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Computer Engineering & Consulting Ltd.

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The following describes corporate governance at Computer Engineering & Consulting Ltd. (“Company” hereinafter):

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

1. Basic views

The Group considers thoroughgoing compliance with business ethics to be fundamental to corporate governance. Its business management is based on the following policies established in the Corporate Code of Conduct and the Employee Action Standards.

(i) We will act in accordance with social norms, laws, regulations, and Company rules and regulations.
(ii) We will engage in fair transactions with a keen sense of fairness, transparency, and free competition at all times.
(iii) Through swift decision-making and agile actions, we will achieve more efficient management and increase earnings; earn the trust of our shareholders, trading partners, and business partners; and seek to achieve the sustained growth and development of the Company.

As a company with an Audit and Supervisory Committee, the Company’s corporate governance structure involves oversight and audits of the business activities implemented by the Board of Directors and the Audit and Supervisory Committee. We have adopted an executive officer system to ensure swift implementation strictly based on decision-making by the Board of Directors. Under this system, authority for business execution is delegated to executive officers after clarifying executive responsibilities, thereby furthering efficient management. In addition, the Nomination Committee and the Compensation Committee have been established as advisory bodies to the Board of Directors on the topics of executive nomination and compensation. The majority of the membership of each of these committees consists of independent outside Directors. Decisions based on the recommendations of these committees secure the transparency and fairness of the decision-making processes.

[Reasons for noncompliance with the principles of the Corporate Governance Code]

[Supplemental Principle 2.4.1: Ensuring Diversity, Including Active Participation of Women]

The Group promotes diversity and inclusivity in management based on a respect for individuality and personality. It fosters working environments that free each individual to demonstrate his or her individuality and abilities to the fullest.

In addition to building working environments based on the rights of employees, we promote diversity through the measures listed below, reflecting our conviction that leveraging the strengths of diverse human resources will lead to a stronger and more resilient organization.

- Promoting the role of women
- Workstyle reforms
- Creating comfortable working environments
- Promoting professional human resources (midcareer hiring)
- Enhancing HR development
- Promoting understanding of long-term care needs throughout the organization

<Voluntary and measurable goals for ensuring diversity>

(1) Promoting the role of women to managerial positions

We are working to achieve our goal of women filling at least 12% of managerial positions by 2030.

Shown below are the percentages of managerial positions filled by women:

FY53: 3.7%; FY54: 5.1%; FY55: 4.4%; FY56: 4.1%

The Company does not discriminate by gender for managerial appointments. However, we see a pressing need to increase numbers of women managers to serve as role models. The proportion of women among our employees is rising as we are hiring growing numbers of women, centered on new graduates. We will continue to examine efforts that support career development for women over the medium to long term, with further consideration for circumstances and life events specific to women.

Reference: Proportion of all employees accounted for by women

FY53: 19.5%; FY54: 21.1%; FY55: 23.0%; FY56: 23.9% (as of January 2024)
FY57 (target for year ending January 31, 2025): 25% or more

(2) Promoting the role of foreign nationals and midcareer hires to managerial positions

The Company is promoting the appointment of core human resources in accordance with the approach to diversity described above. Foreign nationals and midcareer hires are provided equal opportunities for promotion to managerial positions. We rule out discriminatory practices for such appointments. Accordingly, at this time we have not formulated or disclosed targets for their appointment to managerial positions.

<Policies for human resource development and internal environmental development to ensure diversity and status of their implementation>

The Company maintains support structures to ensure that our diverse human resources can work based on respect for different values and to enable a suitable work-life balance that accounts for life events and other circumstances.

To ensure diversity, we are also actively encouraging men to take childcare leave. The results of this endeavor are summarized below.

- Percentages of men taking childcare leave

FY52: 4.5%; FY53: 25.0%; FY54: 20.0%; FY55: 57.7%; FY56: 63.0% (as of January 31, 2024)

Through these support systems, we promote diversity while maintaining workplaces in which all employees can continue to work in comfort. We plan to formulate policies on human resource development and internal environmental improvements in the future.

[Supplemental Principle 3.1.3: Enhancing Information Disclosure]

(1) Sustainability initiatives

The Company recognizes sustainability issues as key management topics. We work with a wide range of stakeholders, disclose information actively, and strive to increase transparency. See the Company website for information on the Company’s ESG concepts and policies and related efforts.

■ Environmental approaches
https://www.cec-ltd.co.jp/esg/environment.html
■ Social contribution approaches
https://www.cec-ltd.co.jp/esg/social_contribution.html

(2) Investment in human capital and intellectual property, etc.
We believe the continuing growth of individual employees makes the Company more competitive. For this reason, we implement the following measures to secure and grow our human resources and maximize their performance.

<Securing and developing human resources>
We promote midcareer hires with the primary goal of securing professional human resources who possess the individuality and strength needed to grasp the rapidly changing external environment accurately and to drive growth strategies. We are also making progress on developing an organizational culture and environment in which diverse human resources can thrive, regardless of their individual attributes, values, and other properties.
In addition, to enable the continuing growth of our employees, we are thoroughly revising our HR systems, switching to a system that emphasizes roles and responsibilities. We are also switching to a system of management by objectives, whereby efforts on the part of individuals to take on challenges are reflected in their evaluations. The goal is to develop human resources who can plan and achieve their own growth individually. We are implementing the following initiatives to create an environment in which employees can proactively plan their own careers and in which the Company provides attentive support for their plans, thereby developing an organization in which personal growth leads to the continuing growth of the Company:

(i) Clarification of roles and reductions in number of grades
By clarifying the roles for each grade and reducing the number of grades in general posts, we have created an environment that allows employees to build their careers rapidly and makes it easier to envision their goals and career paths.

(ii) Providing multidirectional career maps
We provide multidirectional career maps that reflect a shift from the traditional framework of general, core, and managerial (supervisory) posts to a system including newly established specialized posts. Based on these career maps, we support individual career planning.

(iii) A new approach to HR development
From the perspective of autonomous HR development, we have revised management by adopting the use of objective sheets for employee evaluations. The result has been a shift from objectives set by the Company to an approach in which employees submit their own objectives and achievement goals and decisions are made by reaching consensus in interviews with superiors.

(iv) Employee-led growth and learning
The Company provides an environment in which employees can determine the levels they wish to achieve and grow by learning from the experience of taking on challenges, even if these efforts have not led to clear-cut success.
In addition, in response to today's increasingly diverse and complex environment, we train employees skilled in digital transformation (DX) and project management (PM) and implement a system of systematic education in accordance with the roles specific to individual tiers and skills. Through these and other measures and integrated Companywide education, we are seeking to strengthen our human resources, support employee reskilling, and enhance the capabilities of younger employees.

(v) Health management
The Company believes its human resources represent the most important capital in driving sustained business growth. Human resources are also key elements in achieving management targets and executing management strategies.
We believe employee health is essential to doing business and the sustainable growth of the Company will contribute to customers, our communities, and society at large.
Accordingly, we consider maintaining the health of our employees, our most important capital, a key management issue. In addition to maintaining a health management structure, we strive to prevent, promptly discover, respond appropriately to, and prevent the recurrence of any stress-related conditions. We also pursue efforts in areas such as consideration for work-life balance, appropriate working hours, and measures to ensure that employees have time off for their personal lives. These efforts have been well regarded; in 2003, we were certified as one of Health & Productivity Management Outstanding Organizations.

(vi) Diversity and inclusivity (D&I)
The Company strives to be an organization in which employees reflecting diverse viewpoints understand and help one another and effectively work together while exchanging various ideas. We strive to maintain an environment in which employees can work with flexibility and comfort, even when facing diverse circumstances.
During the five-year period from February 1, 2021 through January 31, 2026, the Company will strive to increase the numbers of women employees to at least 25% of all employees. To achieve this goal, we have studied and proposed various measures involving both intangibles, such as organizational culture and awareness, and tangibles, such as systems and rules. The goal is to establish an environment in which female employees can succeed and demonstrate their own abilities and experience to the fullest. Additionally, we are actively implementing measures to support efforts to balance work with childcare and family care, including training for expectant fathers to encourage them to take childcare leave, courses on balancing work and childcare for those taking childcare leave, and seminars on long-term care. We provide training to encourage all employees to consider D&I issues, thereby seeking to foster an environment in which the need for these issues is recognized and in which mutual support is the norm.

<Investments in intellectual property>
The Company invests in and holds numerous intellectual property rights, including patents, UI designs, trademarks, and copyrights to software programs. We pursue research and development to generate new IP and disclose research and development expenses annually in our securities report.
In particular, we seek to obtain patents for package products, linked to our business strategies. As part of efforts to enhance our patent portfolio and strengthen business relationships, we actively apply for patents jointly with our partners for inventions created through joint development and similar activities.
We strive to put IP to effective use through means such as providing for reuse of software programs by the Company in contracts with customers.

(3) Impact of risks and opportunities related to climate change on Company business activities and earnings
We have identified as the main causes of our emissions of carbon dioxide (CO_2), a greenhouse gas, the electricity consumed at data centers and the life cycles of hardware products sold to customers. We are striving to reduce these emissions through an ISO 14001-certified environmental management system. The Board of Directors monitors the progress of these efforts and related matters. The scope of Company facilities subject to ISO 14001 certification is growing steadily; we plan to achieve certification for all facilities in Japan during FY57.
In our Medium-term Management Plan, we indicate that we plan proactive efforts to address social issues through our businesses. These initiatives currently underway are also described on the Company website.
https://www.cec-ltd.co.jp/esg/social_business.html

[Supplemental Principle 4.2.2: Roles and Responsibilities of the Board of Directors (2)]
(1) Company sustainability initiatives
We recognize issues related to sustainability as priority management issues. During the 56th fiscal year, the Company Board of Directors repeatedly discussed matters centered on the business portfolio, with sustained business growth framed as the top priority. The 57th fiscal year marks the final fiscal year of the Medium-term Management Plan (for the fiscal year ended January 31, 2023 through that ending January 31, 2025). In addition to discussion on the next Medium-term Management Plan, the Board will continue deliberations intended to give concrete form to measures necessary over the medium to long term and to earn the understanding and sympathy of all stakeholders, through means including revising our corporate purpose (management philosophy) to a longer range perspective; identifying the business portfolio and priorities to target; and capital policies reflecting our investment strategies. We plan to consider formulating basic policies for sustainability initiatives and to disclose them once they are formulated.
See the Company website concerning the Company's basic efforts to address sustainability topics.

(2) Effective oversight of sustainability initiatives
In accordance with the management policies described under Principle 3.1 (i), the Board of Directors engages in ongoing deliberations to ensure that our strategies on the allocation of management resources and the business portfolio prove effective.

[Disclosure based on the principles of the Corporate Governance Code] Updated

[Principle 1.4: Policy on Cross-shareholdings]
Company policy calls for cross-shareholdings for purposes such as strengthening transaction relationships with the companies invested in through such shareholdings only when they will contribute to increasing corporate value over the medium to long term. The Board of Directors reviews cross-shareholdings annually to confirm the reasons for such holdings and to determine whether the benefits and risks associated with them are appropriate in light of capital costs. We strive to reduce cross-shareholdings by selling those shares that this review has shown no need to maintain. We make decisions on exercise of voting rights in cross-shareholdings based on a comprehensive consideration of corporate value, including the presence or absence of serious concerns such as scandals, while verifying the economic rationality of the company in question for the medium to long term.

[Principle 1.7: Transactions with Interested Parties]
Company in-house rules require the approval of the Board of Directors for transactions with officers (including those involving conflicts of interest). We have also established necessary approval procedures for transactions between the Company and major shareholders and similar parties, in accordance with the importance and nature of such transactions. Such transactions are executed under conditions similar to those for ordinary transactions.

[Supplemental Principle 2.4.1: Ensuring Diversity, Including Active Participation of Women]
Described under I-1. Reasons for noncompliance with the principles of the Corporate Governance Code in this Report.

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]
The Group has adopted a contractual defined-benefit corporate pension plan. The management of pension assets is entrusted to an external asset manager and conducted to ensure that pension benefits can be paid to employees into the future in accordance with policy asset ratios formulated from a medium- to long-term perspective.
The state of pension asset management is monitored quarterly to revise asset ratios as necessary. We assign qualified personnel such as accounting and human resources section heads to verify the asset management by the external asset manager and make proposals regarding future asset management. We strive to prevent an excessive concentration of authority in individual personnel and to develop related human resources through reviews and transfers of personnel in charge every five years.

[Principle 3.1: Enhanced Information Disclosure]

(i) In addition to carrying out appropriate disclosure pursuant to laws and regulations, the Company proactively communicates information and holds semiannual briefings on financial results to ensure the transparency and fairness of Company decision-making and to achieve effective corporate governance.
(Management philosophy)
Based on the goal of contributing to customer business development through high-quality ICT, the Company has established a code of conduct under which it strives to cooperate appropriately with stakeholders. See the corporate philosophy disclosed on the Company website for more information.
Corporate philosophy: http://www.cec-ltd.co.jp/corporate/policy.html
(Management strategies, management plans)
Based on the vision of the Medium-term Management Plan, which calls for becoming a company that creates the future with ICT, Company officers and employees make steady day to day progress on addressing issues to which we must respond. For more information, see the Medium-term Management Plan on the Company website.
Medium-term Management Plan: http://www.cec-ltd.co.jp/ir/aboutus/manegement_plan.html

(ii) As described under 1. Basic views and on the Company website.
https://www.cec-ltd.co.jp/esg/governance.html

(iii) Director compensation consists of fixed (monetary) compensation, performance-linked (monetary) compensation, and performance-linked stock options. Decisions are made based on advice from the Compensation Committee, a voluntary advisory body.
The policies on compensation decisions for individual Directors are described below.

[Policy for decisions on the individual compensation of Directors who are not Audit and Supervisory Committee Member]
The Company has established policies for decisions regarding the calculation of compensation, etc. for Directors who are not Audit and Supervisory Committee Members. These are outlined below.

a. The Board of Directors makes decisions on Director compensation (hereinafter excluding Directors who are Audit and Supervisory Committee Members) based on deliberations and recommendations by the Compensation Committee to ensure the fairness and transparency of decision-making. Director compensation is intended to encourage Directors to contribute to the achievement of Company targets and improve corporate and shareholder value.
b. Director compensation consists of fixed compensation, performance-linked compensation, and stock option share-based compensation.
   i. Fixed compensation
   This is paid in fixed monthly amounts during the term of office, based on the standard amount specified for each post.
   ii. Performance-linked compensation
   Performance-linked compensation is paid at 100% of base amounts for achievement of the target specified at the start of the year. Performance-linked compensation consists of compensation linked to Company performance and compensation linked to individual performance. Performance-linked compensation is paid once annually as a bonus.
      (a) Compensation linked to Company performance is calculated by multiplying the standard amount specified for each post by a coefficient corresponding to the degree to which planned consolidated financial targets are met (net sales and operating income).
      (b) Compensation linked to individual performance is calculated by multiplying the standard amount specified for each post by a coefficient based on achievement of planned financial results (net sales and operating income) in each section of which the recipient is in charge.
   The main indicators used for performance-linked compensation are net sales and operating income achieved. Final decisions on actual amounts paid are made by the President, based on an overall consideration of various aspects, including progress on medium-term plans and the recommendations of the Compensation Committee. These decisions are made through a process that includes deliberations and recommendations by the Compensation Committee, based on amounts calculated using coefficients corresponding to achievement rates vs. planned figures.
   iii. Stock option share-based compensation
   Stock option share-based compensation has been adopted to replace officer retirement benefits. Stock options are issued so that Company Directors can share with shareholders the benefits and risks of fluctuations in share price and to clarify management responsibility for increasing corporate value. The number of stock options issued reflects fixed and performance-linked compensation for individual Directors within the range authorized by the General Meeting of Shareholders, based on monthly amounts of individual fixed and performance-linked compensation. Stock options are issued while the recipients are employed and may be exercised only after they retire.
c. Ratios of individual compensation types to Directors' personal compensation
   Target ratios of individual compensation types are shown below.
   When 100% performance-linked compensation is paid, the ratios of fixed compensation (monetary and stock option compensation) and performance-linked compensation (monetary and stock option share-based compensation) are 67% and 33%, respectively.
   (When performance-linked compensation and stock option share-based compensation are paid in specified amounts)
   Directors: 61.8–92.3% fixed/monetary, 5.2–7.7% fixed/stock options, 0–30.5% performance-linked/monetary, 0–2.5% performance-linked/stock options
   Outside Directors: 100% fixed/monetary

d. Outside Directors are paid a fixed salary only. They are not eligible for performance-linked compensation (for both company and individual performance) or stock option share-based compensation.
e. Decisions on some aspects of Directors' compensation, etc. are delegated by the Company to the President. This authority and delegation concerns individual amounts of performance-linked compensation paid to each Director. Decisions are made on these matters based on recommendations by the Compensation Committee.

[Matters related to the delegation of decision-making on compensation, etc. for individual Directors]
The Company entrusts certain decisions on the details of compensation, etc. for Directors to the President. This authority and delegation concerns individual amounts of performance-linked compensation paid to each Director. Decisions are made on these matters based on recommendations by the Compensation Committee.
This authority is delegated because the President is responsible for evaluating businesses of which individual Directors are in charge from the perspective of a bird's-eye view of the Company as a whole. It is deemed appropriate that such an individual make decisions on performance-linked compensation for individual Directors.
The Board of Directors considers the specific compensation figures, etc. paid to each Director in the fiscal year under review were determined in accordance with decision policies as they were determined by the Representative Director from the perspective of the Company's overall businesses, based on policies and within the range approved by the General Meeting of Shareholders.

(iv) The Company has established the Nomination Committee as an advisory body to the Board of Directors. The Nomination Committee deliberates on the nominations of Directors and other members of the management team, while the Board of Directors makes decisions on such candidates based on the recommendations of the Nomination Committee. To ensure its independence, the Nomination Committee is chaired by an Independent Outside Director, a majority of whose membership consists of Outside Directors. In addition to providing opinions to the Board on candidates for Director and other posts through insights based on the Outside Directors' wealth of experience, the Committee formulates and monitors succession plans and advises the Board to ensure the objectivity and transparency of procedures related to the nominations of Directors, the core management team, and other members of management.
Based on the consent of the Audit and Supervisory Committee, the Nomination Committee submits a list of candidate Audit and Supervisory Committee members to the Board of Directors for selection from a pool of eligible persons who provide a wealth of financial and accounting knowledge and experience and who have the qualities needed to adequately oversee the Company Board of Directors.

(v) Individual career summaries of candidate Directors and reasons for their selection as candidates are provided in the Notice of the General Meeting of Shareholders.
https://www.cec-ltd.co.jp/ir/shareholder_meeting.html

[Supplementary Principle 3.1.3: Enhanced Disclosure]
Described under I-1. Reasons for noncompliance with the principles of the Corporate Governance Code in this Report.

[Supplementary Principle 4.1.1: Overview of the Scope of Delegation to Management]
The Board of Directors makes decisions on important matters in full compliance with laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations. The scope of business execution by management and related authority are clearly set forth in in-house regulations.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]
Independent outside Directors are appointed in accordance with the requirements of the Companies Act and independence criteria set by securities exchanges.
Independent outside Directors are expected to serve in advisory and oversight roles related to Company management. They are appointed based on a comprehensive consideration of personal qualities, expertise, and experience for these roles.

[Supplementary Principle 4.10.1: Use of Optional Approach]
The Company has established the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors. These committees deliberate on various matters, including nominations, performance evaluations, and compensation design for Directors and other members of management, then submit their views to the Board of Directors. They also formulate and monitor succession plans. Their membership consists of a majority of Independent Outside Directors. Each committee is chaired by an Independent Outside Director to ensure the independence and transparency of committee involvement and advising. The details are described in the supplemental explanation to II-1. Voluntary Committees in this Report.
Policies on the nomination of officer candidates are described under 3.1 (iv). Policies on determining compensation for individual Directors are described under 3.1 (iii) of this Report.

[Supplemental Principle 4.11.1: Views on the Balance, Diversity, and Size of the Board of Directors in Light of its Overall Knowledge, Experience, and Abilities]
The Board of Directors consists of seven internal Directors with deep expertise concerning the Company's business fields and four Independent Outside Directors (including two women) who provide experience in management with other companies, experience in the areas of human resources, finance, accounting, the law, and compliance, and CPA qualifications. The structure of the Board is diverse in terms of knowledge, experience, abilities, and gender.
At this time, there are 11 Directors. We consider this an appropriate number, given the Board's responsibility to engage in constructive discussion and to exchange opinions.
Skill matrices are provided in the reference materials to this Report and in the Notice of the General Meeting of Shareholders.
(URL: https://www.cec-ltd.co.jp/ir/shareholder_meeting.html)
Policies and procedures related to appointment of Directors are described in this Report under 3.1. (iv).

[Supplemental Principle 4.11.2: Concurrent Positions of Directors and Corporate Auditors]
Attendance of Directors (including Outside Directors and Directors who are Audit and Supervisory Committee Members) in meetings of the Board of Directors and the Audit and Supervisory Committee is high. The number of concurrent positions is considered reasonable.
The concurrent positions of Directors as officers of other listed companies are disclosed in the Notice of the Ordinary General Meeting of Shareholders and the securities report.

[Supplemental Principle 4.11.3: Analysis and Evaluation of the Efficacy of the Board of Directors as a Whole]
To increase corporate value by enhancing the functions of the Board of Directors, through an independent outside agency, the Company surveys all Directors (including Directors who are Audit and Supervisory Committee Members and Outside Directors) once annually in connection with the Board's efficacy. The results of this survey and any issues identified are discussed by the Board of Directors. Measures to address related issues are also discussed and implemented.
This year, these discussions repeatedly considered in particular the definitions of roles of the Board, which makes decisions on Companywide policies, and the roles of the Executive Committee in charge of business execution.
New issues identified in the survey are as follows:

[Issues this year]
- Structure of the Board of Directors (segregation of management and execution functions)
- Subjects of deliberation by the Board of Directors
  Deliberations on congruence between management strategies and plans and the Company's sustained growth and efforts to create corporate value
  Sufficient deliberation on updates and revisions to management strategies and plans in response to changing external conditions
- Board of Directors monitoring functions
  Appropriate oversight of management strategies and plans from the perspectives of Groupwide potential risks and potential response
- Support structures for Directors (including Audit and Supervisory Committee Members)
- Operation of the Nomination Committee and the Compensation Committee

Based on the issues objectively identified in survey results, the Board of Directors selects priorities and implements continuous improvements for enhanced efficacy of the Board, as well as deliberating on measures to increase corporate value.

[Supplemental Principle 4.14.2: Director and Audit and Supervisory Committee Member Training Policy]
Company activities intended to ensure that Directors (including Directors who are Audit and Supervisory Committee Members) fulfill their due individual roles and responsibilities include internal training, external seminars, and study sessions.
Under Company rules, the Company assumes the costs of such seminars and training. Information is provided on key legal amendments and similar matters where appropriate.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]
The Corporate Planning Division is the Company's section responsible for IR. The Company has adopted a structure under which the sections of the Corporate Management Group assist the Corporate Planning Division under the leadership of the Director responsible for IR.
In addition to semiannual briefings on financial results for institutional investors, analysts, and others, we organize individual interviews and small meetings. As necessary, questions and comments received from investors in financial results briefings, individual interviews, and small meetings are shared with the management team by reports presented at meetings and the distribution of these reports as necessary. Appropriate responses are determined on this basis. Documents concerning financial results and materials for financial results briefings are published on our website:
URL: http://www.cec-ltd.co.jp/ir/
Financial results briefings are streamed live and made available on demand to ensure a wider stakeholder audience can better understand the Company.

(Status of shareholder dialogue, etc.)
We implement shareholder dialogue as follows:
(1) Main persons responsible for dialogue
IR section staff and Director responsible for IR
(2) Overview of shareholders involved in dialogue
[Period covered: February 1, 2023 – January 31, 2024]
- Dialogues: 129 (including one-on-one dialogue and telephone interviews)
- Method: centered on active investors
- Areas of responsibility of participants: analysts, fund managers, ESG managers, etc.

(3) Main themes of dialogue and matters of interest to shareholders
- Rate of growth in orders received compared to competitors and other summaries and forecasts of business results
- Progress and projected levels of HR measures involving hiring targets and wage trends
- Financial matters such as capital costs, capital policies, and status of considerations of M&A activities

(4) Status of feedback to management and the Board of Directors regarding shareholder views and concerns identified through dialogue
- Disclosure on cash allocation and policies on financial measures
- Enhanced disclosures for orders received and other disclosure topics
- Investors' views on the management indicators for the next Medium-term Management Plan

(5) Details of measures taken (if any) in response to dialogue and subsequent feedback
- Disclosure of cash allocation policies in formulating the VISION 2030 long-term vision
- Expansion of quantitative information on management indicators, performance indicators, etc.

(Measures to realize management conscious of capital costs and share prices) (Now under consideration) (English version available)

[Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans]
To clarify its basic policies on revenue plans and capital policies, the Company discloses its approach to cash allocations in the Medium-term Management Plan for FY2022–2024. It uses net sales, ordinary income, ordinary profit margin, and return on equity (ROE) as key performance indicators (KPIs) for profitability, capital efficiency, etc.
With regard to matters such as reviews of the business portfolio and allocation of management resources, including allocations of capital investments, research and development investments, and human capital, we strive to explain specifically what we plan to do in terms that are easily understandable for shareholders.
We provide timely disclosure on the progress of plans through means such as supplemental materials for briefings on financial results and business reports.
- Medium-term Management Plan: http://www.cec-ltd.co.jp/ir/aboutus/manegement_plan.html
- Financial Results Briefing materials: https://www.cec-ltd.co.jp/ir/guide/
- Business report: https://www.cec-ltd.co.jp/ir/report/

The Company is currently making progress on formulating the next Medium-term Management Plan and the VISION 2030 long-term vision for the period through FY2030. We plan to disclose information on measures to achieve a form of management sensitive to capital costs and share prices and the validity of management indicators along with announcements of these medium- and long-term plans following repeated discussion by the Board of Directors and other officers.

2. Capital structure

Foreign shareholding ratio	20% or more but less than 30%

[Status of major shareholders]

Name	Number of shares held	Percentage (%)
Mitsuiwa Corporation	4,447,200	13.22
The Master Trust Bank of Japan, Ltd. (trust account)	3,987,700	11.86
Custody Bank of Japan, Ltd. (trust account)	2,734,400	8.13
Hirosato Iwasaki	1,335,100	3.97
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,275,000	3.79
Fujitsu Limited	1,240,000	3.68
CEC Employee Stock Ownership Program	1,188,700	3.53
Japan Foresight Electronics Ltd.	930,960	2.76
MSIP CLIENT SECURITIES	594,200	1.76
STATE STREET BANK AND TRUST COMPANY 505227	575,400	1.71

Controlling shareholder (excluding parent company)	———
Parent company	N/A

Supplementary explanation

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3. Corporate attributes

Listed stock market and market section	Tokyo Stock Exchange, Prime Market
Fiscal year-end	January
Type of business	Information and telecommunications
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Sales (consolidated) in previous fiscal year	¥10 billion or more but less than ¥100 million
Number of consolidated subsidiaries as of the end of the previous fiscal year	Less than 10

4. Policy on measures to protect minority shareholders in transactions with controlling shareholder

———

5. Other special circumstances that may have a material impact on corporate governance

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II Business Management Organization and Other Corporate Governance Systems Affecting Decision-making, Business Execution, and Management Oversight

1. Organizational composition and management

Organization form	Company with an Audit and Supervisory Committee

[Directors] Updated

Maximum number of directors stipulated in articles of incorporation	15
Term of office stipulated in articles of incorporation	1 year
Chairperson of the Board	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Outside Directors designated as Independent Directors	4

Relationship to the Company (1) Updated

Name	Attribute	Relationship to the Company*									
		a	b	c	d	e	f	g	h	i	j	k
Shizuyo Takahashi	From another company											
Noriko Kosugi	From another company											
Katsunori Taniguchi	Certified public accountant											
Motoaki Kuniyasu	From another company											

*** Categories for "Relationship to the Company"**

*** ○ The director currently belongs or recently belonged to the category; △ The director belonged to the category in the past**

*** ● A close relative of the director currently belongs or recently belonged to the category; ▲ A close relative of the director belonged to the category in the past**

a. Executive of the Company or its subsidiaries
b. Executive or non-executive director of a parent company of the Company
c. Executive of a sister 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 large monetary sums or other property from the Company beyond compensation as director
g. Major Company shareholder (or executive of said major shareholder if the shareholder is a legal entity)
h. Executive of Company client or supplier (other than those under d, e, or f) (the individual only)
i. Executive of an organization with which the Company exchanges outside directors (the individual only)
j. Executive of an organization that receives donations from the Company (the individual only)
k. Other

Relationship to the Company (2) Updated

Name	Audit and Supervisory Committee Member	Independent director	Supplementary explanation of applicable item	Reasons for appointment
Shizuyo Takahashi		○	———	Ms. Shizuyo Takahashi has experience gained as head of a business division and human resource division at a systems development company and as a director and head of an administrative division at a company listed on the First Section of the Tokyo Stock Exchange. The Company has reappointed her as an Outside Director based on expectations that she will continue to provide advice from a wide-ranging perspective and oversee business execution from a practical point of view, particularly in addressing Company issues related to human capital. The Company has no conflicts of interest with Ms. Takahashi and believes that her reappointment will not undermine interests of ordinary shareholders.
Noriko Kosugi		○	———	Ms. Noriko Kosugi has experience gained in finance and accounting at various Japanese and foreign companies, as well as broad experience with management planning and investor relations. The Company has reappointed her as an Outside Director based on expectations that she will continue to oversee business execution, provide appropriate advice to management regarding investor relations, planning, and finance in particular, and advise the Company from the perspectives of internationalization and diversity. The Company has no conflicts of interest with Ms. Kosugi and believes that her reappointment will not undermine interests of ordinary shareholders.

Name	Audit and Supervisory Committee Member	Independent director	Supplementary explanation of applicable item	Reasons for appointment
Katsunori Taniguchi	○	○	Certified public accountant	Although Mr. Katsunori Taniguchi lacks experience with direct involvement in corporate management, he has expertise and experience as a certified public accountant and experience as corporate auditor with a systems development company. The Company has chosen him as a candidate for an Outside Director who is an Audit and Supervisory Committee Member based on expectations that he will continue to implement appropriate audits and supervision based on such experience. The Company has no conflicts of interest with Mr. Taniguchi and believes that his reappointment will not undermine interests of ordinary shareholders.
Motoaki Kuniyasu	○	○	———	Mr. Motoaki Kuniyasu has auditing experience as a corporate auditor and audit and supervisory committee member, as well as experience with governance and compliance operations with global enterprises. The Company selected him as a candidate for an Outside Director who is an Audit and Supervisory Committee Member based on expectations that he will contribute to enhanced governance from a global perspective and implement appropriate audits and supervision based on such experience. The Company has no conflicts of interest with Mr. Kuniyasu and believes that his appointment will not undermine interests of ordinary shareholders.

[Audit and Supervisory Committee]

Membership and chairperson

	Total members	Full-time members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Inside Director

Directors and employees assigned to assist in the duties of the Audit and Supervisory Committee	N/A

Reasons for the adoption of the current system

The Audit and Supervisory Committee is authorized to instruct the staff of the internal audit section and other sections to assist with audit tasks as necessary. The Company seeks consent from the Audit and Supervisory Committee regarding the transfer and evaluation of employees who have assisted with audit tasks and other matters.

Status of joint efforts among the Audit and Supervisory Committee, accounting auditor, and internal audit section

The Company has concluded an auditing contract with PwC Japan LLP on auditing under the Companies Act and the Financial Instruments and Exchange Act. The Audit and Supervisory Committee meets with PwC Japan LLP regularly before accounting audits (for each quarterly and year-end settlement of accounts) and reports on the findings of accounting audits (for each quarterly and year-end settlement of accounts) and at other occasions. The Audit and Supervisory Committee also requests the attendance of the General Manager of the Internal Audit Division, who is responsible for the internal audit section, in its meetings; receives reports on the status of internal audits and other activities; and receives assistance from Internal Audit Division personnel as needed.

[Optional committees] Updated

Optional committee established corresponding to a nomination or compensation committee	Y

Status of the establishment of optional committees, their membership, and their chairpersons

	Name of committee	Total members	Full-time members	Inside Directors	Outside Directors	Outside experts	Others	Chairperson
Optional committee corresponding to a nomination committee	Nomination Committee	7	0	3	4	0	0	Outside Director

Optional committee corresponding to a compensation committee	Compensation Committee	7	0	3	4	0	0	Outside Director

Supplemental explanation Updated

(1) Membership selection and nomination process
Members are chosen by resolution of the Company Board of Directors.
To ensure the independence of the Nomination Committee and the Compensation Committee, a majority of the membership of each committee consists of independent Outside Directors. The chairpersons are chosen from among the independent Outside Director members.
Indicated below is the Committee membership as of FY2024 (FY57).
Nomination Committee: Masahiko Ootsuka (Chairperson/Outside Director), Shizuyo Takahashi (Outside Director), Noriko Kosugi (Outside Director), Katsunori Taniguchi (Outside Director and Audit and Supervisory Committee Member), Motoaki Kuniyasu (Outside Director and Audit and Supervisory Committee Member), Takashi Himeno (President), Atsushi Ookita(Inside Director), Yasuo Sakai (Inside Director)
Compensation Committee: Noriko Kosugi (Chairperson/Outside Director), Masahiko Ootsuka (Outside Director), Shizuyo Takahashi (Outside Director), Katsunori Taniguchi (Outside Director and Audit and Supervisory Committee Member), Motoaki Kuniyasu (Outside Director and Audit and Supervisory Committee Member), Takashi Himeno (President), Hideki Takagi (Inside Director), Toshiharu Sakai (Director and Full-time Audit and Supervisory Committee Member)
※Masahiko Ootsuka resigned on September 30, 2024.

(2) Committee roles and scope of authority
As requested by the Board of Directors, the Nomination Committee and the Compensation Committee deliberate on important matters related to nomination of and compensation for Directors and others and report their findings to the Board.

(3) Rationale concerning the independence of committee membership
As described under (1) above, the majority of membership of each committee consists of independent Outside Directors. Their chairpersons are chosen from among their independent Outside Director members to ensure the independence and transparency of committee participation and advising.

(4) Status of the activities (meeting intervals, major agenda items, attendance of individual members)
The Nomination Committee reviewed the proposed candidates for various offices, including President, Directors, Audit and Supervisory Committee Members, and executive officers in FY2024, and reported its findings to the Board of Directors.
The Nomination Committee also deliberates on succession planning. A new plan was implemented starting in FY2023.
The Compensation Committee reviewed various matters, including individual compensation for the President and Directors and decision-making procedures for executive compensation and reported its findings to the Board of Directors.
Shown below is the status of meetings of the Nomination Committee and the Compensation Committee in FY2023 (FY56).
<Nomination Committee>
Number of meetings held: 6
Masahiko Ootsuka (Chairperson/Outside Director): Attended all meetings held.
Shizuyo Takahashi (Outside Director): Attended all meetings held.
Noriko Kosugi (Outside Director): Attended all meetings held.
Eiichiro Nakatani (Outside Director and Audit and Supervisory Committee Member): Attended all meetings held.
Katsunori Taniguchi (Outside Director and Audit and Supervisory Committee Member): Attended five of six meetings.
Takashi Himeno (Inside Director and President): Attended all meetings held.
Manabu Fujiwara (Inside Managing Director): Attended all meetings held.
Atsushi Ookita (Inside Director): Attended all meetings held.
Yasuo Sakai (Inside Director): Attended all meetings held.
<Compensation Committee>
Number of meetings held: 6
Noriko Kosugi (Chairperson/Outside Director): Attended all meetings held.
Masahiko Ootsuka (Outside Director): Attended all meetings held.
Shizuyo Takahashi (Outside Director): Attended all meetings held.
Eiichiro Nakatani (Outside Director and Audit and Supervisory Committee Member): Attended all meetings held.
Katsunori Taniguchi (Outside Director and Audit and Supervisory Committee Member): Attended five of six meetings.
Takashi Himeno (Inside Director and President): Attended all meetings held.
Manabu Fujiwara (Inside Managing Director): Attended all meetings held.
Hideki Takagi (Inside Director): Attended all meetings held.
Toshiharu Sakai (Director and Full-time Audit and Supervisory Committee Member): Attended all meetings held.

[Independent officers]

Number of independent officers	4

Other matters related to independent officers

While the Company has not established standards or policies concerning the independence of Outside Directors (including Audit and Supervisory Committee Members), it refers to the independence criteria for independence officers established by the Tokyo Stock Exchange when choosing them.

[Incentives]

Status of implementation of measures related to Director incentives	Adoption of performance-based compensation systems and stock option systems

Supplemental explanation concerning this item

Performance-based compensation is paid and stock options are awarded based on the policies described in I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iii).

<Reference>
Stock options are awarded to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) as share-based compensation up to a maximum of 70,000,000 yen per year and a total of 1,800 options (100 shares/option). In FY2023, by a resolution passed at the 54th Regular General Meeting of Shareholders, held April 22, 2022, 95 stock options were awarded to six Directors who are not Audit and Supervisory Committee Members.

Recipients of stock options	Inside Directors

Supplemental explanation concerning this item

Stock options were adopted as share-based compensation to replace officer retirement benefits, which were discontinued as of the end of the 44th Regular General Meeting of Shareholders held April 18, 2012. This system was adopted so that Company Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) may share with shareholders the benefits and risks of fluctuations in share price and to more clearly set forth the management responsibility for increasing corporate value.

[Director compensation]

State of disclosure of compensation for individual directors	Individual compensation not disclosed

Supplemental explanation concerning this item

Total compensation for all Directors is disclosed in the Securities Report.

Policies on decisions on actual compensation or how actual compensation is calculated	Y

Nature of the information found in disclosures of policies on decisions on actual compensation or how actual compensation is calculated

Described in I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iii).

[Support structure for Outside Directors]

While no personnel are assigned to dedicated posts to assist in the duties of Outside Directors (including Directors who are Audit and Supervisory Committee Members), a structure is in place whereby the staff of sections such as the Corporate Management Group and the internal audit section assist in the duties of Directors who are Audit and Supervisory Committee Members when so requested by such Directors. In addition, when matters or information of great significance are brought up in deliberations by the Board of Directors or the Executive Committee, the Company provides Outside Directors (including Directors who are Audit and Supervisory Committee Members) with materials well in advance of such meetings of the Board of Directors or Executive Committee, thereby allowing sufficient time to review them and enhancing management oversight functions.

2. Matters related to functions such as decision-making on business execution, audits and oversight, nomination, and compensation (overview of current corporate governance system) Updated

(1) Current system
At present, the Company Board of Directors consists of 11 members in total: eight Directors who are not Audit and Supervisory Committee Members (two of whom are Outside Directors) and three Directors who are Audit and Supervisory Committee Members (two of whom are Outside Directors). The Board is chaired by the President. As such, Outside Directors account for at least one-third of the Board.
The Company Board of Directors is responsible for making decisions on basic management policies, matters specified under laws and regulations, and other important management topics and for overseeing business execution.
The Company has established an optional nomination and compensation committee to deliberate on compensation for directors as described in I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iv) of this Report and on nomination of candidates for Director under I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iii) of this Report.
In the fiscal year ended January 31, 2024, the Board of Directors met a total of 16 times. The attendance of each Director is given below.
<Directors who are not Audit and Supervisory Committee Members>
Takashi Himeno: attended 16 of 16 meetings, for a 100% attendance rate
Manabu Fujiwara: attended 16 of 16 meetings, for a 100% attendance rate
Masato Tamano: attended 16 of 16 meetings, for a 100% attendance rate
Hideki Takagi: attended 13 of 13 meetings, for a 100% attendance rate (appointed April 2023)
Atsushi Ookitai: attended 13 of 13 meetings, for a 100% attendance rate (appointed April 2023)
Yasuo Sakaii: attended 13 of 13 meetings, for a 100% attendance rate (appointed April 2023)
Masahiko Ootsuka: attended 16 of 16 meetings, for a 100% attendance rate
Shizuyo Takahashii: attended 13 of 13 meetings, for a 100% attendance rate (appointed April 2023)
Noriko Kosugii: attended 13 of 13 meetings, for a 100% attendance rate (appointed April 2023)
<Directors who are Audit and Supervisory Committee Members>
Toshiharu Sakai: attended 13 of 13 meetings, for a 100% attendance rate (appointed April 2023)
Eiichiro Nakatani: attended 15 of 16 meetings, for a 93.75% attendance rate
Katsunori Taniguchi: attended 16 of 16 meetings, for a 100% attendance rate
For further deliberation on important management topics, the Executive Committee, whose membership of ten includes the President and executive officers, meets weekly to consider practical matters.

(2) Status of audits and other activities by the Audit and Supervisory Committee, etc.
The membership of the Audit and Supervisory Committee consists of one Director who is a full-time Audit and Supervisory Committee Members and two Outside Directors who are Audit and Supervisory Committee Members.
The status of internal audits and account audits is as described under II-1 (iii) Status of joint efforts among the Audit and Supervisory Committee, accounting auditor, and internal audit section of this Report.
In the fiscal year ended January 31, 2024, the Audit and Supervisory Committee met 13 times in total. The attendance of individual Directors who are Audit and Supervisory Committee Members is given below.
Toshiharu Sakai: attended 10 of 10 meetings, for a 100% attendance rate (appointed April 2023)
Ei'ichiro Nakatani: attended 12 of 13 meetings, for a 92.31% attendance rate
Katsunori Taniguchi: attended 13 of 13 meetings, for a 100% attendance rate

(3) Status of the activities of the Nomination Committee and Compensation Committee, etc.
Membership of the Nomination Committee consists of four independent Outside Directors as well as inside Directors (three Directors who are not Audit and Supervisory Committee Members).
Membership of the Compensation Committee consists of four independent Outside Directors as well as inside Directors (two Directors who are not Audit and Supervisory Committee Members and one Director who is an Audit and Supervisory Committee Member). Attendance in meetings of each committee and other matters are as described under II. Business management organization and other corporate governance systems affecting decision-making, business execution, and management oversight: 1. Organizational composition and management: (4) Optional committees of this Report.

(4) Summary of terms and conditions of agreements on limitations on liability
Pursuant to Article 427, Paragraph 1 of the Companies Act and the Company Articles of Incorporation, the Company concludes agreements with Outside Directors that limit their liability under Article 423, Paragraph 1 of the Companies Act. These agreements limit such liability to the amounts specified under laws and regulations. These limits on liability apply only to cases free of gross negligence in which the Outside Directors perform their duties in good faith.

3. Reasons for selecting the current corporate governance system

The Company has adopted the structure of a company with an Audit and Supervisory Committee to enhance the oversight functions of the Board of Directors and to accelerate decision-making on business execution.
The Company has also established the Nomination Committee and the Compensation Committee as optional advisory bodies to the Board of Directors to ensure objectivity and transparency in the Board's decision-making processes on matters concerning executive personnel and compensation.
The above system is intended to enhance corporate governance still further.

III Status of Implementation of Measures Related to Shareholders and Other Stakeholders

1. State of initiatives designed to encourage active participation in general meetings of shareholders and facilitate the exercise of voting rights

	Supplemental explanation
Sending out notices of convocation of general meetings of shareholders early	Notices of convocation of general meetings of shareholders are posted to the Company website and TDNet at least 28 days before each general meeting. Written notice to access the notice of convocation is sent out at least 20 days before each general meeting.
Scheduling of general meetings of shareholders to avoid peak periods	Since the Company fiscal year ends January 31, there is little likelihood that the general meeting of shareholders will be held during a peak period.
Exercise of voting rights by electromagnetic means	We have adopted a system of exercise of voting rights by electromagnetic means.

Use of the Electronic Voting Platform and other initiatives to improve the environment for exercise of voting rights by institutional investors	We have adopted the Electronic Voting Platform and maintain an environment that allows for the electronic exercise of voting rights.
Provision of English translations of convocation notices (summaries)	We post English translations of convocation notices (essentials and reference materials) to the Company website and TDNet.

2. State of Investor relations activities

	Supplemental explanation	Briefing by the representative directly
Periodic briefings for analysts and individual investors	Briefings on financial results are held twice a year for institutional investors, analysts, journalists, and others. Individual interviews and small meetings are also held. Financial results briefings are streamed live and made available on demand to inform an even wider audience of stakeholders of Company matters.	Y
Posting of investor relations materials on the website	Information posted to the website includes summaries of financial results, timely disclosure materials on subjects other than financial results, securities reports or quarterly reports, and materials for and videos of financial results briefings.	
Establishment of a section (person) to oversee investor relations	The Corporate Planning Division is the section with chief responsibility for investor relations.	

3. State of efforts related to respect for stakeholder positions

	Supplemental explanation
Provisions on respect for the positions of stakeholders in internal rules, etc.	The CEC Group Corporate Code of Conduct includes the following provisions regarding customers, shareholders, trading partners, and employees: ■ We strive to earn customer satisfaction and trust by acting with due moderation and in good faith at all times, putting the customer first at all times. ■ We supply products and services to satisfy customers based on quality, appropriate costs, on-time delivery, and high production speed. ■ By developing new technologies, ceaselessly building on our technological strengths, and applying the best technologies, we provide products and services that satisfy customers. ■ In providing products and services, we engage in fair transactions at all times and in support of fair, transparent, and free competition. ■ We respect employee individuality and personality and foster workplace environments in which each employee can demonstrate his or her individuality and abilities to the fullest. We work to achieve a corporate culture of enjoyable, rewarding work that supports work-life balance and well-being for employees. ■ We strive to enhance efficient management through rapid and flexible decision-making and improve profitability. We thereby seek to earn the trust of shareholders, trading partners, and other business partners and to contribute to sustainable Company growth and progress.

Implementation of environmental protection activities, CSR activities, etc.	(1) Environmental protection activities The Company publishes its environmental policy on is website. It identifies energy and resource conservation as important priorities and supports the COOL CHOICE initiative led by the Ministry of the Environment of Japan to address global warming. Other environmental protection initiatives include power savings and comfortable clothing options for all officers and employees. These activities are managed under an environmental management system that meets ISO 14001 standards. We strive to ensure their firm establishment throughout the organization by monitoring, evaluating, and reviewing the status of activities intended to achieve our environmental targets. We have begun working to earn ISO 14001 certification for these activities. In the year ended January 31, 2024, all major facilities attained ISO 14001 certification. We also support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Since climate change is one of the key management topics, we gather and analyze data to assess the potential impact of climate risks and opportunities on our business activities and will continue to enhance both the quality and quantity of disclosures concerning governance, strategy, risk management, and other topics. See the Company website for more information on our approach to climate change and disclosure based on TCFD recommendations. https://www.cec-ltd.co.jp/esg/climate_change.html (2) CSR activities The General Affairs Division plays a central role in addressing other CSR topics. We formulate and continually promote action plans based on the Sustainable Development Goals (SDGs). The specifics of these environmental protection activities and CSR activities are published under ESG Initiatives on the Company website. https://www.cec-ltd.co.jp/esg/governance.html

IV Matters Related to Internal Control Systems, Etc.

1. Basic outlook on internal control systems and their maintenance

The basic policies that guide the preparation of the Company's internal control systems are outlined below.

1 Systems for ensuring that the execution of the duties of directors of the Company and its subsidiaries ("Group" hereinafter) complies with laws, regulations, and the articles of incorporation
   1) As the individuals responsible for exemplifying adherence to the CEC Group Corporate Code of Conduct, Directors are required to act in accordance with the standards of common decency and in full compliance with laws, regulations, and Company rules and regulations.
   2) The Board of Directors must develop effective internal control systems and strive to establish and strengthen compliance systems Groupwide.
   3) The Audit and Supervisory Committee audits and investigates as necessary the status of execution of the duties of Directors based on audit plans established by the Audit and Supervisory Committee, the Audit and Supervisory Committee Regulations, and other policies.
   4) Directors who are Audit and Supervisory Committee members are allowed to attend and express opinions in meetings of the Board of Directors, the Executive Committee, and other important meetings held by Directors in accordance with the Companies Act.

2 Systems for ensuring the retention and management of information related to the execution of the duties of directors
   1) The following documents (including electromagnetic records) and related materials are retained in accordance with the Document Control Regulations:
      (i) Minutes of general meetings of shareholders
      (ii) Minutes of Board of Directors meetings
      (iii) Minutes and records of the proceedings of other important meetings held by Directors
      (iv) Applications for approval
      (v) Other important documents related to the execution of duties of Directors
   2) The documents enumerated above are handled in accordance with the Document Control Regulations. They are retained in ways that make it possible for Directors to view them promptly when so requested.

3 Rules and other systems related to management of risks of losses
   1) The Executive Committee and similar bodies gather risk information and manage risks systematically to prevent and swiftly identify the emergence of any risks. The Group maintains these risk control systems in a manner that allow swift and appropriate information control and emergency responses in the event of an incident.

4 Systems for ensuring that the duties of directors are executed efficiently
   1) The Board of Directors meets regularly and at other times as needed to make timely and appropriate decisions on important matters. These meetings constitute the foundations that assure the effective and efficient execution of the duties of the Directors.
   2) Decisions of the Board of Directors are reflected in business execution swiftly and appropriately. To strengthen oversight of their execution, an executive officer system has been adopted to separate the business execution functions. In this way, the Group strives to improve management efficacy.
   3) When delegating the execution of important duties, the Board of Directors determines personnel assignments and the extent of authority delegated to enable swift business execution and to maintain a reasonable separation of duties, authority rules, etc.

5 Systems for ensuring that the execution of duties of Group employees complies with laws, regulations, and the articles of incorporation
   1) The CEC Group Corporate Code of Conduct has been established to clearly set forth the fundamental principles of corporate activities, establishing and distributing employee behavioral standards to all employees to serve as the basis for everyday activities.

2) Employees who learn of any actions counter to laws, regulations, Company rules and regulations, or social norms are required to report them promptly to the internal whistleblowing system.
3) The internal audit section and other related sections conduct periodic internal audits of business as a whole, focusing on matters such as compliance and the details and validity of business procedures pursuant to internal audit rules. The results of these audits are reported to the President.

6 Systems for ensuring the propriety of Group business operations and systems related to reporting to the Company of matters related to the execution of duties of subsidiary Directors and others
1) The CEC Group Corporate Code of Conduct has been established to ensure consistency in outlook concerning compliance, information security, and other matters.
2) The Company manages business operations overall by assigning Company Directors responsibility for individual subsidiaries.
3) To ensure the propriety of the operations of the Group as a whole, the Company establishes rules for or provides guidance and support for the application of Company rules to subsidiaries within the extent feasible and appropriate in light of considerations such as the scale and structure of the subsidiary businesses.
4) The Company Board of Directors deliberates in advance on important subsidiary decisions and requests reports as needed regarding other necessary information.

7 Matters concerning Directors and employees assigned to assist in the duties of the Company Audit and Supervisory Committee as requested by that committee, the independence of such Directors and employees from other Directors (excluding Directors who are Audit and Supervisory Committee Members), and ensuring the efficacy of instructions to such Directors and employees
1) The Audit and Supervisory Committee is authorized to instruct the staff of the internal audit section and other sections to assist with audits as necessary. No Directors are assigned to assist in the duties of the Audit and Supervisory Committee.
2) Those assisting in audit activities are exempt from the command and control of Directors for activities that fall within the scope of instructions to assist in audit activities.
3) The consent of the Audit and Supervisory Committee must be obtained on matters such as transfers, personnel evaluations, and disciplinary actions for those who assist in audit activities.

8 Systems for reporting by Group Directors, Corporate Auditors, and employees to the Company Audit and Supervisory Committee and for protecting them from disadvantageous treatment due to such reporting
1) Group Directors, Corporate Auditors, and employees who have discovered facts that could lead to significant damage to the Group, improprieties, or violations of laws, regulations, or the articles of incorporation must report them promptly to the Company Audit and Supervisory Committee. The Company Audit and Supervisory Committee also may demand reports from such parties as necessary.
2) No Group Director, Corporate Auditor, or employee who submits such report to the Company Audit and Supervisory Committee shall be subject to disadvantageous treatment for having submitted such reports. All due efforts must be made to ensure that all personnel understand this.

9 Matters concerning policies on procedures for prepayment or refunding of the costs of execution of the duties of the Company Audit and Supervisory Committee and other processing of costs or debts incurred in execution of such duties
1) When the Audit and Supervisory Committee requests measures such as prepayment of the costs of executing its duties, such costs or debts must be swiftly processed unless they are judged not necessary for the execution of such duties.

10 Other systems to ensure that the Company Audit and Supervisory Committee is able to carry out effective audits
1) As necessary, the Audit and Supervisory Committee may interview or demand reports from Group Directors, Corporate Auditors, and employees.
2) The Audit and Supervisory Committee engages in periodic meetings to exchange opinions with each of the following: President, audit firm, internal audit section, other parties.
3) Meetings are held among Independent Outside Directors to exchange information between Directors who are Audit and Supervisory Committee Members and other Outside Directors.

11 The Group's systems for excluding antisocial forces
1) In accordance with the CEC Group Corporate Code of Conduct, we prohibit all relationships with, reject any improper demands from, and categorically refuse to provide funds to antisocial forces and other groups that threaten the order and safety of society.
2) We strive to gather information through routine dialogue with law enforcement and other external agencies and ensure thorough awareness within the organization through internal training and other activities, thereby maintaining the structures needed to systematically exclude antisocial forces.
3) In addition to reviews to confirm that transaction counterparties do not qualify as antisocial forces as legally defined, we implement other steps, including incorporating contractual provisions that enable the cancelation of contracts if counterparties are found to qualify as antisocial forces.

12 Systems for ensuring the reliability of the Group's financial reporting
1) In accordance with the Financial Instruments and Exchange Act, we continually maintain, operate, and assess systems to assure the efficacy and propriety of internal controls related to financial reporting and to assure the reliability and propriety of financial reporting.

2. Basic outlook on exclusion of antisocial forces and maintenance of related systems

The Group Corporate Code of Conduct prohibits all relationships with and rejects and calls to others to reject improper demands from and the provision of any funds to benefit antisocial forces.
We strive to gather information through joint efforts with law enforcement and other external agencies and ensure thorough awareness within the organization through internal training and other activities. We confirm that transaction counterparties do not qualify as antisocial forces and are currently proceeding to incorporate contractual provisions that enable the cancelation of contracts when counterparties are found to qualify as antisocial forces.

V Other

1. Measures to defend against takeover bids

Measures adopted to defend against takeover bids	N/A

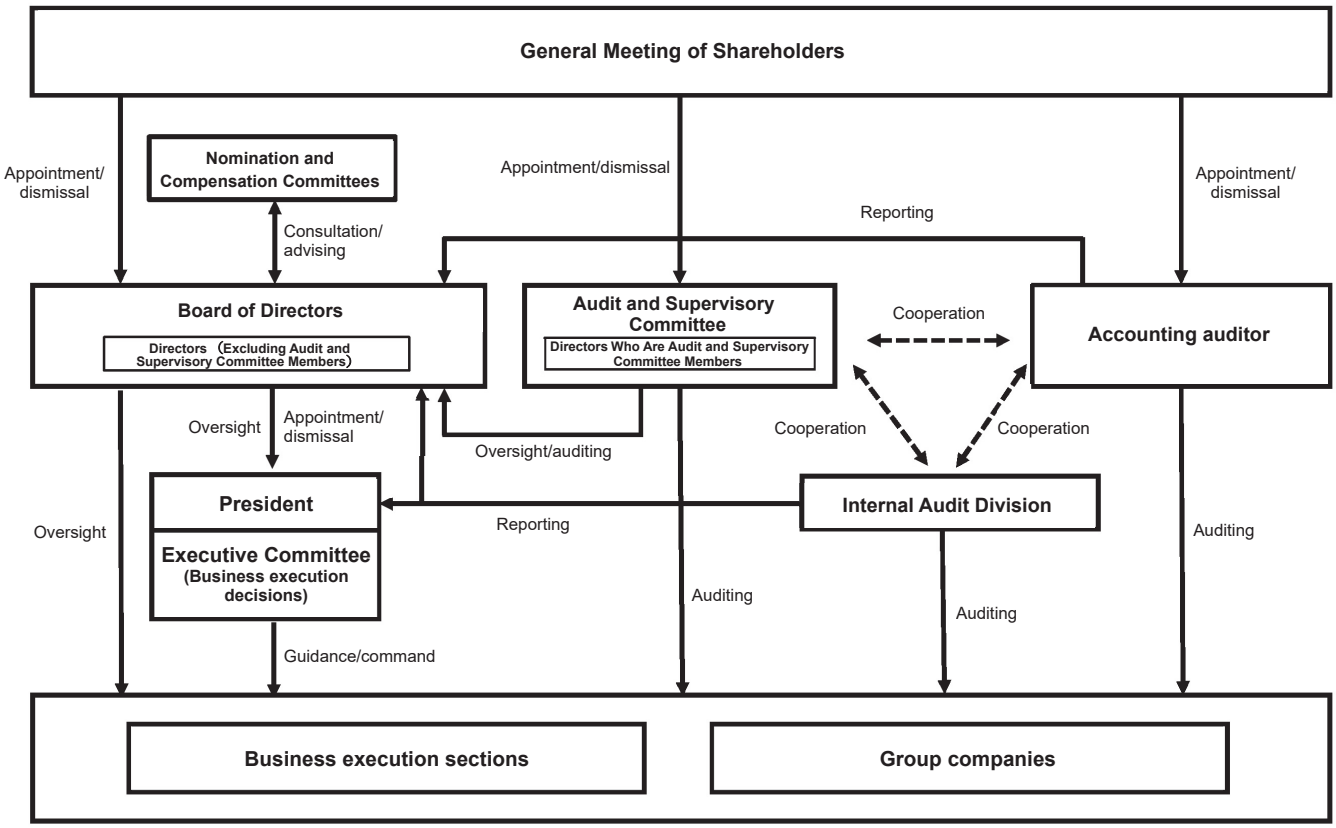
Supplemental explanation concerning this item Updated

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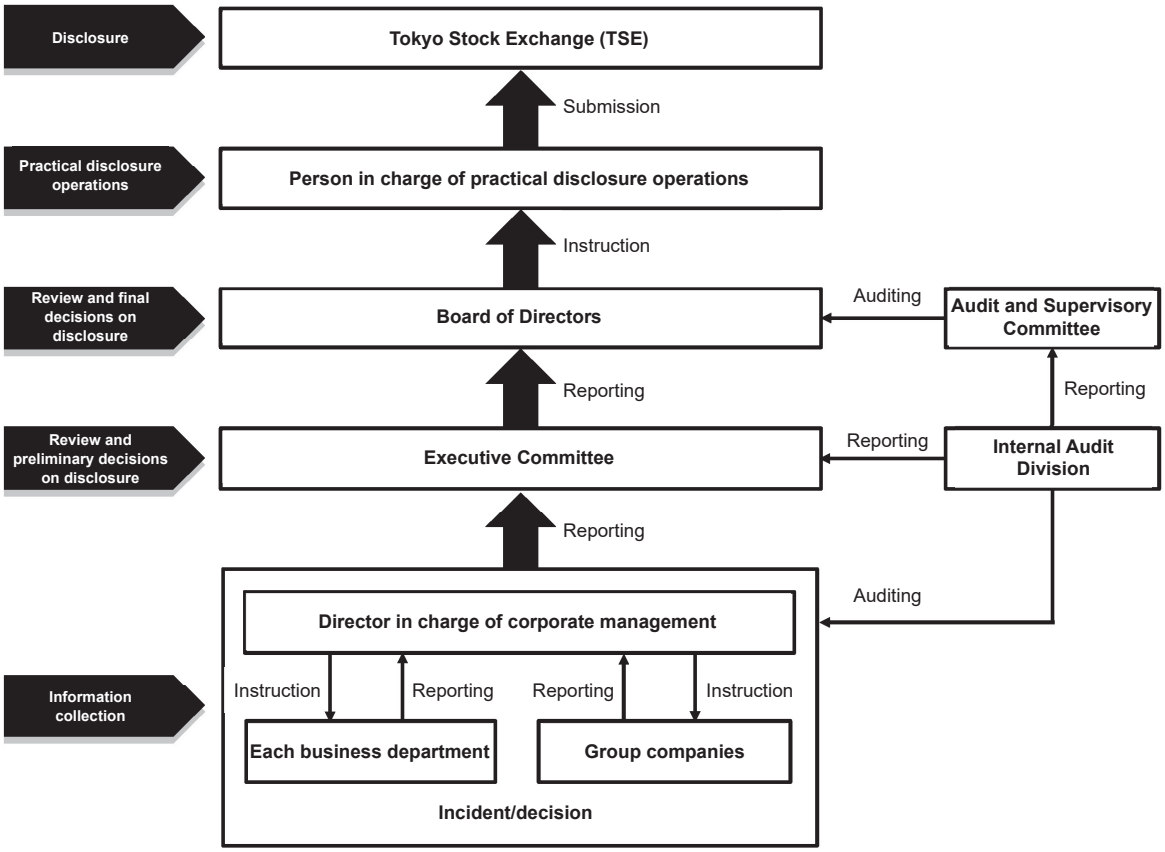
2. Other matters related to corporate governance systems

[Overview of timely disclosure systems]
Important management information is disclosed in a timely manner via the Tokyo Stock Exchange, the Company website, and other avenues following discussion and decision-making by the Executive Committee and the Board of Directors. We have established Insider Trading Prevention Regulations under which we strive to appropriately manage information concerning material facts that have yet to be made public.

[Corporate Governance Organizational System]



[Timely disclosure system schematic]



[Directors' skills matrix]

	Business administration/ governance	Legal/ compliance	HR/labor	Finance/ accounting	Sales/ marketing	ICT
Takashi Himeno	○					
Manabu Fujiwara		○	○	○		
Masato Tamano					○	○
Hideki Takagi					○	○
Atsushi Ookita					○	○
Yasuo Sakai					○	○
Masahiko Ootsuka (Outside)	○					
Shizuyo Takahashi (Outside)			○	○		○
Noriko Kosugi (Outside)			○	○		
Toshiharu Sakai (Audit and Supervisory Committee Member)		○			○	
Katsunori Taniguchi (Audit and Supervisory Committee Member/Outside)		○		○		
Motoaki Kuniyasu (Audit and Supervisory Committee Member/Outside)	○	○				

※Masahiko Ootsuka resigned on September 30, 2024.