

Corporate Governance Report

Konoike Transport Co., Ltd.

Last Updated: June 24, 2024
Konoike Transport Co., Ltd.

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The corporate governance of Konoike Transport Co., Ltd. (the “Company”) is described below.

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

1. Basic Views

The Company is committed to practicing the corporate philosophy of “Respecting ‘humanity’ and ‘relationships of trust,’ pursuing innovation at the foundations of our society, and creating new value,” in order to sincerely meet its social responsibility, and considers gaining trust from society while striving to build corporate value to be its important mission.

Driven by this philosophy, we build positive relationships with all our stakeholders through our business activities as we engage in responsive, efficient, sound, fair, and highly transparent management. To this end, we continue to strengthen our supervisory functions and provide information disclosure, introducing new measures as necessary.

[Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code]

The Company complies with all principles of Japan’s Corporate Governance Code.

[Disclosure Based on the Principles of the Japan’s Corporate Governance Code] Update

[Principle 1-4 Strategic Shareholdings]

(i) Basic policy

The Company holds stock strategically to enhance our corporate value over the medium to long term. The Company does this by working to sustain and strengthen trade relationships with the customers who are vital to its business, as partnerships are key to the Company’s business activities across a range of areas.

Each year, the Board of Directors regularly verifies the appropriateness of holdings of individual strategic stocks. The board considers whether the risks and benefits of holding these shares are commensurate with the accompanying cost of capital. If the board determines that holding a stock is not rational, the Group sells said stock to reduce strategic holdings.

(ii) Criteria for exercising voting rights

The Company does not make uniform decisions on policies when exercising voting rights for strategically held stocks. Rather, the Company considers and decides each case separately from perspectives that include sustainable growth and improvement in medium- to long-term value of the company in question.

The Company never approves resolutions that would be harmful to shareholder value.

[Principle 1-7 Transactions among Related Parties]

When conducting related-party transactions, the Company observes laws and regulations, and follows the basic concept of fair business activities. In the case of transactions between the Company and its officers, the Board of Directors provides prior approval and checks the result based on regulations under the Companies Act and so forth. In addition, when the Company conducts transactions with major shareholders, etc., it may conduct prior approval procedures within the necessary scope in accordance with the importance of the transaction.

[Translation]

[Supplementary Principle 2-4-1 Ensuring Diversity in the Promotion to Core Human Resources]

For information about the Company's basic philosophy on human resources, please refer to the KONOIKE Group Integrated Report.

To continue to provide diverse value rich in creative innovation, not only in its logistic services, which are its strength, but also in contracting services and other services, it is essential for the Company to actively include diverse attributes, perspectives, sensitivities, abilities, and experience, including those of women, foreign nationals, and mid-career hires, and utilize them as a driving force for creating new value.

The number of female managers (office/department manager and above) at the Company as of March 31, 2024 was 16, making up 3.7% of managers. In addition, the number of foreign national managers (office/department manager and above) as of March 31, 2024 was two, making up 0.5% of managers. Having analyzed the status in each case, the percentage of managers is considered too low to drive the generation of new value, and the Company plans to continue increasing the percentage. On the other hand, in the appointment of mid-career hires, the number of mid-career hires in management positions (office/department manager and above) as of March 31, 2024 stood at 83, making up 19.3% of managers. Currently, the Company has not set any target values, however, it will continue to promote diversity and inclusion of knowledge and experience going forward.

Human resource development is one of the most important management issues to focus on to support the Company's business strategy, as described in the KONOIKE GROUP Integrated Report. The Company will enhance various education programs for front-line employees, where they can acquire professional knowledge and skills based on the essential elements of safety and quality at all workplaces. For career-track employees, the Company is promoting the development of the next generation of management personnel in line with the following policies: develop human resources who actively contribute to the ongoing growth of the KONOIKE Group, and who have broad perspectives and good judgement, and a strong sense of responsibility; provide the knowledge and skills necessary to execute work tasks, fostering employees who demonstrate outstanding creativity, rational judgment, ability to take action, and leadership ability; and conduct talent management through a pool of human resources who meet the requirements for management personnel.

Moreover, in terms of creating an internal environment, as described in the KONOIKE GROUP Integrated Report, the Company aims to foster a culture that supports diverse employees through the promotion of various initiatives including hiring international human resources, promoting the success of women, and hiring persons with disabilities.

[Principle 2-6 Roles as Asset Owners of Corporate Pension Plan]

The Company recognizes that management of the reserve for its corporate pension plan has an impact on employees' stable asset formation as well as its own financial condition. It strives to ensure an appropriate environment for management of the reserve by creating a basic policy for management and management guidelines, and regularly monitoring the status of management of the corporate pension. Moreover, considering the financial impact, etc., of the future management environment, the Company is preparing to introduce a defined contribution corporate pension plan for a corporate pension plan that will also contribute to employees' asset formation.

[Principle 3-1 Enhancement of Information Disclosure]

(i) Company objectives (e.g., Management Philosophy), management strategies and management plans

■ Corporate Philosophy, Vision and Principle

These are presented on the Company's website under "Corporate Profile" (<https://www.konoike.net/en/company/philosophy/>) and the "KONOIKE 2030 VISION" website" (<https://www.konoike.net/vision/en/>), as well as being included in various corporate introduction tools (videos, booklets, etc.)

Corporate Philosophy "Our Mission"

We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust

Vision (2030 Vision) "Our Business Strategy"

People, leveraging technology to reach for new heights

[Translation]

Principle “Our Value”

Safety | We take responsibility for life

Passion | We are dedicated to quality

Growth | We go further than yesterday

■ Management strategy and management plan

We pursue a vision of people, leveraging technology to reach for new heights as our 2030 Vision. We are currently executing a medium-term management plan (FY3/2023 to FY3/2025) to achieve our 2030 Vision.

Management policy

<https://www.konoike.net/ir/finance/challenge/> (in Japanese)

(ii) Basic views and basic policies on corporate governance

The Company is committed to practicing the corporate philosophy of “Respecting ‘humanity’ and ‘relationships of trust,’ pursuing innovation at the foundations of our society, and creating new value,” in order to sincerely meet its social responsibility, and considers gaining trust from society while striving to build corporate value to be its important mission.

Driven by this philosophy, we build positive relationships with all our stakeholders through our business activities as we engage in responsive, efficient, sound, fair, and highly transparent management. To this end, we continue to strengthen our supervisory functions and provide information disclosure, introducing new measures as necessary.

(iii) The Board of Directors’ policies and procedures in determining the remuneration of the senior management and Directors

At a meeting of the Board of Directors held on June 26, 2019, the Company established a Human Resources and Compensation Committee with the majority of members being external Directors as a voluntary advisory body to the Board of Directors for the purposes of reinforcing the independence and objectivity of the Board of Directors when considering the remuneration of the Directors and others.

The Company has formulated regulations regarding officer remuneration, and the amount of remuneration for Directors is decided by the Board of Directors based on the report of the Human Resources and Compensation Committee within the range for the amount resolved by the General Meeting of Shareholders, according to factors such as responsibilities and status of business execution. The amount of remuneration given to Audit & Supervisory Board Members is decided by discussion among Audit & Supervisory Board Members.

On addition, the Human Resources and Compensation Committee meets as needed based on requests from the Board of Directors to deliberate and report regarding appointments and remuneration of Directors and Executive Officers.

Furthermore, the Company has introduced a restricted share compensation plan to provide an incentive to Directors (excluding external Directors) to aim to sustainably increase the Company’s corporate value and also to promote the further sharing of value with shareholders.

(iv) The Board of Directors’ policies and procedures in the appointment and dismissal of the senior management and the nomination of candidates for Director and Audit & Supervisory Board Member

■ Policies and procedures pertaining to the nomination of Directors and Executive Officers

The Company has set the ratio of external Directors to the total number of Directors at one third or higher so as to clarify the separation of management supervision and execution, building a structure capable of conducting highly effective supervision, and has also delegated business execution to Executive Officers under the supervision of the Board of Directors.

Under the Company’s corporate governance system, its policy is to select director candidates from human resources who are able to supervise management from an objective standpoint independent from business execution in order to meet the expectation of shareholders and to provide appropriate advice and so forth from a medium- to long-term perspective. In addition, the Company’s policy for Executive Officers is to select human resources who have deep knowledge of its businesses and so forth, and who are able to undertake business execution delegated to them by the Board of Directors and to increase corporate value from a companywide perspective.

In accordance with the above policies, the Board of Directors selects director candidates and Executive Officers based on the report of the Human Resources and Compensation Committee.

[Translation]

[Director Selection Criteria]

- Has excellent personality and knowledge, with a highly developed sense of ethics
- Has qualities and abilities that contribute to the Group's sustainable growth and medium- to long-term increase in corporate value
- Has the ability to devote the necessary time and labor to perform duties appropriately
- For external Directors, in addition to the above criteria, an emphasis on the following qualities stipulated in "Qualities Required of External Officers"
 - (i) Understands diverse values and has abundant experience with ability to give active advice and proposals
 - (ii) Has high level of knowledge in fields of high specialization such as law or accounting, or has expert knowledge of logistics business or global expansion, etc.
 - (iii) Has high level of knowledge based on corporate management experience

[Executive Officer Selection Criteria]

- Has excellent personality and knowledge, with a highly developed sense of ethics
- Able to embody the corporate philosophy, brand promise, and so forth
- Able to increase corporate value
- Able to think from a companywide perspective
- Able to maintain ambition and lead operational reforms
- Able to reliably develop a successor

■ Policies and procedures pertaining to the nomination of Audit & Supervisory Board Members

The Company recognizes the importance of audits and the functions of Audit & Supervisory Board Members in corporate management. Draft proposals for candidates who have abundant experience and expert knowledge that would enable them to perform their duties as Audit & Supervisory Board Members of the Company and who are considered appropriate are deliberated and reported by the Human Resources and Compensation Committee, and having obtained the approval of the Audit & Supervisory Board for the submission to the Annual General Meeting of Shareholders of a proposal to elect an Audit & Supervisory Board Member, the candidate Audit & Supervisory Board Member is decided by the Board of Directors.

The selection criteria for Audit & Supervisory Board Members is as follows.

[Audit & Supervisory Board Member Selection Criteria]

- Has excellent personality and knowledge, with a highly developed sense of ethics
- Has abundant knowledge and experience of various fields and is able to conduct audits from a neutral and objective perspective
- Has the ability to devote the necessary time and labor to perform duties appropriately
- For external Audit & Supervisory Board Members, in addition to the above criteria, an emphasis on the following qualities stipulated in "Qualities Required of External Officers"
 - (i) Understands diverse values and has abundant experience with ability to give active advice and proposals
 - (ii) Has high level of knowledge in fields of high specialization such as law or accounting, or has expert knowledge of logistics business or global expansion, etc.
 - (iii) Has high level of knowledge based on corporate management experience

■ Policies and procedures pertaining to the dismissal of Directors and Executive Officers

If the Company recognizes that a Director or Executive Officer merits dismissal due to unsatisfactory performance of their function or violation of laws and regulations and the Articles of Incorporation resulting in a noticeable impairment of corporate value, based on the report of the Human Resources and Compensation Committee, the Board of Directors may decide not to nominate that a Director or Executive Officer as a candidate, or to terminate the appointment of an Executive Officer, even during their term of office.

- (v) Explanation of the individual appointment and dismissal of the senior management and the nominations of candidates for the positions as Director and Audit & Supervisory Board Member by the Board of Directors based on (iv) above

The Company presents the career summaries of each candidate for Director and Audit & Supervisory Board Member in the reference materials for its Annual General Meeting of Shareholders.

[Translation]

[Supplementary Principle 3-1-3 Initiatives on Sustainability, etc.]

■ Initiatives on Sustainability

In November 2021, the Company established the Sustainability Basic Policy and Sustainability Implementation Structure. It also formulated a policy for engaging with sustainability issues in the Medium-Term Management Plan announced in May 2022 (FY3/2023–FY3/2025).

The Company also discloses content about its initiatives for the four items required by the Task Force on Climate-related Financial Disclosures (TCFD)—Governance, Strategy, Risk Management, Metrics and Targets—on its website.

Please refer to the following for details.

Disclosure in Accord With the TCFD Recommendations

<https://www.konoike.net/en/sustainability/environment/tcfd/>

The Company will hold discussions with the Sustainability Committee aimed continuing to strengthen these initiatives going forward.

Please refer to the KONOIKE GROUP Integrated Report for the Sustainability Basic Policy and the Sustainability Implementation Structure.

KONOIKE GROUP Integrated Report

<https://www.konoike.net/en/ir/library/inv-guide/>

■ Investments in human capital and intellectual properties

With regard to investment in human capital, the Company considers human resource development to be one of the most important management issues to focus on to support its business strategy, as the Group's corporate philosophy, "We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust," and its Brand Promise, "Striving to Go Beyond Expectations," can only be achieved through people who possess the KONOIKE mindset. Information about these initiatives is disclosed in the KONOIKE Group Integrated Report.

The Group recorded human resource training expenses of 530 million yen in FY3/2024, providing 19.9 hours of training per employee (approximately 14,000 non-consolidated employees).

In addition, the Company is also actively engaged in intellectual property investment, such as the opening of the Konoike Institute of Technology Innovation Center in March 2021, to increase its corporate value over the medium to long term.

[Supplementary Principle 4-1-1 Scope of Matters Delegated to Management]

In accordance with the provisions of laws and regulations and internal regulations, the Board of Directors appropriately delegates decision-making on business execution outside of the items to be decided by the Board of Directors to Executive Officers and supervises the status of business execution by those Executive Officers and so forth.

[Principle 4-8 Effective Use of Independent External Directors]

- (i) Three of the Company's five Directors are external Directors, two of whom are designated as independent officers based on the provisions of the Tokyo Stock Exchange, and the Company has submitted notification concerning them as independent Directors as provided for by the Tokyo Stock Exchange.
- (ii) The ratio of independent external Directors within the current total of five Directors is one third or higher, and the Company is considered to have built a structure that enables its external Directors to conduct highly effective supervision over management from an objective standpoint.

[Principle 4-9 Criteria for Determining Independence and Qualification for Independent External Directors]

The details described in "II. 1. [Independent Directors/Auditors] Matters Relating to Independent Directors/Auditors" have been resolved by the Board of Directors.

[Supplementary Principle 4-10-1 Establishment of Independent Nomination Committee and Remuneration Committee]

- (i) The Human Resources and Compensation Committee has been established as an advisory body to the Board of Directors to further improve the transparency and objectivity of management when considering the

[Translation]

remuneration of Directors and others, the nomination of candidates for Directors and Audit & Supervisory Board Members, and the appointment and dismissal of Executive Officers.

- (ii) The Human Resources and Compensation Committee consists of two independent external Directors, one external Director, and one internal Director, making a total of four members. Although only half of the members are independent external Directors, we believe that the independence and objectivity of the committee is still ensured because the chair is an independent external Director.

[Supplementary Principle 4-11-1 Views on Total Balance of Knowledge, Experience and Skills, Diversity and Size of the Board of Directors]

- (i) The Company currently has five appointed Directors (four males and one female) (including two independent external Directors and one external Director), and considers this scale to be appropriate for promoting swift decision-making. Two independent external Directors have management experience in other companies.
- (ii) Having identified the necessary skills and so forth for implementing the Company's corporate philosophy and realizing its medium- to long-term strategies, the Company selects candidates for Directors based on the report from its advisory body, the Human Resources and Compensation Committee, to obtain a composition with a good balance of knowledge, experience, and abilities across the Board of Directors overall, as well as diversity. Please refer to the Notice of the 84th Annual General Meeting of Shareholders, held on June 21, 2024, for a skill matrix that lists the knowledge, skills, abilities, and so forth, of the Directors and Audit & Supervisory Board Members.

Notice of the 84th Annual General Meeting of Shareholders

<https://www.konoike.net/en/ir/stocks/meeting/>

[Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Audit & Supervisory Board Members]

The status of concurrent positions held by Directors and Audit & Supervisory Board Members at other companies has been disclosed appropriately in the business reports and other documents as an established practice, and the status of concurrent positions is currently considered to be within a reasonable range considering the time and effort needed for the performance of duties in the Board of Directors or Audit & Supervisory Board.

[Supplementary Principle 4-11-3 Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

The Company conducted a self-evaluation using a questionnaire survey of all Directors and Audit & Supervisory Board Members to evaluate the effectiveness of the Board of Directors. As a result, the composition of the Board of Directors has been evaluated as appropriate in terms of the overall number of Directors and the balance between the number of internal and external Directors. From an operational perspective, it was evaluated that time setting for examination, deliberation, and reporting has been improved. On the other hand, some were of the opinion that even more time should be allocated for discussing long-term strategy and management issues. Regarding the request of the Tokyo Stock Exchange regarding "management conscious of the cost of capital and stock price," it was evaluated in the Board of Directors with regard to factors for the slump in market evaluation that there is insufficient analysis and evaluation and discussion of targets and specific initiatives for improvement.

In light of the results above, we are considering improvements to the following items.

- Enhance discussion regarding strategy in the Board of Directors
- Continue initiatives for lively deliberation and improved quality of opinion exchanges and discussion in the Board of Directors
- Consider of evaluation methods for the effectiveness of the Board of Directors that incorporate more objective viewpoints.

The Company will strive to ensure the effectiveness of the Board of Directors by continuing to conduct effectiveness evaluations and other means.

[Supplementary Principle 4-14-2 Policy on Training of Directors and Audit & Supervisory Board Members]

The Company has appointed human resources who have the ability to perform their various duties as Directors, Audit & Supervisory Board Members, and Executive Officers; however, in order to respond promptly and appropriately to changes in the various environmental factors for the Company's business (including laws and regulations), the Company's basic policy on training is to have them actively participate in various seminars and other events run by various types of associations and groups, and to continuously develop their skills.

[Translation]

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

Basic policy for promoting constructive dialogue with shareholders are disclosed in the Integrated Report.

KONOIKE GROUP Integrated Report 2023

<https://we.kinkosonline.jp/html/konoike/7663374/#>

- (i) The Corporate Planning Division is designated as the division in charge of IR under the supervision of the executive general manager of the Corporate Planning Division, who is the officer in charge of IR. This division pursues and engages in dialogue with shareholders. Over the course of such dialogues, the division also collaborates with related divisions, and collects and discloses information in a timely, fair, and appropriate manner.
- (ii) Divisions in charge of the general meeting of shareholders, financial results meetings, investor interviews (in Japan and overseas), and disclosure mediums all pursue constructive dialogue with shareholders and investors. These divisions share shareholder information, disclosure information, and comments from shareholders and investors on an internal platform, and related divisions then work together to enhance dialogue.
- (iii) In addition to individual meetings, the Company holds the full-year and the first-half financial results meetings given by the Representative Director, Directors, General Manager of Corporate Department, and Executive General Manager of Finance/Accounting Division. For the first and third quarters, the department in charge of IR provides explanations by telephone in response to inquiries from shareholders and investors. The Company also holds small meetings, with top management acting as the speaker, and in-house observation tours for institutional investors, as well as participating in IR conferences and other events held for overseas investors. In addition to these activities, the Company also strives to enhance information disclosure and promote dialogue through initiatives such as issuing integrated reports, as well as shareholders' newsletters for individual investors; disclosing materials, Q&A, and videos related to financial results meetings; and enhancing the global IR website for overseas investors on the Company's website.
IR website: <https://www.konoike.net/en/ir/library/>
Financial Materials: <https://www.konoike.net/en/ir/library/results.html>
- (iv) The executive general manager (officer) of the Corporate Planning Division regularly provides feedback received through dialogue with shareholders and investors to the Board of Directors after the full-year and second quarter financial results, as well as to all division managers on a quarterly basis. Feedback is then considered and discussed at member meetings. Matters that should be reflected in management are shared with the Group management and related divisions to be reflected in corporate activities. Specifically, in FY3/2023, the Company disclosed the status and forecast of earnings in the airport-related business, and at the financial results meeting for FY3/2022 it disclosed earnings forecasts in the steel-related business.
- (v) The Company establishes a quiet period to prevent leaks of financial results information and ensure fairness. During this period, the Company refrains from answering questions regarding its financial results. We also established rules on internal information management and the prevention of insider trading, ensuring that insider information is appropriately managed when engaging in dialogue.

[Efforts to Realize Management Conscious of Cost of Capital and Stock Price]

To address the cost of capital at the Company, each year the Weighted Average Cost of Capital (WACC) is calculated and reported to the Management Meeting by the Investment Evaluation Committee, an advisory body to the Management Meeting. The WACC is used as a standard for deciding on capital investments and reviewing the business portfolio.

With regard to the business portfolio, we classify our businesses into priority businesses, core businesses, and businesses for profit improvement on the axes of ROIC and growth, and ascertain the status of ROIC and growth potential of business divisions, disclosure subsegments, and our smallest business units, which are sales offices and subsidiaries and associates. Their progress on the management plan for realizing the long-term vision and their challenges to be addressed are shared with the Board of Directors, the Management Meeting, and others, to continue discussion as necessary. With regard to investment, we disclose our capital investment budget and actual results, as well as investments in human capital and so forth.

Details of our initiatives and progress for realizing management conscious of the cost of capital and stock price are disclosed in our financial results meeting materials and other materials from time to time.

(Japanese) <https://www.konoike.net/ir/library/materials/>

(English) <https://www.konoike.net/en/ir/library/results/>

[Translation]

2. Capital Structure

| | |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 10% to less than 20% |
|----------------------------|---------------------------|

[Status of Major Shareholders]

| Name | Number of Shares Owned (Shares) | Shareholding Ratio (%) |
|--|---------------------------------|------------------------|
| Enokojimashoji Co. | 5,040,888 | 9.50 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,626,100 | 8.72 |
| Konoike Transport Employee Stock Ownership Plan | 4,540,092 | 8.56 |
| Ginsen Co., Ltd. | 3,598,274 | 6.78 |
| Tadahiko Konoike | 2,584,806 | 4.87 |
| Sumitomo Mitsui Banking Corporation | 2,480,022 | 4.67 |
| Nippon Steel Corporation | 2,451,418 | 4.62 |
| Osaka Gas Co., Ltd. | 2,248,912 | 4.24 |
| Custody Bank of Japan, Ltd. (Trust Account) | 2,150,000 | 4.05 |
| Tadatsugu Konoike | 1,623,444 | 3.06 |

| | |
|---|----------------|
| Controlling Shareholder (except for Parent) | — |
| Parent (Listed Stock Market) | Not applicable |

Supplementary Explanations

With regard to the Company's shares, the abovementioned [Status of Major Shareholders] is based on the shareholder registry as of March 31, 2024. The Company owns 3,915,506 shares of treasury stock, which has been excluded from the list of major shareholders.

3. Corporate Attributes

| | |
|--|--|
| Listed Stock Market and Market Section | Prime Market, Tokyo Stock Exchange |
| Fiscal Year-End | March |
| Type of Business | Land Transportation |
| Number of Employees (Consolidated) at End of the Previous Fiscal Year | 1,000 or more |
| Net Sales (Consolidated) for the Previous Fiscal Year | From 100.0 billion yen to less than 1 trillion yen |
| Number of Consolidated Subsidiaries at End of the Previous Fiscal Year | From 50 to less than 100 |

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

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[Translation]

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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[Translation]

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

1. Organizational Composition and Operation

| | |
|-------------------|--|
| Organization Form | Company with Audit & Supervisory Board Members |
|-------------------|--|

[Directors]

| | |
|--|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 10 |
| Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairman of the Board of Directors | President |
| Number of Directors | 5 |
| Appointment of External Directors | Appointed |
| Number of External Directors | 3 |
| Number of Independent Directors Designated from among External Directors | 2 |

External Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Yoshihito Ota | From another company | | | | | △ | | | | | | |
| Mika Masuyama | From another company | | | | | | △ | | | | | |
| Taisuke Fujita | From another company | | | | | | ○ | | | | | |

* Categories for "Relationship with the Company"

* "○" 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;

"▲" when a close relative of the Director fell under the category in the past

a. Executive person (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Executive person or non-executive director of the parent of the Company

c. Executive person of a fellow subsidiary of the Company

d. Party whose major business partner is the Company or an executive person thereof

e. Major business partner of the Company or an executive person thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides officer's remuneration

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

h. Executive person of a business partner of the Company (which does not correspond to any of d., e., or f.) (the Director himself/herself only)

i. Executive person of a corporation to which external officers are mutually appointed (the Director himself/herself only)

j. Executive person of a corporation that receives a donation from the Company (the Director himself/herself only)

k. Others

External Directors' Relationship with the Company (2) Update

| Name | Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment |
|----------------|----------------------|--|---|
| Yoshihito Ota | ○ | Yoshihito Ota was a Senior Managing Executive Officer of Japan Airlines Co., Ltd. until March 2013, but he holds no position at the company currently. | Yoshihito Ota possesses deep discernment, extensive experience, and superior abilities nurtured through serving as a corporate manager and an executive in wide-ranging industries and organizations. The Company has judged that he will provide objective advice to the Company on overall operations and therefore has appointed him as external Director. Moreover, he worked at Japan Airlines Co., Ltd., a business partner of the Company, but retired from that company in March 2013 and currently holds no position at that company. Since there is no risk of a conflict of interest arising between him and ordinary shareholders, the Company judges him to be independent from the Company, and has designated him an independent Director. |
| Mika Masuyama | ○ | The Company had concluded a consulting agreement with Masuyama & Company LLC where Mika Masuyama served as the President and Representative Partner from June 1, 2018 until June 25, 2019. | Mika Masuyama possesses extensive experience and discernment in corporate governance, human resources and organizations, and M&A, as well as global knowledge of business management and economics. The Company has judged that she will provide specialist advice for further strengthening the Company's corporate governance and therefore has appointed her as external Director. Moreover, the Company had concluded a consulting agreement with Masuyama & Company LLC, where Mika Masuyama served as the President and Representative Partner from June 1, 2018 until June 25, 2019. However, since there is currently no special interest between Masuyama & Company LLC and the Company, there is no risk of a conflict of interest arising between her and ordinary shareholders, and the Company therefore judges her to be independent from the Company and has designated her an independent Director. |
| Taisuke Fujita | | The Company and Taisuke Fujita is under a consulting agreement from July 1, 2023, until June 30, 2024. | Taisuke Fujita possesses extensive experience and discernment in Japanese and foreign investment markets, and global insight on business management and economics. The Company has judged that he will provide objective advice to the Company on overall operations and therefore has appointed him as external Director. |

Establishment of Voluntary Committee(s) Equivalent to Nominating Committee or Remuneration Committee

Yes

[Translation]

Voluntary Committee's Name, Composition, and Chair's Attributes

| | Committee Equivalent to Nominating Committee | Committee Equivalent to Remuneration Committee |
|-------------------------|--|--|
| Committee's Name | Human Resources and Compensation Committee | Human Resources and Compensation Committee |
| Total Committee Members | 4 | 4 |
| Full-time Members | 0 | 0 |
| Internal Directors | 1 | 1 |
| External Directors | 3 | 3 |
| External Experts | 0 | 0 |
| Other | 0 | 0 |
| Chair | External Director | External Director |

Supplementary Explanations

At a meeting of the Board of Directors held on June 26, 2019, the Company resolved to establish a Human Resources and Compensation Committee as a voluntary advisory body to the Board of Directors for the purposes of reinforcing the independence and objectivity of functions of the Board of Directors concerning nominations and remuneration of the Directors, Audit & Supervisory Board Members and Executive Officers.

Moreover, as of the submission date of this report, the committee is composed of four members: the President and Chief Executive Officer and three external Directors, and chaired by an independent external Director.

[Audit & Supervisory Board Members]

| | |
|---|-------------|
| Establishment of Audit & Supervisory Board | Established |
| Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation | 5 |
| Number of Audit & Supervisory Board Members | 4 |

Cooperation among Audit & Supervisory Board Members, Financial Auditor and Internal Auditors Office

The Audit & Supervisory Board Members have regular monthly meetings with the Internal Auditors Office, where they receive reports on the details of internal audits, including the audit policy, audit plan, and observations, and the status of progress of the internal audits, among other details. The Audit & Supervisory Board Members report on the details of the audit policy, audit plan, and audit activities of Audit & Supervisory Board Members, among other details. In addition, the Audit & Supervisory Board Members hold regular meetings with the Financial Auditor, where they explain their audit plans to one another and exchange opinions. In addition, the Audit & Supervisory Board Members receive an explanation from the Financial Auditor of the quarterly review report and the year-end audit report, among other items, and they exchange information as necessary. In addition, the Audit & Supervisory Board Members attend the Financial Auditor's audits of the Company and its subsidiaries to enable deeper cooperation. Moreover, the Internal Auditors Office coordinates with the audits conducted by the Financial Auditor and those conducted by the Audit & Supervisory Board Members to conduct efficient audits.

[Translation]

| | |
|---|-----------|
| Appointment of External Audit & Supervisory Board Members | Appointed |
| Number of External Audit & Supervisory Board Members | 2 |
| Number of Independent Auditors Designated From Among External Audit & Supervisory Board Members | 2 |

External Audit & Supervisory Board Members' Relationship With the Company (1)

Update

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|-----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Chie Hoshi | From another company | | | | | | | | | | | | | |
| Tomonari Kimura | From another company | | | | | | | △ | | | | | | |

* Categories for "Relationship with the Company"

* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
 "△" when the Audit & Supervisory Board Member fell under the category in the past

* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive person (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive Director or Accounting Advisor of the Company or its subsidiary

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

d. Audit & supervisory board member of the parent of the Company

e. Executive person of a fellow subsidiary of the Company

f. Party whose major business partner is the Company or an executive person thereof

g. Major business partner of the Company or an executive person thereof

h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides officer's remuneration

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

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

k. Executive person of a corporation to which external officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive person of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

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

Update

| Name | Independent Auditor | Supplementary Explanation of the Relationship | Reasons for Appointment |
|-----------------|---------------------|--|---|
| Chie Hoshi | ○ | — | Chie Hoshi has never been involved in the management of a company; however, she possesses specialist knowledge as well as broad knowledge and experience in business practice for corporate law as a lawyer over many years. Therefore, the Company has judged she will play the important role in the Company's audit from an independent standpoint and has appointed her as external Audit & Supervisory Board Member. Furthermore, since there is no special interest between her and the Company, the Company judges that there is no risk of a conflict of interest arising between her and ordinary shareholders and has designated her an independent Auditor. |
| Tomonari Kimura | ○ | Tomonari Kimura worked at Sumitomo Mitsui Banking Corporation until June 2014. | Tomonari Kimura has expertise and extensive experience in business management gained through many years of involvement in the operations of financial institutions, although he has not been directly involved in corporate management. Therefore, the Company believes that he will play the important role in the Company's audit from an independent standpoint and has appointed him as external Audit & Supervisory Board Member. Furthermore, since there is no special interest between him and the Company, the Company judges that there is no risk of a conflict of interest arising between him and ordinary shareholders and has designated him an independent Auditor. |

[Independent Directors/Auditors]

Number of Independent Directors/Auditors

4

Update

Matters Relating to Independent Directors/Auditors

■Qualities Required of External Officers

In addition to the criteria set out by the Companies Act and Tokyo Stock Exchange, Inc., the Company emphasizes having abundant experience and knowledge in corporate management or another area of expertise, and the following qualities that enable the active provision of advice and proposals regarding the Company's management issues and other matters in order to ensure soundness and transparency in management.

- (i) Understands diverse values and has abundant experience with ability to give active advice and proposals
- (ii) Has high level of knowledge in fields of high specialization such as law or accounting, or has expert knowledge of logistics business or global expansion, etc.
- (iii) Has high level of knowledge based on corporate management experience

■ Standards for the Independence of External Officers

If, as a result of an investigation by the Company to the extent reasonably possible, an external Director or an external Audit & Supervisory Board Member (hereinafter collectively referred to as "External Officer(s)") or a candidate for External Officer is judged not to fall under any of the following items in addition to the standards prescribed by the Companies Act and Tokyo Stock Exchange, Inc., the Company shall judge that the External Officer or the candidate for External Officer has independence from the Company.

1. A major business partner of the Group (Note 1) or an executive person thereof

[Translation]

2. A person whose major business partner is the Group (Note 2) or an executive person thereof
3. A consultant, accounting professional, or legal professional who receives a large amount (Note 3) of money or other property from the Group, in addition to officers' remuneration (in the case where a person who receives the said property is an organization such as a corporation or partnership, the person who belongs to the said organization)
4. A person who has received a large donation from the Group (Note 4) or a director or other executive persons of a corporation, partnership, etc.
5. A major shareholder of the Company (a person who directly or indirectly holds 10% or more of the total voting rights) or an executive person thereof (Note 5)
6. A person for whom the Group directly or indirectly holds 10% or more of the total voting rights or an executive person thereof
7. A person belonging to an auditing corporation that is a financial auditor of the Group
8. An executive director, executive, or executive officer of a corporation in which an Executive Director or Executive Officer of the Group serves as an executive person
9. A person who has fallen under any of 5. through 8. above in the past three years
10. In cases where a person who falls under any of 1. through 8. above is an important person (Note 6), the spouse or a relative within the second degree of kinship of such person.

- Notes:
1. A major business partner of the Group means a person who has made payments to the Group of 2% or more of the Company's annual consolidated net sales in the most recent business year, and a person who has financed the Group of 2% or more of the Company's consolidated total assets at the end of the most recent business year.
 2. A person for which the Group is a major business partner means a person that has received payments from the Group for 2% or more of the said person's annual consolidated net sales in the most recent business year.
 3. A large amount means, in the case of an individual, when the total amount of the said property excluding officer' remuneration received from the Group is 10 million yen or more per year in the most recent business year of the Company, and in the case of an organization such as a corporation or partnership, when the total amount of the said property received from the Group is 2% or more of the said organization's annual consolidated net sales or annual gross revenue in the most recent business year of the said organization.
 4. A large donation means, in the case of an individual, when the total amount of donation received from the Group is 10 million yen per year in the most recent business year of the Company, and in the case of an organization such as a corporation or partnership, when the total amount of donation received from the Group exceeded 2% of the said organization's annual consolidated net sales or annual gross revenue in the most recent business year of the said organization.
 5. An executive person means an executive director, executive, executive officer, or any other person or employee equivalent thereto of a corporation or any other organization.
 6. An important person means an executive director, executive, executive officer, or employee who executes the important business of a division manager, etc.

[Incentives]

| | |
|---|--|
| Implementation of Measures to Provide Incentives to Directors | Introduction of Performance-Linked Remuneration Plan, and others |
|---|--|

Supplementary Explanation

Stated in "Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof" under [Director Remuneration] below.

| | |
|-----------------------------|--|
| Recipients of Share Options | |
|-----------------------------|--|

Supplementary Explanation

[Translation]

[Director Remuneration]

| | |
|--|--------------------------|
| Disclosure of Individual Directors' Remuneration | No individual disclosure |
|--|--------------------------|

| |
|---------------------------|
| Supplementary Explanation |
|---------------------------|

The Company has disclosed the total amount of remuneration for the Director and Audit & Supervisory Board Member categories and the total amount of remuneration for external Directors and Audit & Supervisory Board Members.

| | |
|--|-----|
| Policy for Determining Remuneration Amounts or Calculation Methods Thereof | Yes |
|--|-----|

| |
|--|
| Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof |
|--|

At a meeting of the Board of Directors held on February 12, 2021, the Company resolved a determination policy for the contents of Directors' individual remuneration, etc., and at a meeting of the Board of Directors held on December 20, 2022, partially revised the determination policy. When making the resolution, the Board of Directors requested advice from the Human Resources and Compensation Committee regarding the resolution in advance and received a report from it.

Furthermore, with regard to Directors' individual remuneration, etc., for the fiscal year under review, the Board of Directors has confirmed that the determination method for the contents of remuneration, etc., and the determined contents of remuneration, etc., conform with the determination policy for the contents of Directors' individual remuneration, etc., and that the report from the Human Resources and Compensation Committee has been respected, and judges that the Directors' individual remuneration, etc. is in accordance with the determination policy.

The details of determination policy for contents of Director's individual remuneration, etc. are as follows:

[Basic Policy]

The Company has established the following basic policy to ensure its Director remuneration system supports our Corporate Philosophy (Our Mission), which reads, "We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust."

- The Director remuneration system must contribute to realizing the Corporate Philosophy (Our Mission)
- The Director remuneration system must aid in recruiting and retaining a talented management team intent on achieving our 2030 Vision
- The Director remuneration system must encourage a constant spirit of ambition to go beyond expectations
- The Director remuneration system must be designed to link remuneration closely to corporate earnings
- The Director remuneration system must continue to pay remuneration linked to share prices over the medium to long term
- The Director remuneration system must be designed to guarantee fairness and transparency, ensuring that officers are accountable to employees, shareholders, and other stakeholders

[Policy Regarding Basic Remuneration]

The Company's basic remuneration (monetary remuneration) for Directors shall be fixed monthly remuneration, determined by giving comprehensive consideration to levels at other companies in accordance with position and responsibility, the Company's performance, and the level of employee salaries.

[Policy Regarding Performance-Linked Remuneration and Non-monetary Remuneration, etc.]

- Performance-linked remuneration, etc.
To increase awareness of increasing business performance each fiscal year, cash remuneration that reflects performance indicators shall be paid at a set time each year as a bonus, in an amount calculated in accordance with the level of achievement of target values such as companywide performance and department performance, etc., for each fiscal year. The target performance indicators and their values, etc., shall be revised as necessary in accordance with changes in the business environment based on the report of the Human Resources and Compensation Committee.

[Translation]

- Non-monetary remuneration, etc.

This shall be restricted shares whose restriction shall be removed upon the retirement of the Directors, granted at a set time each year to Directors excluding external Directors. The total amount of monetary remuneration distributed for granting restricted shares shall be within 100 million yen per year, and the total number of the Company's common shares issued or disposed of as restricted shares shall be within 100,000 shares per year.

For Directors for whom granting restricted shares is difficult or not appropriate due to their status as non-residents (persons who reside outside of Japan), and so forth, the Company shall be able to forgo granting restricted shares and pay monetary remuneration or other remuneration instead.

[Policy Regarding Ratios of Remuneration, Etc.]

The ratio of remuneration by type for executive Directors is configured such that the weighting of performance-linked remuneration, etc., increases as the position of the Director becomes higher, and is discussed in the Human Resources and Compensation Committee based on remuneration levels benchmarked against companies with a similar business scale to the Company that belong to a related industry or business format. The Board of Directors respects the content of the report from the Human Resources and Compensation Committee and determines the contents of individual Directors' remuneration, etc., within the range of the ratio of remuneration by type indicated in the report. For executive Directors, the ratio of remuneration, etc. shall be determined by type for basic remuneration (monetary remuneration), bonuses (short-term incentive), and restricted share remuneration (long-term incentive), while for external Directors, it shall be only fixed remuneration, with the details to be deliberated by the Human Resources and Compensation Committee.

[Matters Relating to Delegation of Decision-Making for Remuneration, Etc.]

Remuneration amounts by individual shall be decided by resolution of the Board of Directors in accordance with the report received from the Human Resources and Compensation Committee. However, for determining individual remuneration amounts, the Board of Directors shall be able to delegate the specific contents to the Representative Director, President and Chief Executive Officer; and, having been delegated, the Representative Director, President and Chief Executive Officer must make the determination while respecting the contents of the report from the Human Resources and Compensation Committee.

[Matters Related to the Determination of Remuneration, Etc. Other than the Above]

Remuneration, etc. for Audit & Supervisory Board Members is determined by a consultation among the Audit & Supervisory Board Members within the range of the total amount for remuneration, etc., approved in advance by the General Meeting of Shareholders.

[Supporting System for External Directors and/or Audit & Supervisory Board Members]

To enable active expression of opinions in the Board of Directors meetings, Board of Directors meeting materials are dispatched at least five business days before the meetings, and prior explanations of proposal details are provided as necessary.

[Status of Persons Who Have Retired from a Position Such as Representative Director and President]

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

| Name | Title/Position | Responsibilities | Working Form and Conditions (Full-time/ Part-time, Paid/Unpaid, etc.) | Date of Retirement from Position Such as President | Term of Office |
|------|----------------|------------------|---|--|-------------------|
| — | — | — | — | — | — |

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

0

The Company has already abolished its counselor system.

However, it has an advisor system, in which advisors are appointed or dismissed by resolution of the Board of Directors.

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

The Company's Board of Directors has five Directors (including three external Directors) as of the filing date. As a rule, the Board of Directors meets regularly once each month and otherwise as deemed necessary. The Board of Directors makes decisions on basic management policy and important managerial matters, and makes efforts to strengthen functions of overseeing business execution. A Director's term of office is one year to enable quick response to changes in the business climate and to clarify Directors' management responsibilities in each business year. An executive officer system was also introduced to promote timely decision-making and smooth business executions. The Company has adopted a system of audit & supervisory board members. The Audit & Supervisory Board consists of four members, two of whom are external members. As a rule, the Audit & Supervisory Board meets monthly to strengthen auditing functions.

3. Reasons for Adoption of Current Corporate Governance Framework

The Company has a Board of Directors that includes three external Directors and an Audit & Supervisory Board that includes two external Audit & Supervisory Board Members. Each Audit & Supervisory Board Member conducts audits of the Board of Directors' decision making from an objective and neutral perspective, and by appointing multiple external Directors, who are able to supervise management from an independent third-party position, they strengthen the supervisory function over the business executive body. The Company has established the Human Resources and Compensation Committee as a voluntary advisory body to the Board of Directors in June 2019 for reinforcing the independence and objectivity of functions of the Board of Directors concerning nominations and remuneration of the Directors, Audit & Supervisory Board Members and Executive Officers. The Company has adopted the current system as it believes it can ensure management transparency and efficiency through the above initiatives.

[Translation]

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meetings of Shareholders and Smooth Exercise of Voting Rights

Update

| | Supplementary Explanations |
|---|---|
| Early Dispatch of Notices of General Meetings of Shareholders | For the 84th Annual General Meeting of Shareholders held on June 21, 2024, the Notice of the General Meeting of Shareholders was dispatched on June 3, 2024. |
| Scheduling General Meeting of Shareholders Avoiding the Peak Day | The Company avoids dates that are expected to have the highest concentration of general meetings of shareholders of other companies, and strives to set a date that enables many shareholders to attend. |
| Allowing Electronic or Magnetic Exercise of Voting Rights | Starting from the 76th Annual General Meeting of Shareholders held in 2016, the Company has adopted the exercise of voting rights by electronic method. |
| Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors | Starting from the 76th Annual General Meeting of Shareholders held in 2016, the Company has participated in an electronic voting platform operated by ICJ, Inc. |
| Provision of Notice of Convocation in English (Summary) | Starting from the 77th Annual General Meeting of Shareholders held in 2017, the Company has been posting English versions of the summary of the notice of convocation and the reference materials for the general meetings of shareholders on its English website. |
| Other | The Company posts matters subject to electronic provision of the general meeting of shareholders on its website and on the website of the Tokyo Stock Exchange ahead of the date for dispatching the notice of convocation of the general meeting of shareholders. At the 84th Annual General Meeting of Shareholders held on June 21, 2024, the Company posted this information on its website on May 29, 2024, before dispatching the notice of convocation. |

2. IR Activities

Update

| | Supplementary Explanations | Explanation by Representative |
|---|---|-------------------------------|
| Preparation and Publication of Disclosure Policy | We formulated IR information disclosure policy and have posted it on the Company's website. Reference URL: https://www.konoike.net/ir/finance/ir-release.html (in Japanese) | |
| Regular Investor Briefings for Individual Investors | The Company plans to provide investor briefings for individual investors as necessary. We also uses our website to disseminate information. | No |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds financial results meetings after the first half and the fiscal year-end for analysts and institutional investors. The presentations can be viewed on the day by live stream and by on-demand streaming. We also hold small meetings, and regular interviews by making or accepting individual visits, or by using telephone or the internet. In FY2023, we conducted a total of 125 meetings by telephone, internet, or face-to-face meetings. | Yes |

[Translation]

| | | |
|--|---|-----|
| Regular Investor Briefings for Overseas Investors | For overseas institutional investors, the Company participates in conferences held by securities companies and also conducts regular interviews by making or accepting individual visits, or by using the telephone or internet. In FY2023, we made one individual visit and conducted a total of 36 meetings by telephone, internet, or face-to-face meetings. | Yes |
| Posting of IR Materials on Website | <p>The Company posts various IR materials on its website. Reference URL: (in Japanese) https://www.konoike.net/ir/library/ (in English) https://www.konoike.net/en/ir/library/</p> <p>(Posted materials)</p> <ul style="list-style-type: none"> ● Consolidated Financial Results* ● Financial results meeting material (including scripts)* ● Q&A in financial results meeting* ● Important news releases, including timely disclosures ● Corporate Governance Report ● Integrated Report* ● Notice of the Annual General Meeting of Shareholders* ● Annual and Quarterly Securities Reports ● KONOIKE REPORT <p>*Posted in Japanese and English</p> | |
| Establishment of Department and/or Manager in Charge of IR | The Corporate Planning Department is the department assigned to IR. | |
| Other | The Company holds meetings by theme and observation tours of its facilities for analysts and institutional investors. | |

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanations |
|---|---|
| Provisions to Ensure Due Respect for Stakeholders in Internal Regulations, etc. | The Company has articulated its corporate philosophy as “We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.” It is promoting this corporate philosophy internally throughout the Group, including an attitude of respect for the positions of all stakeholders. Furthermore, information about our brand, including our corporate philosophy, is disclosed on our Company Website, “Group Brand Site” (https://www.konoike.net/brand/en/). Our relevant internal regulations also include provisions regarding respecting the positions of all stakeholders. |
| Implementation of Environmental Conservation Initiatives, CSR Activities, etc. | In its sustainability initiatives, the Company has formulated the Sustainability Basic Policy and built a sustainability promotion structure by establishing the Sustainability Committee under the Board of Directors. <ul style="list-style-type: none"> ■ Environmental conservation activities In its environmental initiatives, the Company has formulated the Basic Environmental Policy and built an Environmental Conservation System. <ul style="list-style-type: none"> ■ Safety and Quality The Company believes that ensuring safety, maintaining and improving quality, and improving performance are three equal factors in an important trinity. We strive to ensure safe operations and improve quality. <ul style="list-style-type: none"> ■ Social contribution activities In its biodiversity preservation activities, the Company expresses gratitude to the area through ongoing activities to transplant eelgrass to Osaka Bay and clean the Yodogawa riverbed. Details of these activities are disclosed on the Company’s website under “Sustainability” (https://www.konoike.net/en/sustainability/). |
| Formulation of Policies for Information Provision to Stakeholders | Article 7 of the Company’s Corporate Ethics Code stipulates that “The company will provide necessary and appropriate corporate information to stakeholders, including customers, business partners, shareholders, investors, and local community.” In accordance with this, we provide various information on our website (https://www.konoike.net/en/) to enable stakeholders to easily view the Group’s information. |

IV. Matters Related to Internal Control System

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

Basic Policies

The Company defines its Corporate Philosophy as “We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.” and sets forth the following basic guidelines in relation to the establishment of a system for ensuring proper operations of the Company and the Company’s subsidiaries (hereinafter the “Group”) pursuant to the Companies Act and the Regulation for Enforcement of the Companies Act.

1. Framework for promoting the internal control systems

The Company shall set up the Sustainability Committee and the following subcommittees under the organizational structure of the Sustainability Committee: Internal Control Subcommittee, Risk Management Subcommittee, Information Security Subcommittee, Compliance Subcommittee and Environment Subcommittee.

2. System to ensure that Directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation

- 1) Based on the Group’s important values of “respect for humanity and relationships of trust,” expressed in its Corporate Philosophy, and its Principle, the Company shall establish the Corporate Ethics Code to ensure that the execution of business by officers and employees complies with laws and regulations and the Articles of Incorporation.
- 2) To ensure thorough compliance with the Corporate Ethics Code and its practical operations, the Company shall conduct education and training of officers and employees, and also develop systems by such means as establishing the Operational Regulations on the KONOIKE Helpline and accordingly setting up the KONOIKE Helpline (the “Helpline”) with access available both inside and outside the Company.
- 3) The Company shall establish the Compliance Regulations, set up the Compliance Subcommittee, and take steps to build and promote the Group’s compliance system. One external expert shall be included in the members of the Compliance Subcommittee.
- 4) In accordance with the Regulations on Internal Audits, the Internal Auditors Office shall conduct internal audits on every division of the Company, in principle, following a predetermined audit plan. The results of these audits shall be reported to the President and Chief Executive Officer and to the Audit & Supervisory Board Members, and to the Board of Directors when necessary.
- 5) The Company shall endeavor to develop a system for severing relations with antisocial forces that pose a threat to public social order and safety, and for explicitly rejecting improper demands.

3. System for retention and management of information pertaining to execution of duties by Directors

- 1) Respective sectors in charge shall properly retain and manage documents such as minutes pertaining to duties of Directors and other such information in accordance with the Document Management Regulations and other internal regulations.
- 2) Directors and Audit & Supervisory Board Members may access such information at any time.
- 3) The Company shall engage in proper operations for handling, safekeeping and ensuring security of information. To that end, the Company shall develop the Basic Policy on Information Security and the Regulations on Information Security Management, and set up the Information Security Subcommittee to ensure thorough management of information.

4. Regulations and other systems for managing risk of loss

- 1) The Company shall take steps to develop and construct effective systems for risk management. To that end, on the basis of the Risk Management Regulations, the Company shall establish a basic policy and system for managing business risks, set up the Risk Management Subcommittee, and continuously carry out activities to prevent and constrain emergences of risks that could cause damage to corporate value and occurrences of crisis situations.
- 2) The Risk Management Subcommittee groups business risks into the three categories of: 1. business continuity risk, 2. asset integrity risk, and 3. business operation risk, sets two management levels (Company-wide risk and sector-level risk), and carries out proper risk management according to these categories and management levels.

[Translation]

- 3) The Company shall develop a crisis response manual and formulate Crisis Management Standards in relation to the Business Continuity Plan (BCP) and build a system that enables continuance of operations even in the event of a large disaster or accident, an incident involving impropriety, or other contingencies, and swift recovery and resumption of operations.
5. System to ensure that Directors execute their duties efficiently
 - 1) To ensure that Directors efficiently execute their duties, the Board of Directors shall rationally allocate duties of Directors and appropriately appoint Executive Officers.
 - 2) In principle, the Board of Directors shall hold meetings each month where, in accordance with the Rules on the Board of Directors, participants deliberate and make decisions on important matters of management, based on principles of business judgment and the obligation to act with due care of a good manager, and the status of executing duties and others shall be periodically reported. Moreover, the Company shall establish the Management Meeting Regulations, and accordingly set up the Management Meeting which is subordinate to the Board of Directors and meets periodically.
 - 3) The Company shall track results of medium-term management plans and fiscal year budgets formed at a meeting of the Board of Directors, on a monthly and quarterly basis, thereby verifying progress toward achieving such targets and reviewing respective plans and budgets.
6. System to ensure the properness of operations within the Corporate Group comprising the Company and its subsidiaries
 - 1) System for reporting to the Company on matters regarding execution of duties by Directors and others of subsidiaries
 - (1) The Regulations on Management of Subsidiaries and Associates shall stipulate rules on information sharing between the Company and its subsidiaries and for reporting on operations, and require periodic reporting to the Company regarding subsidiary operating results, financial status and other material information.
 - (2) Monthly debriefing sessions managed by each division shall be periodically held. Those attending shall strive to share important management information, and subsidiaries shall be required to report as necessary to the Company's Board of Directors or Directors in cases where a material event has occurred at the subsidiary.
 - 2) Regulations and other systems for managing risk of loss at subsidiaries
 - (1) The Group shall share the Risk Management Regulations formulated by the Company, and manage risk of the entire Group extensively and comprehensively through the Risk Management Subcommittee stipulated in the regulations.
 - (2) The Risk Management Subcommittee set up within the Company shall act as a body that oversees risk management for the Group. In that capacity, it shall discuss issues and measures pertaining to promotion of risk management across the entire Group.
 - (3) To prepare for contingencies and crisis situations, the Group shall develop a crisis response manual and formulate Crisis Management Standards in relation to the Business Continuity Plan (BCP) covering the entire Group, and widely disseminate it to Group officers and employees, as well as take steps to facilitate smooth business continuity throughout the Group.
 - 3) System to ensure that Directors and others of subsidiaries execute their duties efficiently
 - (1) The Group shall engage in business operations in accordance with duty allocation and authority explicitly set forth by internal regulations of respective companies, and take steps to bring about greater specialization and sophistication of operations through a system for effective division of labor. Through the system, it shall be allowed to delegate authority for duties according to level of importance, while improving agility of decision-making procedures.
 - (2) The Company shall formulate medium-term management plans and fiscal year budgets covering the entire Group. Formulating such plans and budgets shall involve work of compiling details using a proper combination of top-down efforts from management, and bottom-up efforts from the business sector.
 - (3) The Company shall strive to improve the efficiency of the execution of duties through the appropriate progress management of the medium-term management plans and fiscal year budgets that have been formulated.
 - 4) System to ensure that directors, other executives and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation
 - (1) The Company shall establish the Corporate Ethics Code and prepare the Corporate/Quality Handbook, which will be widely disseminated to all officers and employees of the Group.

[Translation]

- (2) The Company shall endeavor to assign Audit & Supervisory Board Members and compliance promotion officers to respective companies of the Group, in numbers appropriate to the size, type of business and other attributes of such companies.
- (3) The Company shall provide officers and employees of the Group with periodic training on matters such as legal and regulatory compliance, and take steps to foster awareness of compliance issues.
- (4) The Company's Internal Auditors Office shall conduct internal audits of respective Group companies annually in principle, on the basis of the Regulations on Internal Audits and the Regulations on Management of Subsidiaries and Associates.
- (5) The Company shall set up and operate the Helpline which can be accessed by respective Group companies.
- (6) Each overseas operating base of the Group shall secure business partners with whom they may seek consultation and advice as necessary on matters of local law, accounting and tax practices, in their efforts to develop and operate compliance systems.
- (7) Respective Group companies shall endeavor to develop systems for the exclusion of any relationship with antisocial forces, on the basis of the Basic Policy for Preventing Damage Caused by Antisocial Forces.
7. Matters in regard to ensuring that employees who are to assist duties of Audit & Supervisory Board Members remain independent of Directors, and ensuring that directions provided to such employees are effective
 - 1) The Company shall ensure Audit & Supervisory Board Members are provided with assistance for their duties. To that end, the Company shall establish the Auditing Office under Audit & Supervisory Board, and assign employees tasked solely with assisting Audit & Supervisory Board Member with his or her duties to the Auditing Office at all times.
 - 2) The Company shall seek the opinion of Audit & Supervisory Board Members when making personnel decisions regarding Audit & Supervisory Board Member assistants.
 - 3) The Company shall specify rights to give instructions and orders to employees who assist Audit & Supervisory Board Member in the Audit & Supervisory Board Members' Auditing Standards.
8. System for reporting to the Company's Audit & Supervisory Board Members
 - 1) Officers and employees of the Group shall report promptly and appropriately when the Company's Audit & Supervisory Board Members ask them to report on matters relating to execution of business.
 - 2) The Company's officers and employees shall report to the Company's Audit & Supervisory Board Members or Audit & Supervisory Board immediately if they discover any violation of laws or regulations, or if they otherwise become aware of a development that could cause significant damage to the Company or any subsidiary of the Company.
 - 3) Respective oversight departments or sections responsible for the Company's internal control, internal audits, compliance and risk management shall report to the Company's Audit & Supervisory Board Members on the status of matters such as internal control, internal audits, compliance and risk management of the Group, periodically or when necessary, as appropriate and without delay.
 - 4) The department or section overseeing the Helpline in the Group shall periodically report to the Company's Audit & Supervisory Board Member regarding the status of whistleblowing by Group officers and employees.
9. System to ensure that whistleblowers are not subject to disadvantageous treatment for reporting matters to Audit & Supervisory Board Members
 - 1) In the Audit & Supervisory Board Members' Auditing Standards, the Company shall prohibit disadvantageous treatment of Group officers or employees for reporting a matter to a Group's Audit & Supervisory Board Member, and widely disseminate the rule to Group officers and employees.
 - 2) On the basis of the Operational Regulations on the KONOIKE Helpline, the department or section overseeing the Helpline shall promptly report relevant details of whistleblowing to an Audit & Supervisory Board Member of the Company if they receive a report from a Group officer or employee either pertaining to a material development involving the violation of laws or regulations, the Articles of Incorporation or internal regulations, or otherwise pertaining to a material issue involving compliance. Moreover, the Company shall explicitly prohibit any dismissal or other disadvantageous treatment of individuals only for such whistleblowing.
10. Matters concerning policies related to procedures for advance payment or redemption of expenses relevant to the execution of Audit & Supervisory Board Members' duties, or other accounting of expenses or liabilities incurred in connection with such execution of duties, and systems to ensure that Audit & Supervisory Board Members perform audits effectively
 - 1) The Company shall promptly handle expenses and liabilities such that have been incurred by an Audit & Supervisory Board Member in executing his or her duties, in cases where a request is made to the Company such as for advance payment of expenses in accordance with Article 388 of the Companies Act, and

[Translation]

whereby, after deliberations at the department or section responsible, except for the case where it is deemed that the expense or liability pertaining to such request is clearly not necessary for the Audit & Supervisory Board Member to execute his or her duties.

- 2) The Company shall cover expenses in cases where a request is made by the Audit & Supervisory Board to bring in an independent external expert such as an attorney at law or certified public accountant to act as an advisor to an Audit & Supervisory Board Member, except for the case where it is deemed that doing so is clearly not necessary for the Audit & Supervisory Board Member to execute his or her duties.
- 3) The Company shall set a fixed annual budget for defraying expenses and other outlays incurred in the execution of Audit & Supervisory Board Members' duties.
- 4) Audit & Supervisory Board Members shall ensure audit effectiveness by endeavoring to maintain a liaison with the Internal Auditors Office and the financial auditor, taking part in periodic meetings, holding briefings for mutually presenting audit findings, and sharing information as necessary.

[Translation]

2. Basic Views on Eliminating Antisocial Forces and Progress of Related Efforts

The Company formulated a Basic Policy for Prevention of Harm from Antisocial Forces at its regular Board of Directors meeting held on May 27, 2008, and makes revisions to the policy as necessary. The basic policy is as follows.

- (1) The Company shall resolutely refuse relationships with antisocial forces and establish written ground for doing so in its Corporate Ethics Code.
- (2) The entire organization shall respond to unjustified demands from any group or individual, including antisocial forces, and not leave such responses solely to the individual or department in charge.
- (3) The Company shall ensure the safety of employees responding to unjustified demands from any group or individual, including antisocial forces.
- (4) The Company shall strive to establish close links with the police, the National Center for Removal of Criminal Organizations, lawyers, and other external specialist organizations at all times, to be prepared for unjustified demands from any group or individual, including antisocial forces.
- (5) The Company shall refuse all relationships with antisocial forces, including trading relationships. The Company shall reject unjustified demands from antisocial forces.
- (6) The Company shall deal with unjustified demands from any group or individual, including antisocial forces by taking both civil and criminal legal action.
- (7) Even if unjustified demands from any group or individual, including antisocial forces are caused by misconduct in business activities or by employees, the Company shall not conduct unofficial transactions in a bid to conceal the matter.
- (8) The Company shall absolutely not provide funds or other property-related benefits to antisocial forces.

Moreover, the Company shall make timely and appropriate checks on its business partners and others.

[Translation]

V. Other

1. Adoption of Anti-Takeover Measures

| | |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not adopted |
| Supplementary Explanation | |

2. Other Matters Concerning Corporate Governance System

1. Basic Policy on Disclosure

When information arises in relation to decisions, occurrences, and financial results that has an impact on the investment decisions of shareholders and investors, the Company conducts disclosures in accordance with the timely disclosure rules and other rules stipulated by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange.

Moreover, even if information does not correspond to the timely disclosure rules and other rules, if it is deemed necessary for shareholders and investors to understand the Company, the Company also strives to disclose such information promptly and proactively, with attention to publicity and continuity.

2. Internal Systems for Timely Disclosure of Company Information

(1) The Company's company information follows a basic flow from each responsible division to the person in charge of internal information management, before being passed to the person responsible for disclosure (the Executive General Manager of either of the Finance/Accounting Division, the Corporate Planning Division, and the General Affairs Division). Where necessary, a Disclosure Committee is convened to deliberate whether company information needs to be disclosed.

(2) Procedures for different types of information are as follows. When preparing disclosures, the Company receives the guidance of an advising lawyer where necessary and strives to ensure correct information is disclosed.

a. Information related to determined facts

The General Affairs Department and Accounting Department lead the gathering of information and obtain approval from the Board of Directors and others regarding the information that requires disclosure, and then the person responsible for disclosure promptly discloses it.

b. Information related to occurring facts

General Manager of each division (internal information manager) gathers information, communicates information that requires disclosure to the person responsible for disclosure, and obtains approval from the President and Chief Executive Officer, and then the person responsible for disclosure promptly discloses it.

c. Information related to financial results

The Accounting Department leads the gathering of information and obtains approval from the Board of Directors and others regarding the company information that requires disclosure, and then the person responsible for disclosure promptly discloses it.

3. Methods of timely disclosure

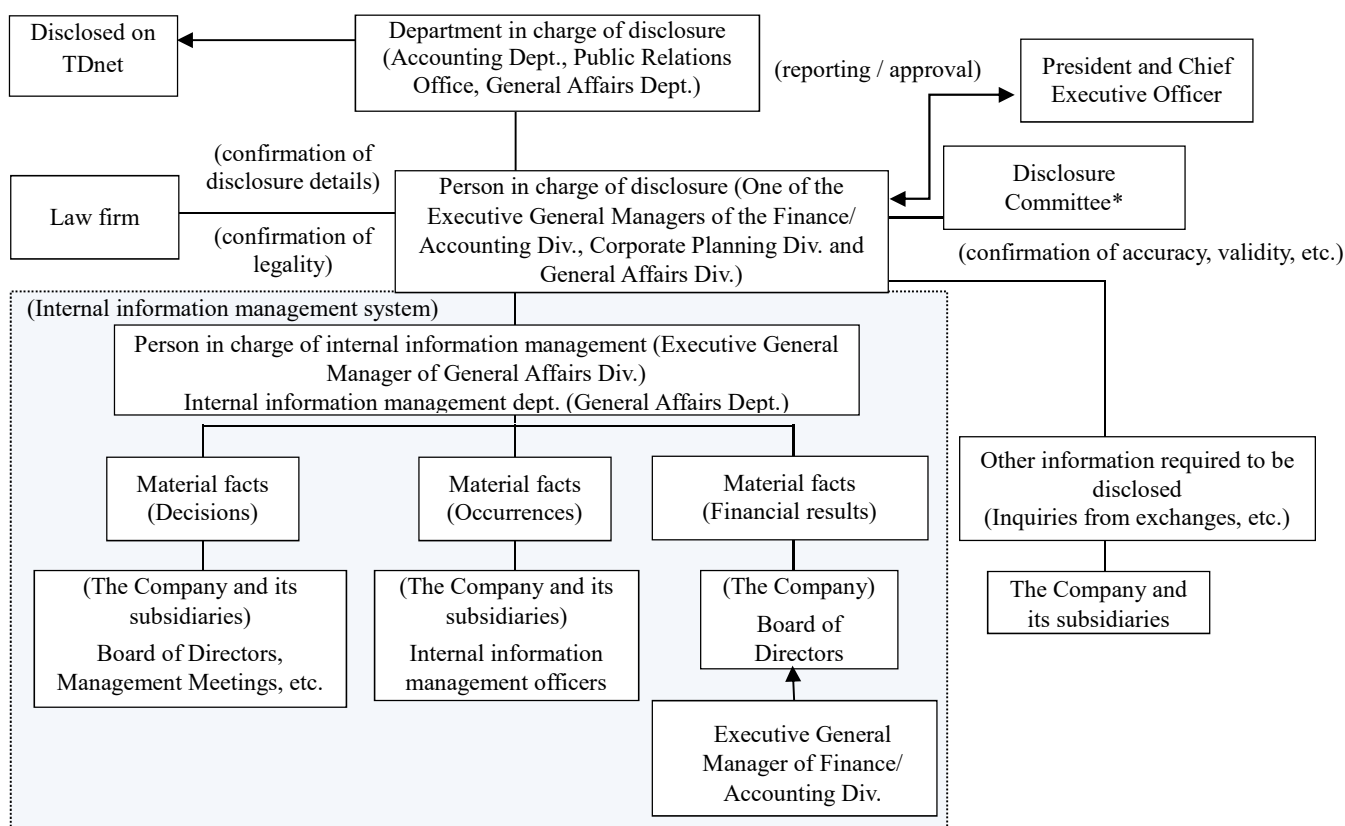
When timely disclosure is necessary, it is announced without delay following the decision or occurrence via the Timely Disclosure Network (TDnet). The Company strives to promptly post information disclosed via TDnet on its website.

4. Monitoring of timely disclosures

The Internal Auditors Office conducts audits and the Audit & Supervisory Board Members also conduct audits to check that the Company's timely disclosure system is functioning appropriately.

[Translation]

(Overall diagram of timely disclosure system, internal information management system, and system for reporting to the Tokyo Stock Exchange)



* Members of the Disclosure Committee: the officer in charge of Corporate Dept. (chair), each Executive General Manager of Finance/Accounting Div., Corporate Planning Div. and General Affairs Div., and the secretariat (Accounting Dept., Public Relations Office and General Affairs Dept.)