Corporate Governance Report

Last Update: June 28, 2024

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

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

1. Basic Views

1. Basic philosophy
As a listed company, the Company believes that the basis of corporate governance is to ensure management transparency for shareholders and other stakeholders, and to aim for continuous growth and development by improving management efficiency.

Corporate philosophy
(1) Management philosophy
<The Sankyu Group's promise to the world>
With the guiding principle of valuing people, Sankyu will establish a presence that is indispensable to its customers. The Sankyu Group will contribute to the improvement of employee welfare and the development of society through its business growth.

(2) Management objectives
<The management's promise to the world, Sankyu's customers, and each and every one of its employees, for achieving the management philosophy>
- We will contribute to the sustainable development of society as people living together on this planet.
- We will provide the highest value in line with the evolution of technology.
- We will value the wisdom and effort of our front-line employees and nurture people who can maximize that value.

(3) Code of conduct – For actions based on morals and ethics
<Promise that each and every employee makes to the world and the company as a guideline for daily actions>
- We will put safety first in everything that we do.
- We will act based on compliance.
- We will act globally, correctly understanding cultures, religions, and values.
- We will proactively work on protecting the global environment.
- We will carry out work that impress the world.
- We will take pride and responsibility in our work.
- We will respect each other and grow together.
- We will aim to be a company where outstanding people grow.
- We will continue to be a strong company, by concentrating efforts in the field.

2. Systems for decision-making, execution of business, oversight, and auditing in corporate management
(1) In order to ensure that Directors execute their duties efficiently, the Company shall hold regular meetings of the Board of Directors each month, as well as extraordinary meetings when necessary, to decide on important matters and mutually supervise the business execution status of Directors. In addition, important matters regarding items such as management policies and strategies are discussed at the Management Committee, and the Board of Directors makes executive decisions after these deliberations. The Company has adopted a corporate officer system to promote the separation of oversight and execution, as well as to enhance the oversight function of the Board of Directors over business execution and speed up its decision-making process.

(2) The Company has adopted an audit & supervisory board member system. Audit & Supervisory Board Members attend meetings of the Board of Directors and the Management Committee, as well as other important meetings, receive reports from Directors, Corporate Officers, and employees, and investigate the status of the Company's business and assets, as necessary. In addition, Audit & Supervisory Board Members are able to take necessary measures in a timely manner, such as presenting opinions, including advice and recommendations, to the Directors, etc., and prohibiting Directors from committing violations.

(3) With regard to the internal audit, the Internal Audit Department audits the business, accounting, etc. of business sections and subsidiaries based on the annual internal audit plan, in accordance with the Audit Regulations. The results of the internal audit are reported to the Audit & Supervisory Board Members, facilitating cooperation with the Audit & Supervisory Board Members.

(4) With regard to the accounting audit, the Company has appointed Deloitte Touche Tohmatsu LLC as its Accounting Auditor, and the Accounting Auditor executes the audit work based on the annual audit plan.

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

[Supplementary Principle 2.4.1] Information disclosure on matters related to ensuring diversity of core human resources
The Company secures human resources through regular and midcareer hiring of employees including women and foreign nationals to address the declining birth rate and aging population in Japan as well as the global expansion of business.
The Company works on developing employees who can generate corporate value and self-actualize, in accordance with the Basic Policy on Human Resource Development.
To ensure diversity, the Company plans to increase the percentage of female managers to 9.5% in its Medium-Term Management Plan 2026 and to 11% in Vision2030.
Going forward, the Company will establish goals for securing and developing diverse human resources, including foreign nationals and mid-career hires, and disclose the status thereof as well as the information concerning human capital.

[Supplementary Principle 4.2.1] Setting appropriate proportions of performance-linked remuneration and stock-based remuneration
The Company has a remuneration system that consists of basic remuneration and a bonus based on comprehensive consideration of single-year results, within the scope of remuneration determined by the General Meeting of Shareholders, and it functions as a short-term incentive.
To further enhance this incentive function, the Board of Directors will actively use the voluntary Remuneration Committee to consider the introduction of a remuneration system linked to its medium- to long-term results and the balance of cash remuneration and stock remuneration.

[Disclosure Based on the Principles of the Corporate Governance Code] UPDATED

[Principle 1.4] Cross-shareholdings
<Basic policy on cross-shareholdings>
While the Company holds cross-shareholdings of other companies that are deemed rational in light of the impact on the medium- to long-term improvement of corporate value and business operations, the Board of

Directors specifically examines, annually, each cross-shareholding in terms of its economic rationality, benefits, risk as an asset, whether it covers the cost of capital, and other factors, in order to assess whether or not to hold the shares.
The Company sells or otherwise reduces the number of shares which it has deemed not necessary to continue holding.

<Standards for exercising voting rights on cross-shareholdings>
When exercising voting rights on cross-shareholdings, the Company determines approval or disapproval of proposals upon appropriate examination of each proposal.

[Principle 1.7] Related party transactions
The Company's corporate rules, the Regulations of the Board of Directors, stipulate that approval on competing transactions by Directors, as well as approval on transactions between the Company and its Directors, are matters that require a resolution by the Board of Directors.
These regulations also prescribe that, with regard to resolutions by the Board of Directors, Directors with special interests may not participate in the resolutions, and that any Director who has conducted a competing transaction or a transaction with the Company shall be required to report to the Board of Directors the material facts about the transaction.

[Principle 2.6] Roles of corporate pension funds as asset owners
In order to ensure the proper management of the corporate pension plan, the Company has formulated a basic policy at its Management Committee, which is a business execution body, and has established an Asset Management Committee to determine a medium-term portfolio and discuss, review, and make proposals on asset management.
In order to maximize the benefit of corporate pension beneficiaries, the Asset Management Committee conducts evaluation and monitoring, including stewardship activities for each asset manager, and periodically reports to the Management Committee.
In addition, the Company carries out appropriate pension management to prevent conflicts of interest between the corporate pension beneficiaries and the Company.
Furthermore, a committee secretariat is staffed with specialist finance and labor relations personnel. The expertise of these personnel is enhanced through participation in training sessions, various seminars, etc., in coordination with financial institutions.

[Principle 3.1] Full disclosure
In addition to making information disclosure in compliance with relevant laws and regulations, the Company discloses and provides the following information, in order to enhance transparency and fairness in its decision-making and ensure effective corporate governance.

(1) The following information on the Company's objectives, management strategies, and management plans is disclosed on the Company's website. (Please refer to the following URL.)
<In Japanese>
● Medium-term management plans/Long-term visions:
https://www.sankyu.co.jp/ir/plan.html
<In English>
● Medium-Term Management Plan/Long Term Vision
https://www.sankyu.co.jp/en/ir/midplan.html

(2) As a listed company, the Company believes that the basis of corporate governance is to ensure management transparency for shareholders and other stakeholders, and to aim for continuous growth and development by improving management efficiency.
<In Japanese>
● Corporate governance:
https://www.sankyu.co.jp/ir/governance.html
<In English>
● Corporate governance:
https://www.sankyu.co.jp/en/ir/governance.html

(3) Policies and procedures for the Board of Directors in determining the remuneration for senior management and Directors are as follows:
<Policy>
The Company has stipulated a policy on determining the amounts of remuneration, etc. for Directors. The Company determines the remuneration for Directors and Audit & Supervisory Board Members commensurate with their positions and responsibilities, taking into consideration social trends on remuneration for Directors, the performance of the Company, balance with employee salaries, and other factors that should be taken into consideration when determining the level of remuneration. This basic policy has been resolved by the Board of Directors.
<Procedure>
Remuneration for Directors consists of basic remuneration and a bonus. The basic remuneration is paid monthly based on each position. On the other hand, the bonus is paid based on performance. As for the method for calculating the bonus, the amount of bonus is determined by multiplying the amount of the Company's ordinary profit for the relevant fiscal year being the total outcome of the business operation by a coefficient for each position.
The amount of remuneration for the Company's Directors shall be resolved at the Board of Directors' meeting within an amount not exceeding the maximum amount of remuneration resolved at the General Meeting of Shareholders.
The details of remuneration, etc. for each individual Director are resolved by the Board of Directors, following deliberation by the voluntary Remuneration Committee, the majority of which is composed of Independent External Directors. Therefore, the Company believes that such details are appropriate.

(4) The Board of Directors selects the most suitable persons for the positions of Director or Audit & Supervisory Board Member on each occasion, based on a comprehensive assessment of the candidate's background, character, capabilities, insight, and other factors, following deliberation by the voluntary Nomination Committee for Directors and following consent by the Audit & Supervisory Board for Audit & Supervisory Board Members, and nominates the candidates to be proposed to the General Meeting of Shareholders.
The selection of senior management is conducted following deliberation by the Nomination Committee and upon adequate discussion in the Board of Directors about the granting of representative rights and other matters.

(5) The Company discloses matters resolved regarding the selection of senior management in timely disclosure statements.
In addition, the reasons for the nomination of individual candidates for Directors and Audit & Supervisory Board Members are explained in the Reference Documents for the General Meeting of Shareholders.

[Supplementary Principle 3.1.3] Information disclosure on sustainability and investments
(i) Initiatives for sustainability
The Company has formulated the Basic Policy on Sustainability to contribute to solving social issues through its business activities, aiming to achieve sustainable development for both companies and society. The Company will identify the materiality issues and promote efforts to address these issues in the Sustainability Committee.
In particular, as a company listed on the Prime Market, the Company considers the impact of climate change on its business activities and revenues in line with the TCFD framework. The Company identifies risks and opportunities and publishes the details on its website.
<In Japanese> https://www.sankyu.co.jp/society/
<In English> https://www.sankyu.co.jp/en/society/

(ii) Investments in human capital and intellectual properties, etc.
As the services in logistics and plant engineering offered by the Company are powered by people, the Company recognizes that securing and developing human resources is the most important issue and actively invests in it.
Driven by the corporate philosophy of "valuing people," the Company actively engages in activities and capital investments to create a safe workplace environment. The Company will further develop an environment in which diverse human resources including the elderly, women, and foreign nationals can work more safely and comfortably.

The Company secures and develops human resources on a global scale to maintain and expand its capability to “mobilizing workforce” in and outside Japan. The Company will establish a system that can flexibly accommodate the changing business environment and customer needs by appropriately placing highly skilled human resources with strong expertise in the right positions, in an effort to increase the mobility of human resources across borders.
The Company will work on securing intellectual property rights such as patent rights arising from work and technological improvements and actively make investments to enhance its competitiveness.

[Supplementary Principle 4.1.1] Scope of the matters delegated to the management
The Board of Directors is responsible for deciding on matters that are legally required to be resolved by the Board of Directors, such as disposal and transfer of important assets, appointment and dismissal of important employees, and establishment, revision, and abolition of important organizations, as well as for mutually supervising the business execution status of Directors.
The abovementioned matters to be resolved are specifically set forth in the Regulations of the Board of Directors, which are the Company’s corporate rules. Decision-making on other matters is delegated to the President and other Executive Directors, based on the Company’s corporate rules, which also stipulate the scope of decision-making by contents and the monetary amount of each case.
As for execution after a decision has been made, the Company has adopted a corporate officer system to promote the separation of oversight and execution, as well as to enhance the oversight function of the Board of Directors over business execution and speed up its decision-making process, in an effort to ensure efficient execution of business.

[Principle 4.9] Independence standards and qualification for Independent Directors
When appointing Independent External Directors, the Company appoints candidates for Independent External Directors in accordance with the independence standards established by the Tokyo Stock Exchange, taking into account their personal, business, and capital relationships with the Company, as well as other interests in the Company, in order to ensure their independence.
The Company endeavors to select candidates for the position of Independent External Director who are capable of fulfilling their roles and responsibilities to contribute to the Company’s sustainable growth and improvement of corporate value, based on a comprehensive assessment of their backgrounds, characters, capabilities, insights, and other factors, following deliberation by the voluntary Nomination Committee.

[Supplementary Principle 4.10.1] Use of optional approach
The Company is a company with an audit & supervisory board, and in light of the fact that Independent External Directors do not compose a majority of the Board of Directors, the Company has established voluntary, independent Nomination Committee and Remuneration Committee under the Board of Directors. Independent External Directors shall comprise a majority of these committees, which shall be chaired by an Independent External Director to ensure their independence and objectivity.
The Nomination Committee will deliberate on matters including the appropriateness of policies and other matters concerning nomination and of appointment and dismissal criteria, the composition of the Board of Directors (qualities, skills, diversity, and other attributes required of Directors), the appointment and dismissal of Directors, and succession plans. The Remuneration Committee will deliberate on the appropriateness of decision policies and other matters concerning remuneration, etc. and on decisions on remuneration, etc. of individual Directors.

[Supplementary Principle 4.11.1] Stance toward the balance, diversity, and scale for the Board of Directors
It is the policy of the Board of Directors to identify knowledge, experience, skills, etc. that should be possessed by Directors in light of the Company’s management strategies, based on the reports of the voluntary Nomination Committee, and to ensure a balance of knowledge, experience, and capabilities, diversity, and size of the Board of Directors as a whole, and the Company prepares a skills matrix that lists these factors. In the Reference Documents for the General Meeting of Shareholders at the time of the appointment of Directors, the Company reports that the Board of Directors comprises a mix of skills and competencies appropriate for the management environment and business characteristics, among other factors, based on the above policy.
Furthermore, Independent External Directors should include individuals with deep insight who can be expected to provide valuable opinions and suggestions on the Company’s management and who have management experience at other companies.

[Supplementary Principle 4.11.2] Concurrent positions of officers serving concurrently as an officer of another listed company
Directors and Audit & Supervisory Board Members perform their duties while ensuring that they can devote the sufficient time and effort required to fulfill their roles and responsibilities.
The concurrent positions of the Company's Directors and Audit & Supervisory Board Members are stated in the Notice of the General Meeting of Shareholders and the Annual Securities Report.

[Supplementary Principle 4.11.3] Analysis and evaluation on the effectiveness of the Board of Directors as a whole
To realize its own vision and form of management, the Company's Board of Directors, through analysis and evaluation of its effectiveness and discussions for the identification and solution of issues, aims at further strengthening the functions of the Board of Directors.
The evaluation method takes the form of a questionnaire survey conducted on the members of the Board of Directors (Directors and Audit & Supervisory Board Members).
An overview of the evaluation of the effectiveness of the Board of Directors meetings conducted in FY2023 is provided below.

(1) Details of survey
- Period subject to evaluation: Board of Directors meetings held from February 2023 to December 2023
- Evaluators: All Directors and Audit & Supervisory Board Members (14 persons as of December 2023)
- Survey period: December 2023 to January 2024
- Matters evaluated: Composition, operation, structure, and the meeting agenda of the Board of Directors

(2) Overview of evaluation results
- General evaluation
  As a result of the analysis and evaluation of the tallied questionnaire results, it was determined that the effectiveness of the Company's Board of Directors has been ensured.
- Recognition of issues and future action
  Based on this evaluation, the issues to be addressed for the further improvement of the effectiveness of the Board of Directors and the initiatives to address them are as follows:

(i) Issues concerning the provision, etc. of training opportunities for Directors and Audit & Supervisory Board Members
In FY2023, on-site tours and various training sessions were provided to newly appointed Directors/Audit & Supervisory Board Members and External Directors/Audit & Supervisory Board Members in order to deepen their understanding of the Company's business.
Going forward, the Company intends to provide more opportunities to get information on corporate management that leads to further improvement of corporate value and information that enables them to respond flexibly to changes in the capital market.

(ii) Issues concerning risk management
In accordance with the Risk Management Regulations, the current Board of Directors supervises the status of risk management implementation in order to prevent situations that may threaten the continuity of the Company's business by identifying and assessing risks that may materialize and by taking appropriate measures. Meanwhile, for the purpose of addressing new risks that may occur due to various changes in the environment, the Risk Management Committee, which was established last year, discusses issues in depth and reports them to the Board of Directors.

[Supplementary Principle 4.14.2] Policy on training for Directors and Audit & Supervisory Board Members
The Company provides its newly appointed External Directors/Audit & Supervisory Board Members with briefings on its business, a tour of the offices and facilities, and other opportunities to deepen their understanding of its business upon their appointment, as well as training opportunities when necessary during their term of office.
The Company also offers its Internal Directors/Audit & Supervisory Board Members with opportunities to acquire knowledge required of officers by hosting lectures inviting external experts as speakers, allowing them to attend a range of seminars, among others.

[Principle 5.1] Policies for constructive dialogue with shareholders

The Company considers dialogue with shareholders and investors to be instrumental in ensuring the appropriate evaluation of and trust in the Company, as well as contributive to the sustainable growth and improvement of corporate value over the medium- to long-term.
To accommodate requests for interviews from shareholders and investors, the Company has put in place a system to promote constructive dialogue, with Public Relations & IR Group, Corporate Planning Department serving as the contact points.
The Company voluntarily makes proactive efforts to provide opportunities for dialogue with analysts and institutional investors, such as financial results briefings, overseas IR activities, and on-site briefings. The Company strives to appropriately reflect the opinions gained through the dialogue in its corporate activities.
Going forward, the Board of Directors will enhance its initiatives concerning disclosure.

[Initiatives toward the realization of management mindful of the cost of capital and the share price] [Disclosure available in English]
In Vision2030, the Company has emphasized business portfolio management and rebuilding as one of the three policies of the Long-Term Management Strategy. The Company will aim to enhance business administration to support sustainable growth. In preparation for future changes in the business environment, the Company will manage human resources and investments appropriately while building mechanisms to optimize the allocation of management resources.
In the Medium-Term Management Plan 2026, the Company highlighted as its capital policy that, while emphasizing capital efficiency, it will achieve sustainable growth and maximization of corporate value. While ensuring financial soundness and stability based on the stable generation of operating cash flow, the Company will make effective use of debt and increase investments in growth and shareholder returns. As indicators, the Company has taken into account capital efficiency and set a target for return on equity (ROE) at the 10% level and a target for return on invested capital (ROIC) at the 8% level. In addition, with a view to building the optimal capital structure and further enhancing shareholder returns, the Company set a target for the dividend payout ratio at the 40% level and a target for the total return ratio, the ratio of total distribution, including share buybacks, for the four years of the Plan at the 70% level.

Please access the URLs provided below for related documents.
<In Japanese>
● Medium-Term Management Plan/Vision2030:
https://www.sankyu.co.jp/ir/plan.html
● IR/Financial Results Presentation:
https://www.sankyu.co.jp/ir/data.html
● Integrated Report:
https://www.sankyu.co.jp/ir/integrated_report.html
<In English>
● Medium-Term Management Plan/Long-Term Vision
https://www.sankyu.co.jp/en/ir/plan.html
● News/Financial Results Presentation
https://www.sankyu.co.jp/en/news/
● Integrated Report
https://www.sankyu.co.jp/en/ir/integrated_report.html

2. Capital Structure

Foreign Shareholding Ratio	30% or more

[Status of Major Shareholders] **UPDATED**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	8,276,600	13.40
Custody Bank of Japan, Ltd. (Trust account)	4,447,100	7.20
NIPPON STEEL CORPORATION	2,061,280	3.33
Nibiki Scholarship Foundation	1,960,000	3.17
Sankyu Employee Shareholdings Association	1,539,282	2.49
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,511,100	2.44
Mizuho Bank, Ltd.	1,212,024	1.96
Meiji Yasuda Life Insurance Company	1,200,000	1.94
SSBTC CLIENT OMNIBUS ACCOUNT	1,155,747	1.87
JP MORGAN CHASE BANK 385632	1,004,235	1.62

Controlling Shareholder (except for Parent Company)	―
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market Fukuoka Stock Exchange, Existing Market
Fiscal Year-End	March
Type of Business	Land transportation
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

The Company does not have a parent company or listed subsidiaries.

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

1. Organizational Composition and Operation

Organization Form	Company with the Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation UPDATED	1 year
Chairperson of the Board	Company Chairperson (excluding cases in which he/she concurrently serves as President)
Number of Directors UPDATED	11
Appointment of External Directors	Appointed
Number of External Directors UPDATED	5
Number of Independent Directors UPDATED	5

External Directors' Relationship with the Company (1) UPDATED

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Terukazu Okahashi	From another company								△			
Makoto Ogawa	Other											
Naoko Saiki	Other											
Akira Takada	From another company								△			
Toru Ishida	Other											

* 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 of the Company or its subsidiaries
b. Non-executive Director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
i. Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
k. Others

External Directors' Relationship with the Company (2) UPDATED

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Terukazu Okahashi	○	Although Mr. Terukazu Okahashi is a former employee of the Company's business partner, MITSUI & CO., LTD., he retired from the company in March 2011. In addition, the transaction record with the company is approximately 0.08% of consolidated net sales for the most recent fiscal year. Therefore, the Company believes that his independence has been ensured and that there is no risk of affecting the judgment of shareholders and investors.	The Company has appointed him as an External Director because he has abundant experience and excellent insights as a corporate manager, and is expected to provide valuable opinions and suggestions on the Company's management as an External Director. In addition, the Company has designated him as an Independent Director as he does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the Company believes that there is no risk of conflicts of interest between him and general shareholders.
Makoto Ogawa	○	―	The Company has appointed him as an External Director because he has abundant experience and excellent insights, having been engaged in labor administration at the Ministry of Health, Labour and Welfare, and is expected to provide valuable opinions and suggestions on the Company's management as an External Director. In addition, the Company has designated him as an Independent Director as he does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the Company believes that there is no risk of conflicts of interest between him and general shareholders.
Naoko Saiki	○	―	The Company has appointed her as an External Director because she has abundant experience and excellent insights, having been engaged in diplomatic administration at the Ministry of Foreign Affairs, and is expected to provide valuable opinions and suggestions on the Company's management as an External Director. In addition, the Company has designated her as an Independent Director as she does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the

			Company believes that there is no risk of conflicts of interest between her and general shareholders.
Akira Takada	○	Although Mr. Akira Takada is a former employee of the Company's business partner, Nomura Securities Co., Ltd., he retired from the company in March 2012. In addition, there was a transaction of acquisition of treasury stock with the company in the most recent fiscal year, the amount of which is less than 0.001% of consolidated cost of sales. Therefore, the Company believes that his independence has been ensured and that there is no risk of affecting the judgment of shareholders and investors.	The Company has appointed him as an External Director because he has abundant experience and excellent insights as a corporate manager, in addition to extensive experience as a consultant in building relationships between issuer firms and capital market or investors, and is expected to provide valuable opinions and suggestions on the Company's management as an External Director. In addition, the Company has designated him as an Independent Director as he does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the Company believes that there is no risk of conflicts of interest between him and general shareholders.
Toru Ishida	○	――	The Company has appointed him as an External Director because he has abundant experience and excellent insights, having been engaged in the administration of natural resources and energy at the Ministry of Economy, Trade and Industry, and is expected to provide valuable opinions and suggestions on the Company's management as an External Director. In addition, the Company has designated him as an Independent Director as he does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the Company believes that there is no risk of conflicts of interest between him and general shareholders.

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

Status of Establishment of Voluntary Committees, Composition of Members, Attributes of Chair UPDATED

	Name of Committee	Total Number of Members	Full-Time Members	Internal Directors	External Directors	External Experts	Other	Chair
Voluntary committee corresponding to nomination committee	Nomination Committee	4	0	1	3	0	0	External Director
Voluntary committee corresponding to renumeration committee	Remuneration Committee	3	0	1	2	0	0	External Director

Supplementary Explanation

The Company resolved to establish voluntary Nomination Committee and Remuneration Committee at the Board of Directors' meeting held on February 27, 2023. For details, such as the objective of establishment and the roles of the Committees, please refer to Supplementary Principle 4.10.1 of the Corporate Governance Code.

[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	7
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Section

In order to ensure that audits by Audit & Supervisory Board Members are conducted effectively, the Audit & Supervisory Board Members work closely with the Accounting Auditor, such as by exchanging information and opinions as needed.
With regard to the internal audit, the Internal Audit Department audits the business, accounting, etc. of business sections and subsidiaries based on the annual internal audit plan, in accordance with the Audit Regulations. The results of the internal audit are reported to the Audit & Supervisory Board Members, facilitating cooperation with the Audit & Supervisory Board Members.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

External Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ryuzo Shiraha	Certified Public Accountant													
Kunio Shimada	Lawyer													

* 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 of the Company or its subsidiaries
b. Non-executive Director or accounting advisor of the Company or its subsidiaries
c. Non-executive Director or executive of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Others

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

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Ryuzo Shiraha	○	Certified Public Accountant	The Company has appointed him as an External Audit & Supervisory Board Member because he has many years of experience at an auditing firm and a wealth of knowledge about accounting, audit, etc. and can be expected to fulfill the role of External Audit & Supervisory Board Member from a professional perspective. In addition, the Company has designated him as an Independent Audit & Supervisory Board Member as he does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the Company believes that there is no risk of conflicts of interest between him and general shareholders.

Kunio Shimada	○	Lawyer	The Company has appointed him as an External Audit & Supervisory Board Member because he has abundant knowledge of corporate legal affairs as a lawyer and excellent insights into management, and can be expected to fulfill the role of External Audit & Supervisory Board Member by utilizing his experience. In addition, the Company has designated him as an Independent Audit & Supervisory Board Member as he does not fall under any of the independence standards set forth by the Tokyo Stock Exchange, and the Company believes that there is no risk of conflicts of interest between him and general shareholders.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members UPDATED	7

Matters relating to Independent Directors/Audit & Supervisory Board Members

The Company has designated all external officers who meet the qualifications of Independent Directors/Audit & Supervisory Board Members (four External Directors and two External Audit & Supervisory Board Members) as Independent Directors/Audit & Supervisory Board Members.
The main activities of the six Independent Directors/Audit & Supervisory Board Members during the fiscal year ended March 31, 2024 were as follows.

- Mr. Terukazu Okahashi, an External Director, attended 13 of the 14 meetings (93%) of the Board of Directors held during the fiscal year under review, and provided comments on the Company's business execution from the perspective of ensuring appropriateness, as appropriate, from his professional standpoint as a corporate manager.
- Mr. Makoto Ogawa, an External Director, attended 14 of the 14 meetings (100%) of the Board of Directors held during the fiscal year under review, and provided comments on the Company's business execution from the perspective of ensuring appropriateness, as appropriate, from his professional standpoint as a person with a background in government.
- Ms. Naoko Saiki, an External Director, attended 14 of the 14 meetings (100%) of the Board of Directors held during the fiscal year under review, and provided comments on the Company's business execution from the perspective of ensuring appropriateness, as appropriate, from her professional standpoint as a person with a background in government.
- Mr. Akira Takada, an External Director, attended 10 of the 10 meetings (100%) of the Board of Directors held after he assumed office in the fiscal year under review, and provided comments on the Company's business execution from the perspective of ensuring appropriateness, as appropriate, from his professional standpoint as a corporate manager.
- Mr. Ryuzo Shiraha, an External Audit & Supervisory Board Member, attended 14 of the 14 meetings (100%) of the Board of Directors and 16 of the 16 meetings (100%) of the Audit & Supervisory Board held during the fiscal year under review, and provided comments from the standpoint of auditing the execution of duties by the Directors of the Company, as appropriate, from his professional standpoint as a certified public accountant.
- Mr. Kunio Shimada, an External Audit & Supervisory Board Member, attended 8 of the 10 meetings (80%) of the Board of Directors and 12 of the 12 meetings (100%) of the Audit & Supervisory Board held after he assumed office in the fiscal year under review, and provided comments from the standpoint of auditing the execution of duties by the Directors of the Company, as appropriate, from his professional standpoint as a lawyer.

[Incentives]

Incentive Policies for Directors	None

Supplementary Explanation

Regarding officer remuneration the Company has adopted a remuneration system that consists of basic remuneration and a bonus based on comprehensive consideration of single-year results, and it does not grant remuneration or other incentives linked to its medium- to long-term results.
The Board of Directors plans to actively use the voluntary Remuneration Committee to consider the introduction of a remuneration system linked to its medium- to long-term results and the balance of cash remuneration and stock remuneration.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

Please refer to schematic diagram <Director Remuneration>

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Policy on Determining Remuneration, Etc. for Directors and Audit & Supervisory Board Members
(i) Basic Policy
The Company has stipulated a policy on determining amounts of remuneration, etc. for Directors and Audit & Supervisory Board Members, which is to determine the details of remuneration for Directors and Audit & Supervisory Board Members commensurate with their positions and responsibilities, taking into consideration social trends on remuneration for Directors and Audit & Supervisory Board Members, the performance of the Company, balance with employee salaries, and other factors that should be taken into consideration when determining the level of remuneration. This basic policy has been resolved by the Board of Directors.
(ii) Policy on Determining Amounts of Remuneration, Etc. By Individual of Basic Remuneration and Bonus
Remuneration of Directors and Audit & Supervisory Board Members consists of basic remuneration and a bonus.
As for basic remuneration, the basic remuneration is paid based on each position, on a monthly amount base. On the other hand, the bonus is paid based on performance. As for the method for calculating the bonus, the amount of bonus is determined by multiplying the amount of the Company's ordinary profit for the relevant fiscal year being the total outcome of the business operation, by a coefficient for each Director and Audit & Supervisory Board Member.
(iii) Policy Concerning the Determination of the Details of Remuneration, Etc. for Each Individual Director and Audit & Supervisory Board Member
The amount of remuneration for the Company's Directors shall be resolved at the Board of Directors' meeting, and the amount of remuneration for Audit & Supervisory Board Members shall be resolved through discussion among Audit & Supervisory Board Members within an amount not exceeding the maximum amount of remuneration resolved at the General Meeting of Shareholders.

(iv) Reasons for the Board of Directors to determine that the details of remuneration, etc. for each individual Director for the relevant fiscal year is in line with the policy on determining remuneration amounts
The Company believes that the details of remuneration, etc. for each individual Director are appropriate as they have been approved by the Board of Directors, following deliberation by the voluntary Remuneration Committee, the majority of which is composed of External Directors.

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

External Directors and External Audit & Supervisory Board Members receive the agenda materials in advance when the meetings of the Board of Directors and other important meetings are held, and each person in charge provides detailed explanations and answers to any questions they may have in advance.

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

(1) Regular meetings of the Board of Directors are held once a month, and extraordinary meetings are held as necessary, to decide on important matters and mutually supervise the status of business execution by the Directors.
- Activities of the Board of Directors (FY2023)
■ Number of times held: 14 times per year
■ Main topics discussed
60 matters resolved
62 matters reported
The Board of Directors reviewed, deliberated and decided on the execution and supervision of business operations, including important business execution matters, important management matters, and matters related to financial statements and surplus.
The Board of Directors also holds a series of discussions on the way the Board of Directors should aim to be, taking into account the opinions of External Directors, and works to strengthen the oversight function of the Board of Directors and further improve corporate governance.
■ Attendance of individual officers

Name of Director	Attendance	Attendance rate
1. Kimikazu Nakamura	14	100%
2. Kimihiro Nakamura	14	100%
3. Yasuto Ago	14	100%
4. Katsuaki Morofuji	14	100%
5. Masahiro Ohba	14	100%
6. Nobuyuki Aoki	14	100%
7. Terukazu Okahashi	13	93% (External)
8. Makoto Ogawa	14	100% (External)
9. Naoko Saiki	14	100% (External)
10. Akira Takada	10	100% (External) (after assumption of his office)

Name of Audit & Supervisory Board Member	Attendance	Attendance rate
1. Misao Nonaka	14	100%
2. Yoshiteru Tsuji	14	100%
3. Ryuzo Shiraha	14	100% (External)
4. Kunio Shimada	8	80% (External) (after assumption of his office)

■Other
Aiming to secure the fairness, transparency and objectivity of the processes for nominating directors and deciding their remuneration and thereby strengthen and improve the Company's corporate governance, the

Board of Directors established a voluntary Nomination Committee and a Remuneration Committee in April of FY2023.

Important matters regarding items such as management policies and strategies are discussed in advance at the Management Committee, and the Board of Directors makes executive decisions after these deliberations. The Company has adopted a corporate officer system to promote the separation of oversight and execution, as well as to enhance the oversight function of the Board of Directors over business execution and speed up its decision-making process. For the execution of business based on the decisions of the Board of Directors, the Regulation on Job Responsibility and Authority and the Allocation of Job Duties set forth the details of each responsible party, their responsibilities, and execution procedures.
(2) Audit & Supervisory Board Members attend meetings of the Board of Directors and the Management Committee, as well as other important meetings, receive reports from Directors, Corporate Officers, and employees, and investigate the status of the Company's business and assets, as necessary. In addition, Audit & Supervisory Board Members are able to take necessary measures in a timely manner, such as presenting opinions, including advice and recommendations, to the Directors, etc., and prohibiting Directors from committing violations.
(3) With regard to the accounting audit, the Company has appointed Deloitte Touche Tohmatsu LLC as its Accounting Auditor, and three members of Deloitte Touche Tohmatsu LLC, Mr. Kappei Isomata, Mr. Tomonori Ueda, and Mr. Hideki Aramaki, as the Accounting Auditor, execute the audit work based on the annual audit plan.

3. Reasons for Adoption of Current Corporate Governance System UPDATED

The Company has adopted an audit & supervisory board member system, and has a Board of Directors and an Audit & Supervisory Board. Important matters are discussed at the Management Committee, and the Board of Directors makes executive decisions after these deliberations.
The Board of Directors consists of 11 members, five of whom are External Directors (five Independent Directors), and the Audit & Supervisory Board consists of four members, two of whom are External Audit & Supervisory Board Members (two Independent Audit & Supervisory Board Members). The Company believes that it has developed a well-functioning system to monitor management.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	For this year's 115th Annual General Meeting of Shareholders, the Notice of the General Meeting of Shareholders was sent out 14 days prior to the date of the meeting. In addition, the matters to be provided electronically in conjunction with the above Notice of the General Meeting of Shareholders were posted on the Company's website and other sites 21 days prior to the date of the meeting to remain posted until three months after the closing of the meeting.
Scheduling General Shareholder Meetings Avoiding the Peak Day	The Company schedules General Meetings of Shareholders on off-peak days when meetings of other companies are not concentrated.
Electronic Exercise of Voting Rights	A system for exercising voting rights via the Internet has been in place since the Annual General Meeting of Shareholders held in 2018.
Participation in Electronic Voting Platform and Other Efforts to Improve the Environment for Institutional Investors to Exercise their Voting Rights	The Company has participated in the Electronic Voting Platform since the Annual General Meeting of Shareholders held in 2018.
Providing Convocation Notice (Summary) in English	The Company prepares an English translation of the essential part of its Notice of Annual General Meeting of Shareholders and its Reference Documents and publishes them on TDnet and the Company's website.
Other	The General Meeting of Shareholders is a meeting for the shareholders to participate, physically or online, in a meeting to discuss and make resolutions on corporate management. Aiming to further invigorate the General Meeting of Shareholders and to have sufficient dialogue with shareholders, the Company strives to disclose information required by law or necessary for dialogue, to give shareholders in attendance an opportunity to speak, and to provide necessary explanations.

2. IR Activities UPDATED

	Supplementary Explanations	Availability of Explanations by the Representatives Themselves
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings twice a year, at the time of the announcement of the second quarter financial results and at the time of the announcement of the year-end financial results, at which explanations are provided by the President (Representative Director), and by an officer in charge of finance, and others. The Company also holds small meetings with institutional investors and others, hosts periodic individual visits, online meetings and company visits, and conducts on-site tours, etc.	Yes
Regular Investor Briefings for Overseas Investors	The Company hosts periodic individual visits, online meetings, and company visits by overseas institutional investors, and in some cases, the President (Representative Director) makes individual explanations to overseas	Yes

	institutional investors. The Company also participates in conferences sponsored by securities firms.	
Posting of IR Materials on Website	Posted on the Company's website	
Establishment of Department and/or Manager in Charge of IR	The Company has established Public Relations & IR Group, Corporate Planning Department. The Executive Managing Officer in charge of Corporate Planning is responsible for this function.	

3. Measures to Ensure Due Respect for Stakeholders UPDATED

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In the Company's management philosophy, it is stipulated that "With the guiding principle of valuing people, Sankyu will establish a presence that is indispensable to its customers. The Sankyu Group will contribute to the improvement of employee welfare and the development of society through its business growth."
Implementation of Environmental Activities, CSR Activities, etc.	The Company has formulated the Basic Policy on Sustainability and has been working to contribute to solving social issues through its business activities. These efforts include activities that lead to ongoing environmental protection, such as addressing climate change, and CSR activities to achieve sustainable growth together with local communities. For more details, please refer to the "Sustainability" section of the Company's website. https://www.sankyu.co.jp/sustainability/
Development of Policies on Information Provision to Stakeholders	The Company's Basic Rules for Information Management provide for appropriate information management within the Company and for the methods of disclosing information disseminated to the public. In addition, the Company complies with the Companies Act, the Financial Instruments and Exchange Act, and other various laws and regulations, as well as the regulations of Tokyo Stock Exchange, Inc. and Fukuoka Stock Exchange. By promptly disclosing information that falls under the Securities Listing Regulations of the two exchanges, the Company discloses information in a timely, accurate, and fair manner to its shareholders, investors, and all other stakeholders.

IV. Matters Related to the Internal Control System

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

The following are the matters resolved by the Board of Directors of the Company as a system to ensure that the execution of duties by Directors complies with laws and regulations as well as the Articles of Incorporation and other systems prescribed by the Ordinance of the Ministry of Justice as systems to ensure the Company's business and the appropriateness of business conducted by the corporate group comprising the Company and its subsidiaries (hereinafter, "internal control system").

(1) System to ensure that the execution of duties by Directors complies with laws and regulations as well as the Articles of Incorporation

(i) The Group's Code of Ethics states that clear definitions of what Directors and employees must adhere to in their corporate activities and social lives shall encourage transparent corporate actions and disciplined behavior by them as the members of a corporation and society and ultimately contribute to the solid development of the Company and the happiness of the individuals. In addition, the Group's Compliance Rules stipulate that corporate ethics and laws and regulations as well as the Articles of Incorporation, the Company's corporate rules and regulations, and other internally agreed-upon rules must be complied with, and the Group has established systems to ensure compliance with these rules.

(ii) The appropriate operation of the Board of Directors is ensured by the Regulations of the Board of Directors. Its meetings are held once a month in principle, and other meetings, including written resolutions, are held as needed. The Board of Directors strives to prevent violations of laws and regulations as well as the Articles of Incorporation by facilitating communication among Directors, mutually supervising business execution, and hearing opinions of certified public accountants, lawyers, and others, as necessary. In addition, the Company is a company with an audit & supervisory board, and audits on the execution of duties by the Directors are conducted in accordance with the Regulations of the Audit & Supervisory Board, striving to strengthen the supervision of management functions. If a Director discovers a violation of laws and regulations or the Articles of Incorporation by another Director, he or she will immediately report the violation to the Board of Directors and Audit & Supervisory Board Members, and take corrective measures.

(iii) With regard to antisocial forces, the Code of Ethics prohibits any relationship with antisocial forces and groups that pose a threat to the order and safety of citizens' lives and that may interfere with economic activities. In addition, the Code of Ethics stipulates that no action that would facilitate their activities shall be taken. Furthermore, the Company is a member of the Council for Prevention of Special Violence, and collects related information from the competent police departments and the administrator of the shareholders registry, etc., in an effort to prepare for unforeseen circumstances and keep abreast of the latest trends.

(2) System for preservation and management of information concerning the execution of duties by Directors

The Company strives to appropriately and smoothly protect, manage, and utilize all information in accordance with the Basic Rules for Information Management.

In addition, appropriate and reliable retention and management are carried out in accordance with the Document Management Regulations, Digital Information Management Regulations, and Regulation on Internal Approval. Statutorily stored documents are maintained in an accessible condition for the period of time specified by laws and regulations as well as the Document Management Regulations.

(3) Rules and other systems concerning risk management

(i) In accordance with the Risk Management Regulations, the Group identifies and assesses risks that may materialize in the course of the management of the Group in future, takes measures, and manages measures for risks that have already materialized in order to prevent situations in advance that may threaten the continuity of its business.

(ii) The Group has established a Risk Management Committee to deliberate and decide on important matters related to risk management. Its meetings are held twice a year in principle. The matters discussed and reported in the Committee are reported to the Management Committee, and the results are reported to the Board of Directors. Matters that may have a particularly significant impact are promptly reported to the Management Committee and the Board of Directors.

(iii) In the event that an emergency arises which the Group believes calls for an emergency action in response to a crisis involving the Group's management or officers and employees, the Group strives to respond to

the crisis and prevent its expansion in accordance with the Crisis Management Regulations. As part of its organizational response, the Company establishes a special task force headed by a Representative Director, and puts in place a system to prevent damage from escalating by taking prompt action under an organization that includes external advisors, as necessary.

(iv) For emergency situations, especially natural disasters such as earthquakes, where business continuity is threatened, a business continuity plan (BCP) that incorporates measures for recovery from the time of occurrence has been formulated.

(4) System to ensure that Directors efficiently execute their duties

(i) In order to ensure that Directors efficiently execute their duties, the Company holds regular meetings of the Board of Directors once a month, as well as extraordinary meetings as necessary, to decide on important matters and mutually supervise the status of business execution by Directors. In addition, important matters regarding items such as management policies and strategies are discussed in advance at the Management Committee, and the Board of Directors makes executive decisions after these deliberations. The Company has adopted a corporate officer system to promote the separation of oversight and execution, as well as to enhance the oversight function of the Board of Directors over business execution and speed up its decision-making process.

(ii) For the execution of business based on the decisions of the Board of Directors, the Regulation on Job Responsibility and Authority and the Allotment of Job Duties set forth the details of each responsible party, their responsibilities, and execution procedures.

(iii) The Board of Directors has established the Regulation on Internal Approval in advance, and efficient operations are carried out through delegation of authority for matters that do not require resolution by the Board of Directors.

(5) System to ensure that the execution of duties by employees complies with laws and regulations as well as the Articles of Incorporation

(i) The Group has established the Code of Ethics as the code of conduct for compliance, and has established the Compliance Rules to ensure compliance with the letter and spirit of all laws and international rules, regardless of whether in Japan or overseas. The Board of Directors of the Company establishes and maintains a compliance system, and works to achieve and ensure compliance. In order to promote this system, the Company has established a Compliance Committee that oversees the entire Group, chaired by a Representative Director, and Compliance Subcommittees chaired by officers in charge of each section as a subordinate structure, to enhance the promotion system. In addition, in order to reinforce and thoroughly instill environmental compliance, the Company promotes ongoing environmental protection activities in accordance with the Environmental Management Regulations.

(ii) The Company has established the Sankyu Hotline, which is an internal reporting system for the Group in Japan and its stakeholders, including business partners, and the Whistleblowing Desk of the Company to promptly self-correct compliance issues and complement the compliance system with organizational structures.

(iii) In order to ensure thorough compliance, training sessions are held for each officer, position, and job title.

(iv) With regard to the internal audit, the Internal Audit Department audits the business, accounting, etc. of business sections and affiliates based on the annual internal audit plan, in accordance with the Audit Regulations. The results of the internal audit are reported to the Audit & Supervisory Board Members, facilitating cooperation with the Audit & Supervisory Board Members. In addition, the Internal Audit Department has been placed under the direct control of the President, in an effort to further enhance audits.

(v) In the event of amendments or changes to laws and regulations, mainly the departments in charge implement necessary measures regarding contents that are relevant to the Company, including the new creation and revision of regulations, internal announcements, and internal training to ensure thorough implementation.

(vi) In order to ensure the reliability of financial reporting based on the Financial Instruments and Exchange Act, the Company has established the Basic Policy for Internal Control, as well as the Internal Control Regulations based on this Basic Policy, to clarify the system of internal control in relation to financial reporting, and to ensure proper operation by defining basic items such as the system, the person in charge, and the details of implementation.

(6) System to ensure the appropriateness of business conducted by the corporate group comprising the Company, its parent company, and subsidiaries

(i) The Group ensures the appropriateness of business conducted by the Company and its affiliates (excluding those accounted for using equity method; hereinafter the same shall apply) in accordance with the Regulations on Affiliate Management and Operations, which have been formulated with the aim of following the basic principles of group management, demonstrating the Group's collective strength with the spirit of mutual cooperation, and contributing to the development of the Group.

(ii) System for reporting to the Company the matters related to the execution of duties by directors and other officers of subsidiaries

The affiliates consult with and report to the Company in advance when they plan to take actions of significant managerial importance.

In addition, meetings with the heads of the affiliates are held to strengthen coordination with the Company and share information within the Group.

(iii) Regulations and other systems regarding the management of the risk of loss at subsidiaries

a. In accordance with the Risk Management Regulations of the Company, the affiliates report how they identify and assess the potential risks, what measures they take for them, and how they manage their measures for materialized risks to the Risk Management Committee through the departments in charge and designated departments of the Company.
b. In accordance with the Crisis Management Regulations of the Company, the affiliates strive to respond to emergencies and prevent their expansion. Under the special task force established by the Company, the affiliates take prompt action to prevent damage from escalating.

(iv) System to ensure that directors and other officers of subsidiaries efficiently execute their duties

The affiliates receive guidance and support from the designated departments and discuss with the departments in charge at a preliminary consultation before taking actions of significant managerial importance, aiming for appropriateness and smoothness of business and higher management efficiency across the entire Group.

(v) System to ensure that the execution of duties by directors and other officers and employees of subsidiaries complies with laws and regulations as well as the Articles of Incorporation

a. The affiliates follow the Code of Ethics as a code of conduct for compliance, and in accordance with the Compliance Rules, strive for compliance with the letter and spirit of all laws and international rules, regardless of whether in Japan or overseas.
b. A person in charge (including the Chief Compliance Officer) at the Company, who believes that an affiliate has disobeyed the Company's management control and management guidance, violated laws and regulations, or has any other compliance issues, will promptly report to the departments in charge and request corrections, while reporting to the Compliance Committee and the Audit & Supervisory Board Members (of the Company and the affiliate). In addition, the Audit & Supervisory Board Members of both parties will express their opinions, and request for formulation of improvement measures as necessary.
c. A person in charge (including the Chief Compliance Officer), who believes that the Company's management control and management guidance have violated laws and regulations or have any other compliance issues, will promptly report to the Compliance Committee and the Audit & Supervisory Board Members (of the Company and the affiliate) and request corrections. In addition, the Audit & Supervisory Board Members of both parties will express their opinions, and request for formulation of improvement measures as necessary.
d. The Company has positioned the internal reporting system as a system that covers the entire Group in Japan, and operates it appropriately.

(7) Matters related to employees placed to assist Audit & Supervisory Board Members' duties upon their request

In the event that the Audit & Supervisory Board requests the assignment of employees to assist them, the selection of such employees shall be made after consultation with the Audit & Supervisory Board, and the assignment shall be made with the consent of the Audit & Supervisory Board.

(8) Matters related to ensuring the independence of the employees in the preceding item from Directors and the effectiveness of instructions to such employees

In the event that employees are assigned to assist the Audit & Supervisory Board, the execution of their duties shall be subject to the instructions of the Audit & Supervisory Board Members, in order to ensure their

independence from Directors. In addition, personnel transfers, evaluations, disciplinary actions, etc., pertaining to such employees must be approved by the Audit & Supervisory Board.

(9) System for reporting to the Board of Audit & Supervisory Board Members

(i) System for Directors and employees of the Company to report to Audit & Supervisory Board Members

a. Directors and employees shall report to Audit & Supervisory Board Members on any important matters that may affect the Company's business or business performance on each occasion, and must make further reports if requested by the Audit & Supervisory Board Members.

b. Audit & Supervisory Board Members attend meetings of the Board of Directors and the Management Committee, as well as other important meetings, receive reports from Directors, Corporate Officers, and employees, and investigate the status of the Company's business and assets, as necessary. In addition, Audit & Supervisory Board Members are able to take necessary measures in a timely manner, such as presenting opinions, including advice and recommendations, to the Directors, etc., and prohibiting Directors from committing violations.

c. Directors and employees shall report to the Audit & Supervisory Board Members on violations of laws and regulations as well as other compliance issues obtained through the internal reporting system.

(ii) System for Directors and employees of subsidiaries to report to the Audit & Supervisory Board Members of the Company

Directors and employees of subsidiaries or any person who received reports from such persons shall report to Audit & Supervisory Board Members on any important matters that may affect the business or business performance of subsidiaries on each occasion, and must make further reports if requested by the Audit & Supervisory Board Members.

(10) System to ensure that the person who made the report referred to in the previous item will not be treated disadvantageously for the reason of making the said report

No disadvantageous treatment shall be given to a whistleblower or any person who reports to an Audit & Supervisory Board Member for making such a report.

(11) Matters relating to procedures for prepayment or reimbursement of expenses incurred in the performance of duties by Audit & Supervisory Board Members, and matters relating to policies for the treatment of other expenses or liabilities incurred in the performance of such duties

Audit & Supervisory Board Members shall be entitled to receive prepayments or reimbursement from the Company for expenses incurred in the performance of their duties.

In addition, Audit & Supervisory Board Members may charge the Company for the cost of receiving external professional advice as necessary.

(12) Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively

(i) The results of internal audits conducted by the Internal Audit Department shall be reported to the Audit & Supervisory Board Members to enhance the effectiveness of the audits by the Audit & Supervisory Board Members, and the Audit & Supervisory Board Members shall ensure the effectiveness of the audits by hearing the opinions of external experts, such as certified public accountants and lawyers, as necessary.

(ii) Audit & Supervisory Board Members will meet regularly with the Representative Directors to confirm their management policies, exchange opinions on issues to be addressed by the Company, risks surrounding the Company, and other important auditing issues, and strive to deepen the mutual understanding and trust with the Representative Directors.

2. Basic Views on Eliminating Antisocial Forces and the Progress of System Development

Matters with regard to eliminating antisocial forces are stated in "Basic Views on Internal Control System and the Progress of System Development (1) (iii)."

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

Although the Company has not adopted specific anti-takeover measures at this time, the Company believes that continued efforts to improve the profitability and enhance the financial strength of the Company will improve the value of the Company, thereby increasing its reputation in the marketplace, which will serve as a defensive measure.

2. Other Matters Concerning to Corporate Governance System

- Outline of the Timely Disclosure System

(1) Basic policy on disclosure
The Company complies with applicable laws and regulations such as the Financial Instruments and Exchange Act and the Cabinet Office Ordinance on Disclosure of Corporate Affairs. In addition, the disclosure of significant corporate information about the Group such as information concerning decisions, facts which occurred and financial statements that could have an impact on the stock market is disclosed in an appropriate manner in accordance with the timely disclosure rules stipulated by the Tokyo Stock Exchange.

(2) Internal system concerning timely disclosure of corporate information
The Company decides the details, timing and target of corporate information disclosure based on the timely disclosure rules with the approval of the Board of Directors.
In addition, corporate information to be disclosed is, from the timing of decisions or occurrence of facts to the timing of disclosure, strictly managed in accordance with the Basic Rules for Information Management, Information Security Rules, and Insider Trading Prevention Rules established within the Company, and the department in charge of handling the information discloses it to the market and investors in a prompt, accurate and fair manner.

(i) Disclosure of information concerning decisions and facts which occurred
For decisions and facts which occurred, information that is referred for discussion to the Board of Directors as timely disclosure subject is disclosed in a timely manner by the department in charge of handling the information (including Secretariat Department, Accounting Department, Treasury Department, Corporate Administration Department, Corporate Planning Department, and General Affairs Department) after obtaining the approval of the Board of Directors.
In order to communicate this information to the market and investors in a prompt, accurate and fair manner, the Company discloses it using the Timely Disclosure network (TDnet) operated by the Tokyo Stock Exchange.

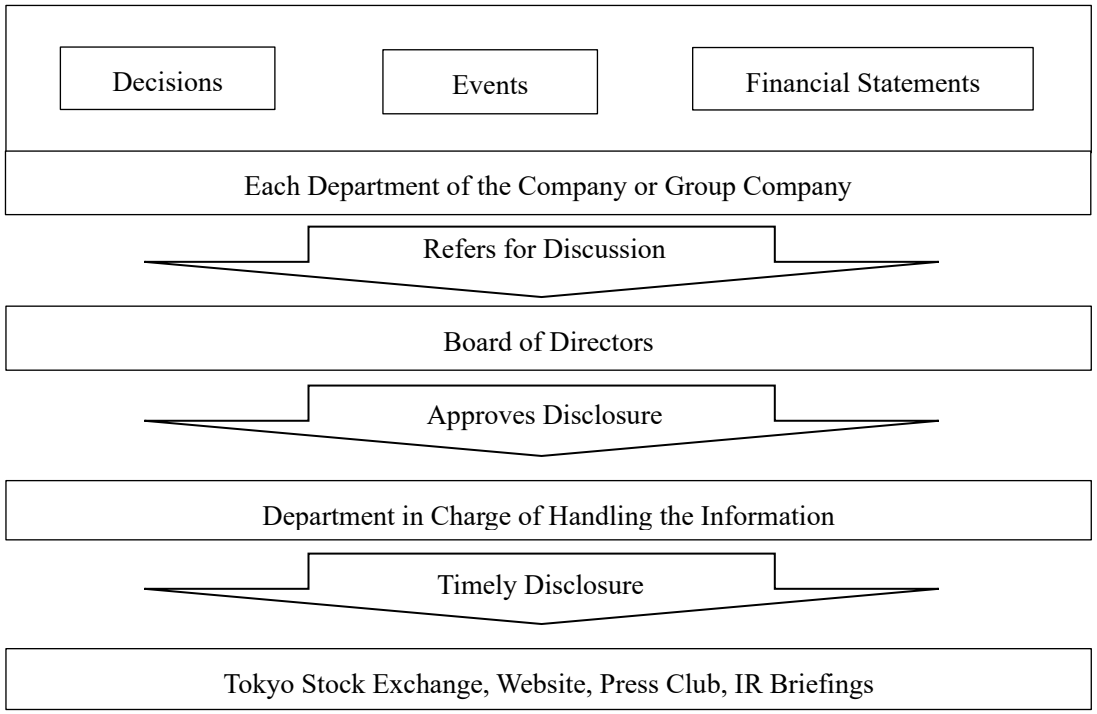
(ii) Disclosure of information concerning financial statements
Information concerning financial statements is disclosed in a prompt and timely manner using TDnet after obtaining the approval of the Board of Directors, accompanied by the distribution of materials and press conferences at the press clubs belonging to the Tokyo Stock Exchange and the Fukuoka Stock Exchange. In addition, financial results briefings are held every six months with detailed explanations provided with careful consideration of fair disclosure rules, aiming at proactive communication with investors.

(iii) Disclosure of information not subject to timely disclosure
Information not subject to timely disclosure is proactively disclosed through measures such as voluntary disclosure or posting on the Company's website.

<FY2023 Category-wise Breakdown of the Total Amount of Remuneration, etc., Total Amount of Remuneration, etc., by Type, and Number of Eligible Officers>

Category		Total amount of remuneration, etc. (thousand yen)	Total amount of remuneration, etc. by type (thousand yen)		Number of eligible officers
			Basic remuneration	Bonus	
Directors	Directors (excluding External Directors)	733,000	369,600	363,400	6
	External Directors	54,600	48,600	6,000	5
Audit & Supervisory Board Members	Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	72,800	48,000	24,800	2
	External Audit & Supervisory Board Members	36,400	24,000	12,400	3
Total		896,800	490,200	406,600	16

<Outline of the Timely Disclosure System>



<Diagram of Corporate Governance, Internal Control, and Other Systems>

