Remuneration
Fixed remuneration is determined according to role and assigned duties.

b) Performance-linked Remuneration
Performance-linked remuneration as a short-term incentive is evaluated on a 14-point scale based on the degree of achievement of each target and comparison with the previous year's results, etc. for company-wide consolidate performance and the performance of the departments they are in charge of, using ordinary income, which is a numerical target for short-term performance management, as an indicator.

In the case of the lowest evaluation rank among the 14 points, performance-linked remuneration is not paid, and in the case of the highest evaluation rank, the amount of performance-linked remuneration is set at about 33% to 58% of the fixed remuneration amount for each role, and the ratio of performance-linked remuneration to remuneration, etc. is higher for higher role that require accountability for performance.

c) Stock-based Remuneration
The number of points determined by the base amount for each role is determined every year in accordance with the Stock Delivery Regulations so that stock-based remuneration as a long-term incentive is about 10% of the fixed remuneration, and the determined number of points is granted on June 1 of each year.
One point equals one share of the Company's common stock, and Directors receive shares, etc. in accordance with the number of points accumulated at the time of their retirement as Director.

(*) Overview of Stock Compensation Plan
The stock compensation plan adopts a Board Incentive Plan (BIP) trust for officers, etc., and is a system in which the Company's shares and cash sum equivalent to the conversion value of the Company's shares are delivered and paid to Directors, etc. according to their role.

With regard to stock-based remuneration, in the event of a serious fraud or legal violation of a Director, etc., the Company has established a system that allows it to disqualify or seize the right of the Director, etc. to receive the Company's shares, etc. under this system (malus), and to request the return of a cash sum equivalent to the Company's shares, etc. delivered (clawback).

（ii）Remuneration Standard
Remuneration for Directors is set by the Compensation Advisory Committee on a regular basis through comparative verification by the committee using objective remuneration survey data from external specialized organizations that mainly benchmark domestic companies with the same size as the Company's business and market capitalization.

3. Reasons Why the Board of Directors Judges that the Details of Individual Remuneration for Each Director for the Relevant Fiscal Year is in Line with the Policy

In order to ensure the transparency and fairness of the decision-making procedures of the Board of Directors regarding remuneration, the Compensation Advisory Committee, a majority of whose members are Outside Officers, deliberates on the appropriateness of the amount of remuneration for Directors in light of the basic policy of the Corporate Governance Code and submits a written opinion to the Board of Directors. The Board of Directors has confirmed that it will make resolutions within the range of the total amount approved at the General Meeting of Shareholders after taking into account the opinions of the Compensation Advisory Committee.

4. Matters Related to the Policy for Determining the Amount of Remuneration, etc. for Individual Audit & Supervisory Board Members

The amount of remuneration for individual Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the total amount of remuneration for Audit & Supervisory Board Members and based on the duties and responsibilities of individual Audit & Supervisory Board Members.

5. Matters Concerning Resolutions at the General Meeting of Shareholders Regarding Remuneration of Directors and Audit & Supervisory Board Members

The maximum amount of remuneration for Directors is no more than 352 million yen per year (no more than 29 million yen per year for Outside Directors), as determined by a resolution of the 99th Ordinary General Meeting of Shareholders held on June 28, 2017.

Stock-based remuneration, which is non-monetary remuneration for Directors, etc., is set separately from the limit from the viewpoint of plan operation. The number of Directors during the fiscal year was 10 (including 4 Outside Directors).

The maximum amount of remuneration for Audit & Supervisory Board Members is no more than 75 million yen per year (no more than 22 million yen per year for Outside Audit & Supervisory Board Members) as determined by a resolution of the 99th General Meeting of Shareholders held on June 28, 2017. The number of Audit & Supervisory Board Members during the fiscal year was 4 (including 2 Outside Audit & Supervisory Board Members).

6. Officer Remuneration Paid to Directors and Audit & Supervisory Board Members in FY2022 was as Follows.

Officer Remuneration Paid to Directors and Audit & Supervisory Board Members in FY2023 was as Follows.
193 million yen paid to six Directors (15 million yen of this amount was paid to Outside Directors)
67 million yen paid to five Audit & Supervisory Board Members (14 million yen of this amount was paid to Outside Audit & Supervisory Board Members)

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

One employee is assigned to assist the duties of the Audit & Supervisory Board Members, upon their request, and is in charge of assisting the audits of the Audit & Supervisory Board Members and at the same time is in charge of the secretariat of the Audit & Supervisory Board. In addition, the Company regularly holds supplementary briefings on its business operations and pre-briefings prior to Board of Directors meetings for outside officers.

Names and other information of Executive Advisors or Corporate Advisors who used to be Representative Director and President or other positions

Update

Name	Position	Roles and Responsibilities	Work style, Conditions (Full time or part time, w/ or w/o Compensation)	Date of retirement from representative Director and President or other position	Term
Takafumi Morichi	Advisor	・Advice, support, and external activities based on requests from the president ・Outside Director of Sanoh Industrial Co., Ltd.	Full time with remuneration	June 26, 2024	1 year

Number of Executive Advisors or Corporate Advisors who served as Representative Director and President or other positions	1 person

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

Update

1) The Company's Board of Directors convenes at least once every month, in principle. It functions as a decision-making body for management and a supervisory body for the business execution of Executive Directors and Executive Officers, by deliberating and deciding upon important matters pertaining to management as well as separately listening to reports from all

Executive Directors and Executive Officers on a quarterly basis pertaining to the execution status of their duties and the progress of the Company's performance, etc. Furthermore, the Company has appointed Yoshio Tano, Hiroko Kaneko, and Miyuki Nakagawa as Outside Directors. All three are Independent Officers without concern about conflict of interest with general shareholders.
2) The Company's Management Committee, which is positioned as an advisory body to the President and CEO, comprises full-time Executive Directors, Executive Officers appointed by the President and CEO (chairperson), full-time directors who are members of the Audit & Supervisory Committee, and the general manager of the Corporate Planning Department. It deliberates in advance on important matters to be submitted to the Board of Directors, discusses the direction of management such as business strategies and other important matters, and examines and reports on specific countermeasures.

3) The Company has introduced the Executive Officer System, which separates the decision-making and supervisory functions of Directors from the functions of business execution. This not only strengthens the supervisory function of the Board of Directors, but also builds a flexible management system that can respond swiftly to changes in the operating environment.

4) The Company has adopted the Audit & Supervisory Committee System. The Company's Audit & Supervisory Committee comprises three Audit & Supervisory Committee Members, including two Independent Outside Directors. The Audit & Supervisory Committee formulates annual audit policies and audit plans, etc., and the Audit & Supervisory Committee Members attend important meetings, such as those of the Management Committee, etc., to understand the status of management and operations in general, and there is a system in place that allows them to constantly monitor the execution of duties by Directors by viewing and investigating various important documents. Additionally, one employee is assigned to assist the Audit & Supervisory Committee Members, and is in charge of assisting the audits of the Audit & Supervisory Committee Members and at the same time is in charge of the secretariat of the Audit & Supervisory Committee. Full-time Audit & Supervisory Committee Members have a wealth of experience in corporate administration and possess considerable knowledge of finance and legal affairs.

5) The Company has established the Advisory Committee on Appointments and Compensation, which serves as an advisory body to the Board of Directors and the majority of whose members are Independent Outside Directors. It functions as an organization that conducts deliberations on the appointment and the remuneration of Directors, etc., and reports to the Board of Directors.

6) With regard to accounting audits, the Company has appointed KPMG AZSA LLC as the accounting auditor. The Company provides accurate management information and undergoes audits from the accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act from a fair and impartial standpoint as an independent third party. The Certified Public Accountants who executed the Company's accounting audit operations are as follows:

(Names of Certified Public Accountant who executed operations) (Name of the audit corporation they are employed at) (Continuous audit years)

Appointed limited liability employee/Managing Partner: Takahiro Akiyama, Certified Public Accountant KPMG AZSA LLC 2 accounting periods
Appointed limited liability employee/Managing Partner: Hiroshi Yabumae, Certified Public Accountant KPMG AZSA LLC 1 accounting period
Appointed limited liability employee/Managing Partner: Daisuke Harada , Certified Public Accountant KPMG AZSA LLC 6 accounting periods

3. Reasons for Adoption of Current Corporate Governance System

The Company transitioned to a Company with an Audit & Supervisory Committee following a resolution at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, with the aim of realizing more transparent management by having the Audit & Supervisory Committee, the majority of whose members comprises of Outside Directors, audit and supervise the legality and appropriateness of business execution, and building a system that can more accurately respond to the expectations of stakeholders in Japan and overseas. As a result of the transition to a Company with an Audit & Supervisory Committee, it will be possible to delegate the authority of the Board of Directors to make decisions on the execution of business to the Directors, and the Company aims to further speed up management decision-making and execution.
In addition, with the aim of obtaining useful advice from a broad perspective in order to revitalize the Board of Directors, the Company has appointed three Outside Directors who have no interest in the Company.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The Company sends out by postal mail the Convocation Notice of the General Shareholders Meeting in advance of the meeting and also posts it to its website before sending it by postal mail.
Scheduling of General Shareholders Meeting to Avoid Days on which Many Other Companies Hold their Shareholders' Meeting	To the extent possible, the Company schedules the General Shareholders Meeting to avoid days on which many other company hold their shareholders' meetings.
Electronic Exercise of Voting Rights	The Company's shareholders can exercise their voting rights electronically since 2008.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for the electronic exercise of voting rights for institutional investors since 2012.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company has prepared an English language version of the Convocation Notice since 2015 (since 2017 for Business Report) and publishes it on its website.
Other	The Convocation Notice of the General Shareholders Meeting is posted on the Company's website and the Tokyo Stock Exchange website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	The Company hosts regular briefings for institutional investors two times a year. The Company also organizes one-one-one meetings with institutional investors as needed.	Held
Online Disclosure of IR Information	Business Report, Consolidated Financial Results, Long-Term Management Vision, IR Briefing Materials, etc.	
Establishment of Department and/or Placement of a Manager in Charge of IR	General Affairs Department (PR/IR)	

3. Status of Measures to Ensure Due Respect for Stakeholders

Update

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company's Corporate Philosophy and the Code of Corporate Ethics of Shinsho Group contain provisions that require the Company to live up to the trust and expectations of all stakeholders including shareholders, business partners and employees.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company established its Environmental Policy in January 2000 and obtained ISO 14001 certification in the same year. In April 2022, the Company established the Sustainability Committee and the Basic Policy for Sustainability. The Company identifies important issues (materiality issues) and contributes to a sustainable society in the future through the implementation of measures to address these important issues. In addition, the Group recognizes that responding to climate change is an important management issue, and will continue to contribute to society as it relates to climate change not only through initiatives to reduce CO2 emissions of the entire Group but also through initiatives that make use of our trading company functions. We have set a CO2 reduction target of 46% by 2030 and carbon neutrality by 2050, and we will promote the introduction of green energy. In addition, for the second year in a row, CDP, an international environmental non-profit organization, scored our efforts and information disclosure on climate change as "B," which is the management level.

	The Company's recent initiatives include the steady handling of fuels for biomass power generation in the Ferrous Raw Materials Division, and in addition to the handling of fuels for power generation, the Company is also promoting initiatives for the future, such as investing in demonstration projects aimed at local production and local consumption of fuels at biomass power plants. In addition, we have established a resource-recycling business as one of our priority areas, and we have invested in the Chitose Group, which is engaged in carbon recycling using microalgae and new business development, and are implementing various initiatives for the SDGs and decarbonization, thereby contributing to a resource-recycling society. Details are posted on the Company's website. https://www.shinsho.co.jp/english/news/ In terms of CSR activities, the Company established a CSR Basic Policy and CSR Conduct Guidelines and put an internal system into place to implement these activities. At the same time, the Company participates in the Furugi de Vaccine (Used Clothes with Vaccines) charity campaign, which sends clothing and vaccines to developing countries.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company established the Basic Policy of Investor Relations / Shareholder Relations and the Disclosure Policy, and publishes them on its website. https://www.shinsho.co.jp/english/ir/policy/irsr.html

IV. Matters Concerning the Internal Control System

Update

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

System for ensuring the execution of duties by the Group's Directors conforms to laws, regulations and the Artiles of Incorporation and other systems for ensuring the appropriateness of company operations
The Company has resolved as follows regarding the above systems at meetings of the Board of Directors.

1) System for ensuring the execution of duties by Directors and employees of the Company and its subsidiaries ("the Group") and the conform to laws, regulations, and the Articles of Incorporation

1. The Code of Corporate Ethics of Shinsho Group stipulates that the Company will maintain a high level of corporate ethics and comply with laws, regulations and other social norms and company regulations. It also establishes specific standards of conduct to which all officers and employees of the Group must follow.

2. In order to achieve the purpose of the preceding paragraph, the Company has put a system into place to establish and spread awareness of legal compliance within the Group as well as monitor and prevent violations. This system includes preparing and distributing a compliance handbook and conducting training as well as establishing and operating the Compliance Committee and the Shinko Group Internal Reporting System.

3. The Company stipulates in the Code of Corporate Ethics of Shinsho Group that it will take a resolute stance against anti-social forces and groups that threaten the order and safety of civil society and that engage in activities that gain unjust racketeering by interceding in civil disputes and threatening the use of violence, etc. The Company will establish internal systems necessary for the Group and work to eliminate all relationships with anti-social forces.

2) System for ensuring the reliability of the Group's financial reporting

In order to respond to the internal control reporting system under the Financial Instruments and Exchange Act, the Company has established and operates an internal system to ensure the reliability of the Group's financial reporting in accordance with the Basic Rules on Internal Controls Concerning Financial Reporting.

3) System concerning the retention and management of information related to the execution of duties by Directors

The Company shall record and retain necessary information so that the decision-making of Directors as well as the process and results of the execution of duties are clear. The information to be retained (documents or electromagnetic records), the department responsible for management, the retention period, etc. are determined by internal regulations, and a reliable information management system is in place whereby the storage status of information is checked periodically to prevent its dispersal and/or leakage.

4) Regulations and other systems concerning the management of risk of loss of the Group

1. The Company has identified various risks (risk of loss) based on the characteristics of the Company's business. The Company has established management regulations for each category for major risks such as investment and loans, credit, derivatives transactions, and security export control, etc., and clarifies the departments responsible for management, decision-making authority, internal audit method, and obligations to report to the Board of Directors, etc.

2. The Risk Management Committee monitors the internal control system and operational status through the Risk Management Action Plan, deliberates on various measures and policies for the appropriate implementation of risk management, and submits the results to the Management Committee to strengthen the risk management system of the entire Group.

3. In response to changes in the business environment and legal regulations, etc., the Company reviews and revises various regulations in a timely manner, has established comprehensive companywide risk management regulations, and has established an enterprise risk management system for the Group.

4. The Company has established a system to minimize damage and ensure business continuity by identifying events that may cause serious damage to management, such as accidents, disasters, and system failures of the Group and by clarifying emergency response procedures, emergency systems, and means of information transmission.

5) System for ensuring that the execution of duties by the Group's Directors is carried out efficiently

1. The Company has adopted the Executive Officer system that clarifies the division of roles in management-level decision-making and business execution, and established a system where, under the supervision of the Board of Directors, Executive Officers (including those who concurrently serve as Representative Director or Director) appointed by the Board of Directors decide on matters delegated to them in accordance with the Rules on the Delegation of Duties and execute their duties, thereby speeding up management and improving management efficiency.
In addition, Executive Directors and Executive Officers report to the Board of Directors on the status of business execution of the Group under their control on a quarterly basis.

2. The Company formulates the Group's medium term management plan and annual budget, and reviews the progress periodically; thereby, enabling the clarification of management strategies and management issues, efficient operations of the business, and appropriate implementation of various measures in response to changes in circumstances.

6) System for ensuring the appropriateness of operations within the Group and system for reporting matters related to the execution of duties by the Directors of subsidiaries to the Company

1. The Company aims to realize appropriate and sound management of the Group. To this end, the Company identifies the status of legal compliance and risk management at subsidiaries, and cooperates, instructs, and assists each company to establish and operate an appropriate internal control system according to the actual circumstances of each company in harmony with the Group's policies.

2. The Company, in accordance with its internal regulations, defines the departments with management responsibility of the Group, agenda items, preliminary reporting items, and the approaches of mutual transactions, etc., and based on these regulations, the Company constantly grasps the business conditions of each company, and when necessary, the head office department or the departments with management responsibility conduct audits and investigations.

3. The internal reporting system is available to all officers and employees of the Group, and it enables the provision of information from subsidiaries.

7) Matters concerning employees who assist the duties of the Audit & Supervisory Committee Members, matters concerning the independence of such employees from Directors (excluding Directors who are Audit & Supervisory Committee Members), and matters concerning ensuring the effectiveness of instructions to such employees from Audit & Supervisory Committee Members

In response to requests from the Audit & Supervisory Committee Members, the Company shall assign a full-time person to assist in the audits conducted by the Audit & Supervisory Committee Members and at the same time to be in charge of the secretariat of the Audit & Supervisory Committee. Decisions on appointment, dismissal, and evaluation shall be made with the prior consent of the Audit & Supervisory Committee. The Directors' (excluding Directors who are Audit & Supervisory Committee Members) command and order authority shall not extend to such auxiliary work, but shall be subject only to the command and order authority of Audit & Supervisory Committee Members.

8) System for the Group's Directors and employees, etc., to report to the Company's Audit & Supervisory Committee and other systems for reporting to the Audit & Supervisory Committee

1. A system is in place to report immediately to Audit & Supervisory Committee Members, when Directors and employees, etc., of the Group discover a risk of significant damage to the Company.
In addition, the Directors and employees, etc., of the Group shall make appropriate reports at the request of the Audit & Supervisory Committee Members at important meetings such as the Management Committee, the Sustainability Committee, the Compliance Committee, the export control officers' council, the Risk Management Committee, and the Investment and Loan Committee, etc., in order for the Audit & Supervisory Committee Members to appropriately ascertain the decision-making process and the status of business execution of the Company. Necessary explanations are provided in response to requests from the Audit & Supervisory Committee Members regarding major approval documents and other important documents related to the execution of business.

2. The Company prohibits the Group's Directors and employees from being treated unfavorably due to reports to the Audit & Supervisory Committee Members, and has put into place a system to achieve this.

9) Other systems to ensure that audits by Audit & Supervisory Committee Members are conducted effectively

1. Audit & Supervisory Committee Members shall conduct audits in accordance with the Audit & Supervisory Committee's Auditing Standards of Audits as well as seek out collaboration by regularly exchanging opinions with the accounting auditor regarding accounting audits, conducting operational audits in cooperation with the Internal Audit Department, and holding regular meetings with the Representative Director, other Directors, and Audit & Supervisory Board Members of subsidiaries to exchange management information.

2. When an Audit & Supervisory Committee Member makes a request to the Company for advance payment of expenses regarding the execution of his/her duties, the Company shall, after deliberation by the department in charge, promptly process such expenses or obligations, except in cases where it is recognized that the expenses or obligations related to the request are not necessary for the execution of duties by the Audit & Supervisory Committee Member.

Overview of the management status of systems for ensuring the appropriateness of operations

Compliance system

The Company distributes the Compliance Practice Manual to all Group employees in order to educate all employees about the philosophy of the Code of Corporate Ethics of Shinsho Group. In addition, the Company conducted various trainings by field and also held training at Group companies. In terms of its internal reporting systems, the Company established a hotline that can be used by domestic Group companies and put into place a system for making the hotline more accessible through an external contractor and for protecting whistleblowers.

Internal control system related to financial reporting

The Company prepares audit plans and conducts internal audits throughout the year based on the Basic Policy on Internal Controls Concerning Financial Reporting resolved by the Board of Directors.

Document management system

The Company conducted an internal audit in February 2024 pursuant to the Rules concerning the Storage and Management of Information related to the Execution of Duties by Directors and found that there are no issues in terms of the status of the retention and management of information.

Risk management system

The Company accurately manages and addresses the risks facing the Group pursuant to the Risk Management Rules. Regarding the implementation status of such, the Company formulated, evaluated and reviewed the Group's risk management action plan at the Budget Review Council meeting (held in March in Japan and in December overseas) and the Revised Budget Review Council meeting (held in September in Japan and in June overseas). Furthermore, at the meetings of the Risk Management Committee held in May and November 2023, deliberations were held on monitoring of the status of actions and initiatives to address priority issues, etc.

・Implementation status concerning individual risk management items of focus

1)Investment and loan risk

The Investment and Loan Committee identified risks pertaining to the Group's investments and loans in advance in an effort to minimize risks. The committee reviewed investments and loans post execution and examined measures for investments or loans that pose a problem, reporting to the Board of Directors as needed.

2)Risk of divulgation of corporate secrets

Each Group company implemented measures against information security risks (physical security, personal security, and IT infrastructure security) pursuant to the Corporate Secrets Management Rules.

3)Credit risk

Group companies thoroughly managed credit exposure pursuant to the Credit Limit Control Rules and similar regulations of affiliates in Japan and the Credit Limit Control Rules for Overseas Affiliates overseas.

4)Insider trading risk

The Company provided extensive training internally to employees, including e-learning training on insider prevention for all employees including affiliates, following the Rules for Managing the Prevention of Insider Trading and managed stock trading through the employee's shareholding association. For officers, the Company managed the ownership of stocks through the directors' shareholding association and using J-IRISS at the request of the Financial Services Agency and Securities and Exchange Surveillance Commission in an effort to prevent insider trading.

5)Risk of large-scale disaster

The Company established an emergency contact network, participated in disaster prevention training drills at the head office and each business site, and reviewed and managed stockpiles needed in case of an emergency, pursuant to the Rules on Countermeasures against Large-scale Disasters.

System for operational streamlining and business performance management

The Group's business performance is managed using reports on the status of business execution by Executive Directors and Executive Officers made to the Board of Directors on a quarterly basis following the Rules of the Board of Directors. As for the method, the scope of the Group, the department in charge, management responsibilities, preliminary agenda items, etc. are determined in accordance with the Rules on Affiliated Companies Management, and then investigations, audits, and business conditions are ascertained, resolutions or reports are made at the Board of Directors meeting in accordance with the Rules of the Board of Directors and the Rules on the Delegation of Duties, and the situation and issues are grasped, and measures to deal with issues, etc. are discussed. The progress of the first half of FY2023 and the outlook for the second half were deliberated upon at the Revised Budget Review Council meeting (September) and the progress of the second half of FY2023 and budget for FY2024 were deliberated upon at the Budget Review Council meeting (March). The details of which were resolved at meetings of the Board of Directors held in September 2023 and March 2024, respectively.

System for reporting to Audit & Supervisory Committee Members and execution of duties by Audit & Supervisory Committee Members

The Company operates a system of reporting to the Audit & Supervisory Committee Members appropriately in which important matters requiring reporting within the Group are reported promptly after occurrence to the Audit & Supervisory Committee from the business execution side in accordance with the Basic Policy on Constructing an Internal Control System and the Audit & Supervisory Committee Members' Auditing Standards of Audits.

A system is in place where, all, or after determining a division of duties some, Directors who are Audit & Supervisory Committee Members attend important meetings such as all meetings of the Board of Directors as well as meetings of the Management Committee, Sustainability Committee, Compliance Committee, export control officers' council, Risk Management Committee, Investment and Loan Committee, and Budget Review Committee, etc. Each Audit & Supervisory Committee Member states his/her opinion as necessary at important meetings they attend to supervise the execution of duties by Executive Directors. In addition, they meet with Outside Directors, the President and CEO, and accounting auditor on a quarterly basis to exchange opinions. Audit & Supervisory Committee Members also regularly visit Group companies inside and outside of Japan to ascertain the situation and issues of each Group company by conducting interviews of management and field audits.

Furthermore, the Audit & Supervisory Committee formulates the annual audit plan in July (from July to June the following year), which it reports to the Board of Directors. As a result, a system is in place where Executive Directors are made aware of the system of supervision of their duties and cooperation.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

2. Other Matters Concerning the Corporate Governance System

The status of the Company's internal system related to timely disclosure of corporate information is as follows.

Department in charge of timely disclosure
One of the Company's basic policy of management is to disclose appropriate corporate information to investors, and the Company handles information for timely disclosure as follows pursuant to company regulations.

1) The aggregation and management of information is carried out by the Officer in charge of the General Affairs Department, who serves as Chief Information Officer.

2) The determination of the importance of information and the need for timely disclosure is carried out mainly by the General Affairs Department based on consultations with the Corporate Planning Department, etc. following the Timely Disclosure Rules of the Tokyo Stock Exchange.

3) Timely disclosure of corporate information is carried out by the General Affairs Department following the instructions of the Chief Information Officer.

Internal procedures related to timely disclosure of corporate information
1) Persons in charge of information management (in principle, the heads of each department) immediately convey and report to the General Affairs Department once they identify information or facts applicable to disclosure.

2) The General Affairs Department reports to the Chie Information Officer after deliberations with relevant departments on the determination of the importance of information and the need for timely disclosure, as needed.

3) The Chief Information Officer discloses corporate information in a timely manner without delay after obtaining the approval of the Board of Directors for "information on the facts of decisions" and "information on financial results," and instructs the General Affairs Department to disclose "information on the facts of occurrence" when the occurrence of such information is recognized.

Supplementary Explanation for Applicable Items

