Corporate Governance Report

Last Update: March 28, 2025
Fuyo General Lease Co., Ltd.
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https://www.fgl.co.jp/eng/

The corporate governance of Fuyo General Lease Co., Ltd. (the "Company") is described below.

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

1. Basic Views

The Fuyo Lease Group believes that placing importance on relationships with shareholders, customers, employees, local communities, and various other stakeholders and engaging in honest and fair business activities to achieve the performance targets of "Fuyo Shared Value 2026", the medium-term management plan for fiscal 2022 to fiscal 2026, in accordance with the Fuyo Lease Group's Mission/Vision/Value are the foundation of corporate governance and the most important task of management.

[Reasons for not Implementing the Principles of the Corporate Governance Code]

The Company has implemented each principle of the Corporate Governance Code.

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

Our basic views on Corporate Governance, the governance structure, operating policy, and other aspects of corporate governance are set forth in our Corporate Governance Guidelines (hereafter, "Guidelines"), on the Company's website. They can be viewed at the following URL:
(https://www.fgl.co.jp/eng/sustainability/corporate/governance.html)

[Principle 1.4 Basic Policy on Cross-Shareholding and the Exercise of Voting Rights Pertaining to Cross-Shareholdings]

See Article 7 in the Guidelines. An overview of due diligence on cross-shareholdings of listed companies by the Board of Directors as of March 31, 2024 is disclosed in the Securities Report for Period 55.
(https://ssl4.eir-parts.net/doc/8424/yuho_pdf/S100TQ74/00.pdf)

[Principle 1.7 Related Party Transactions]

See Article 8 in the Guidelines.

[Supplementary Principle 2-4 (1)] Ensuring diversity in the appointment core personnel

(1) Approach to Ensuring Diversity

The Company believes that diversity of human resources is a key growth driver. Bringing together different strengths, viewpoints and values generates the innovation that creates new value, and leads to sustainable growth for the Group. We are working to promote diversity and inclusion, aiming to create a workplace

that is fulfilling and rewarding for everyone to work in so that they can enhance their expertise, with the goal of creating a workplace where every employee can maximize their full potential, regardless of age, sex, nationality, sexual orientation, gender identity, race, ethnicity or disability.
In particular, we consider the advancement of women to be an important management issue for our Group in terms of securing talented human resources and responding to diversifying market needs. We are comprehensively planning the hiring of new employees and the promotion of women to management positions.

(2) Voluntary and Measurable Goals for Ensuring Diversity

The current status (as of the end of March 2024) and targets for women, non-Japanese, and mid-career hires in our company are as follows.

① Ratio of female employees in management positions Current: 32.2% / Goal: 35% or more (by the end of FY 2026)

② Appointment of non-Japanese managers Current: 0 / Goal: About 2 (by the end of FY2030)

③ Appointment of mid-career hire managers Current: 141 / Goal: Current status

(3) Human resource development policy and internal environment policy and status to ensure diversity

We expect our employees to be "self-motivated individuals who think and act proactively on their own initiative and have a desire to grow and we want our staff to develop into "personnel with a high level of expertise in each business area and the ability to create high added value" in order to enable sustainable growth with CSV at its center. To provide these people with the most assistance for their development, we are actively investing in their human resource development. In particular, we are expanding our educational programs to enhance the skills required and necessary for creating value from the bottom up in all business areas, such as language, DX, and new finance, as well as the specialized skills that are the source of high added value in each business area, such as energy, BPO, and healthcare. To further this, we opened “Fuyo Shared Value Creation Center” a facility dedicated to training, in Toyosu, Koto Ward, Tokyo, as an environment that allows us to focus more on learning. In addition, to develop self-reliant human resources with a desire to grow, we have introduced an "in-house coaching certification program" for management-level employees, which is used to practice guidance of subordinates that elicits autonomy. The cafeteria plan we started in fiscal 2022 has taken root and is utilized by employees for autonomous learning, such as attending English conversation and business schools, and outsourced seminars.
For this item, please also refer to Article 22 of the Guidelines, the Securities Report and on the Company’s website.
(https://www.fgl.co.jp/eng/sustainability/corporate/governance.html)
(https://ssl4.eir-parts.net/doc/8424/yuho_pdf/S100TQ74/00.pdf)
(https://www.fgl.co.jp/eng/sustainability/society/)

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

In order to ensure the safe and efficient management of the contract-based corporate pension fund, the Company established a Pension Asset Management Committee, which is chaired by the director in charge of the Human Resources Division and includes the general managers of the Human Resources Division, Finance Division, Financial Planning Division, and Finance Business Division, as well as the chairman of the employee labor union (with the participation of financial institutions, etc., as needed, as observers) in April 2024, in accordance with the basic policy for the management of pension assets, the Company manages its reserves through investment institutions.

Management of both pension funds is entrusted to management firms that adhere to the Japanese Stewardship Code and the Company monitors each firm contracted for management on a regular basis. In addition, in the Pension Fund Association in which we are a member, the Company has established an operational system in which persons with expertise are assigned to the Asset Management Committee as members.

[Principle 3.1]

(1) Corporate Vision (Management Philosophy, etc.), Management Strategy, and Management Plan

The Group's Mission/Vision/Value, management strategies, and management plans, including the Company's medium-term management plan and business overview by field, are disclosed in the Business Report attached to the "Notice of the 55th Annual General Meeting of Shareholders", and on the Company's website.
(https://ssl4.eir-parts.net/doc/8424/ir_material6/186350/00.pdf)
(https://www.fgl.co.jp/eng/ir/management/pdf/management-plan2.pdf)
(https://ssl4.eir-parts.net/doc/8424/announcement/99708/00.pdf)

(2) Basic Views and Basic Policy on Corporate Governance

See Provision 1., above, and the Guidelines.

(3) Policy and Procedure for Determining the Remuneration of Directors and Audit & Supervisory Board Members

Please refer to Article 21 of the Guidelines and "Director Remuneration" below.

(4) Policy and Procedure for Nomination and Dismissal of Candidates for Directors and Audit & Supervisory Board Members

Please refer to Articles 10, 11 and 12 of the Guidelines.

(5) Providing Explanations for Individual Appointments and Nominations for the Positions of Director and Audit & Supervisory Board Member

The reason for nomination is disclosed in the Reference Documents appended to the Notice of the 55th Annual General Meeting of Shareholders for each candidate nominated for the position of director or audit & supervisory board member. See the Company's website.
(https://ssl4.eir-parts.net/doc/8424/ir_material6/229554/00.pdf)

[Supplementary Principle 3-1 (3)] Approaches to Sustainability

(1) Approaches to Sustainability

The Fuyo Lease Group works on solving social issues represented by the SDGs through our business operations, and works on Sustainability issues based on the concept of CSV in order to achieve both the building of a sustainable society and sustainable growth as a company. Our basic approach to sustainability and CSV is set forth in our "Basic Policy on Systems to Support Sustainable Value Creation," and we have established a "CSV Promotion Committee" to promote these efforts.

＜Basic Policy on Systems to Support Sustainable Value Creation＞

In addition to meeting the expectations of society and our stakeholders, the Fuyo Lease Group is committed to building a sustainable society and achieving sustainable growth as a company through our

business operations, and to addressing social issues such as the SDGs. To this end, we will position the concept of CSV as the foundation of our management and strengthen it as a long-term strategy.

1. Responding to climate change
   In response to climate change issues, the Fuyo Lease Group is working to reduce greenhouse gas emissions from its own operations. At the same time, we recognize the growing demand for renewable energy and environmentally friendly products and services as a business opportunity and are working to help our customers decarbonize. In addition, as a measure to adapt to climate change, we are working to strengthen our resilience in the event of an emergency by promoting BCP measures that assume risks such as restrictions on corporate activities due to an increase in natural disasters. We will work proactively to mitigate and adapt to climate change and achieve sustainable growth.

2. Respect for Human Rights
   The Fuyo Lease Group will act in a manner that respects the dignity and basic human rights of all people, including business partners, officers and employees, and will build a corporate culture filled with a spirit of respect for human rights.

3. Human Resource Strategy to Enhance Value
   The Fuyo Lease Group believes that “Human Capital” are its greatest asset. We respect each employee and his or her individuality, and we believe it is important for employees to "job satisfaction" and "motivated to work", to grow through their work, and to lead fulfilling lives both physically and mentally. We also believe that the sustainable growth of the Group will be achieved by encouraging the growth of every employee and maximizing the use of their talents and abilities, thereby simultaneously enhancing corporate value and creating social value.

4. Contributing to the Community
   The Fuyo Lease Group recognizes its deep relationship with local communities, and we want to continue to grow together while fulfilling our role as a good corporate citizen that contributes to the development of local communities. The Group has established a social contribution policy and is engaged in social contribution activities mainly in the areas of "environment," "local communities," "academia and research," and "support for disaster-stricken areas," while making use of the Group's know-how, products and services.

5. Approach to Risk
   The Fuyo Lease Group anticipates a variety of risks that could arise in the course of business development and is taking steps to address them. Details of the Group's business and other risks are disclosed in our Annual Securities Report, and the status of our response to these risks is regularly reported to the Board of Directors.

6. Ensuring compliance
   The Fuyo Lease Group has positioned thorough compliance as a fundamental management principle, and we are working to strengthen and enhance the compliance system to ensure strict adherence to all laws, regulations and rules, as well as to carry out honest and fair corporate activities that do not violate social norms.

the Fuyo Lease Group established “the Fuyo Lease Group Human Rights Policy” by approval of the Board of Directors and disclosed it on the Company's website to clarify the Group's support for international standards and its commitment to fulfilling its responsibilities by promoting initiatives to respect human rights in its business activities.
(https://www.fgl.co.jp/eng/sustainability/society/human-rights/policy.html)

(2) Investment in Human Capital

The Company invests in human capital with a focus on employee development and remuneration. With regard to employee development, we believe that solving increasingly challenging social issues requires proactive human resource development of a different perspective than in the past, and under our medium-term management plan "Fuyo Shared Value 2026," we plan to increase our human resource development-related expenses by 300% during the period. In addition to the knowledge and business skills required for traditional leasing and finance, we will also increase the number of training programs aimed at raising the level of added value in each business area, such as language, digital transformation, and cutting-edge finance. In addition, in order to strengthen the high level of expertise in each business area, we have introduced a cafeteria plan as part of our self-development system and are focusing on initiatives to support employee independence and motivation by strengthening support for participation in outside seminars and attendance at language and certification schools. To further this, we opened “Fuyo Shared Value Creation Center” a facility dedicated to training, in Toyosu, Koto Ward, Tokyo, as an environment that allows us to focus more on learning. Regarding the treatment of employees, the Company strives for stable and steady improvement, taking into consideration the environment surrounding the industry and the Company's business performance.

The Company's performance in terms of training and compensation is as follows

① Performance in terms of training
- Training-related expenses: 199 million yen (as of March 31.2024, 249% compared to FY2021 (the final year of the previous medium-term management plan))
- Dispatch of trainee to overseas subsidiary: 7 people (as of May 31.2024)
- Dispatch of employees for training in Japan for educational purposes (including secondment): 18 people (as of May 31.2024)

② Performance in terms of compensation
- Average employee salary: 8.91 million yen (as of March 31.2024)

(3) Investment in intellectual property

We manage our business portfolio based on a zone management approach and in the "incubation zone", which is set as one of the portfolios, we are promoting investments in new ventures and capital and business alliances, as well as expanding our business domain through collaboration with ventures in which we have already invested in order to foster new businesses through investments in R&D-oriented ventures,
In addition, as a measure to contribute to academia and research, as well as to culture and the arts, we invest in funds that support the commercialization of university research results, and in funds that support students who aspire to become artists.
Our approach to zone management and the results of our venture investments are disclosed in the Integrated Report and the Company’s website.

(https://www.fgl.co.jp/eng/sustainability/download.html)
(https://www.fgl.co.jp/eng/sustainability/society/)

(4) Information Disclosure Based on TCFD Recommendations

We recognize climate change as a pressing issue in society, and in addition to reducing our own greenhouse gas emissions, we are actively working to promote the decarbonization of society and our customers through our business.
We have also expressed our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) in May 2019, we analyze the impact of risks and opportunities related to climate change on our business activities based on the TCFD framework and disclose them on our website.
(https://www.fgl.co.jp/eng/sustainability/environment/tcfd.html)

[Supplementary Principle 4－1(1)] Overview of the Scope of Delegation to Management

See Article 9, Paragraph 4 in the Guidelines.

[Principle 4.9] Independence Standards for Outside Officers

See the Annex to the Guidelines 2 (Independence Standards).

[Supplementary Principle 4-10 (1)]

The Company has established the Nomination and Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors (establishment date: November 5, 2015).
Including our approach to independence, details of the composition of the Nomination and Remuneration Advisory Committee are described in "Status of Establishment of Voluntary Committees, Composition of Members, and Attributes of the Committee Chairperson .

[Supplementary Principle 4-11(1)] Views on the balance of knowledge, experience, and ability, diversity, and size of the Board of Directors as a whole and Skill Matrix

(1) Concept of composition of the Board of Directors, qualifications of directors, and nomination and dismissal procedures
Please refer to Articles 10 and 11 of the Guideline.

(2) Skills Matrix
The Company believes that in order to expand its business domain while appropriately responding to discontinued and rapid changes in the business environment, it is important to have officers on the Board of Directors who have a wide range of skills (knowledge, experience, ability, etc.) to practice effective supervision while taking a broad view of such changes.
The areas (skills matrix) that we expect from each director and audit & supervisory board member, based on their expertise and experience, in order to steadily implement the Group's medium-term management plan and achieve its goals are as shown in Reference Material 2.

The Company will use the skills matrix to determine whether the current Board of Directors is composed of individuals who can fully demonstrate its effectiveness, and will also use it to select future directors, etc.

[Supplementary Principle 4-11(2)] Concurrent Appointments of Directors and Audit & Supervisory Board Members

Significant concurrent appointments of directors and audit & supervisory board members are disclosed in the Business Report and in the Reference Documents for the General Meeting of Shareholders in the Notice of the 55th Annual General Meeting of Shareholders.
(https://ssl4.eir-parts.net/doc/8424/ir_material6/229554/00.pdf)

[Supplementary Principle 4-11(3)] Analysis and Evaluation of Overall Effectiveness of the Board of Directors

All directors and audit & supervisory board members were surveyed and interviewed as needed to analyze and evaluate the overall effectiveness of the Board of Directors. The Nomination and Remuneration Advisory Committee, of which the majority is comprised of independent outside directors (with legal counsel assisting the Board of Directors Operations Office), deliberated and reported on the results, and the Board of Directors adopted a resolution. Five evaluation items were set: composition of the Board of Directors, role of the Board of Directors, operation of the Board of Directors, support system for outside officers, and summary.
The outline of the analysis / evaluation results for FY2023 is as follows.

1. The Board of Directors was found to be appropriate in all evaluation items, including size and composition, functions and roles, and operation, and its effectiveness was confirmed. However, it is necessary to continue to steadily promote and further establish measures to improve the functions of the Board of Directors and to constantly review the Board in response to changes in the internal and external environment.
2. The status of responses to the issues in the previous analysis and evaluation is as follows, confirming that improvements in effectiveness have been made.

・Issue 1 "Further Improvement of Board of Director Functions" : Risk management functions have been further strengthened through actions like reporting on scenario analysis of risks in the case of a major disaster and regular reporting on the state of the market and its effects on the company, including interest rate and foreign exchange circumstances. In addition, the Board of Directors is steadily improving its functions by providing enhanced and sophisticated information, such as detailed reports on human resource portfolios, in the deliberation of succession planning (Succession Plan) by the Nomination and Remuneration Advisory Committee.

・Issue 2 "Steady promotion of the medium-term management plan steadily and further deepening of CSV management' : To further deepen the steady implementation of the mid-term management plan and the improvement of CSV management, more opportunities have been established for reporting progress on non-financial targets to the Board of Directors, including reports on employee engagement.

・Issue 3 "Further Enhancement of information provision to outside officers" : Additionally, just as in the previous fiscal year, the company has continued to improve the information it provides to outside officers by organizing site visits (visits to customers and employee interactions) and by giving them the chance to hear from the company's legal advisors about the legal risks associated with the Group's businesses.

We also realized that the Board of Directors' functions needed to be further improved by improving the reports that are sent to the Board of Directors, improving the discussions on medium- and long-term

themes and CSV management, and giving outside officers more information. Furthermore, as medium- and long-term issues, the Company acknowledges the necessity of consistently enhancing the diversity of the Board of Directors' membership and further enhancing Group governance.

Based on the results of the above analysis and evaluation, the Company's Board of Directors will make further efforts to improve the functions of the Board of Directors and further enhance its effectiveness.

[Supplementary Principle 4-14(2)] Policy on Training Directors and Audit & Supervisory Board Members
See Article 19 in the Guidelines.

[Principle 5.1 Policy on Establishing a Structure and Taking Steps to Promote Constructive Dialog with Shareholders]
See Article 6 in the Guidelines.

[Principle 5-2, Supplementary Principle 5-2 (1)】 Formulate and Announce Management Strategies and Plans
With regard to management strategies and plans, the Company publishes its Medium-term Management Plan, business overview by field in the Business Report attached to the "Notice of the 55th Annual General Meeting of Shareholders.", and on the Company's website.
(https://ssl4.eir-parts.net/doc/8424/ir_material6/186350/00.pdf)
(https://www.fgl.co.jp/eng/ir/management/pdf/management-plan2.pdf)
(https://ssl4.eir-parts.net/doc/8424/ir_material6/229554/00.pdf)

＜Basic policy regarding the Group's business portfolio＞
In order to achieve sustainable growth, the Fuyo Lease Group will continue to invest management resources in growth markets and maintain a balance among multiple business domains of a certain revenue scale. The management of our business portfolio is based on the "zone management approach," in which business domains are divided into four quadrants and managed to promote selection and concentration.
For more information on the "zone management approach," please refer to the Medium-term management plan.
(https://ssl4.eir-parts.net/doc/8424/ir_material6/186350/00.pdf)
(https://www.fgl.co.jp/eng/ir/management/pdf/management-plan2.pdf)

<Action to Implement Management that is Conscious of Cost of Capital and Stock Price> <Date of update：03/28/2025>
The Company's medium-term management plan, "Fuyo Shared Value 2026," was launched in FY 2022. By incorporating the concept of Creating Shared Value (CSV), which aims to improve corporate value by using business to solve social issues, and by pursuing both financial (corporate value) and non-financial (social value) targets equally, the Company hopes to achieve sustainable profit growth. For financial targets, the Company has set ordinary profit, return on assets (ROA)(Ratio of ordinary profit to operating assets), equity ratio, and return on equity (ROE) of 10% or more; and is promoting business operations with an awareness of capital profitability. As for non-financial targets, the Company has set goals for contributing to the realization of a decarbonized and recycling oriented society, creating new value-creating time for customers, and strategic human resource development and other materiality. Furthermore, the Company is working to create social value through the execution of business.

The Company believes that sustainable profit growth through the steady implementation of these strategies set forth in the medium-term management plan will lead to the realization of medium- and long-term improving corporate value.
The Board of Directors will continue to regularly review and formulate initiatives based on analysis and evaluation of the current situation regarding cost of capital, capital profitability, and market valuation.

For more information about the medium-term management plan, [Fuyo Shared Value 2026], please refer to the following.
(https://ssl4.eir-parts.net/doc/8424/ir_material6/186350/00.pdf)
(https://www.fgl.co.jp/eng/ir/management/pdf/management-plan2.pdf)

<Status of Dialogue with Shareholders>
For more information on this item, please refer to the Sustainability Site on our website.
(https://www.fgl.co.jp/eng/sustainability/society/ir/communication.html)

2. Capital Structure

Foreign Shareholding Ratio: From 10% to less than 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Hulic Co., Ltd.	4,218,200	13.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,737,700	9.06
Meiji Yasuda Life Insurance Company	2,555,900	8.46
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Custody Bank of Japan, Ltd. as a Trustee of Retrust	1,512,300	5.01
Custody Bank of Japan, Ltd. (Trust Account)	1,216,400	4.03
Sompo Japan Insurance Inc.	1,002,400	3.32
Azbil Corporation	1,000,000	3.31
Mizuho Bank, Ltd.	907,900	3.00
Nichirei Corporation	416,600	1.38
Tokio Marine & Nichido Fire Insurance Co., Ltd.	400,040	1.32

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

Supplementary Explanation

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3. Corporate Profile

Stock Market and Market Section Listed on	Tokyo Stock Exchange, Prime Market
Fiscal Year-end	March
Type of Business	Other financing business
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (Consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
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 When the Company Engages in Transactions with Controlling Shareholder

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

None

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 an Audit & Supervisory Board

[Board of Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Seiichi Isshiki	From another company								△			
Hideo Ichikawa	From another company								△			
Masayuki Yamamura	From another company								△			
Hiroko Matsumoto	Professor								△	○	○	

* 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 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 remuneration as a director/audit & supervisory board member
g. Major shareholder of the Company (or an executive of the major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier of the Company (which does not correspond to d, e, or f) (the director himself/herself only)
i. Executive of a company which has the same individual(s) as the Company appointed as outside directors/audit & supervisory board members (refers only to the director)
j. Executive of a company or organization that has received a donation from the Company (refers only to the director)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Seiichi Isshiki	○	<Outside Director Attributes > Mr. Isshiki is a former Representative Director and President of JX Nippon Oil & Energy Corporation (currently ENEOS Corporation.). The Company has routine lease transactions with JXTG Nippon Oil & Energy Corporation, but these transactions comprise less than one percent of total annual consolidated revenues.	In addition to serving as Representative Director & President & chief executive officer of JX Nippon Oil & Energy Corporation, Mr. Isshiki has served as a director of JX Holdings, Inc. and Representative Director & President of ENEOS Celltech Co., Ltd. We believe that his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. <Reason for designation as an independent officer> He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.
Hideo Ichikawa	○	<Outside Director Attributes > Mr. Ichikawa is advisor at Resonac Holdings Corporation. The Company has no transactions with the Resonac Holdings Corporation.	We believe that his many years of management experience as representative director and president, chief executive officer, representative director and chairman of the board, director, chairman of the board of Showa Denko K.K (Currently Resonac Holdings Corporation). and his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. < Reason for designation as an independent officer > He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.

Masayuki Yamamura	○	<Outside Director Attributes > Mr. Yamamura is senior advisor to Nippon Telegraph and Telephone East Corporation (NTT East). The Company has routine lease transactions with the Nippon Telegraph and Telephone East Corporation, but these transactions comprise less than one percent of total annual consolidated revenues. And, he is chairman of The Telecommunications Association, and the company has no transactions with the association. Additionally, he is outside director of Tokyo Gas Co. Ltd., and the company has no transactions with Tokyo Gas Co. Ltd.	We believe that his experience as representative director and president of NTT East and chairman of the incorporated association and his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. < Reason for designation as an independent officer > He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.
Hiroko Matsumoto	○	<Outside Director Attributes > Ms. Matsumoto is the administrator of Joshibi University of Art and Design; Fuyo does not have regular leasing transactions with the educational institution. The Company also contributes funds to the Fuyo Joshibi Venus Fund, which was jointly established with the university as part of its social contribution efforts to support students and promote women's activities, but the amount is less than 5 million yen per year. Yasunori Tsujita, Chairperson of the Board of Directors of the Company, serves as a director (part-time) of the university, which has several outside directors who are not from the Company.	We believe that her experience as after working for Toshiba Corporation, school administration and education as Administrator, Vice-President, Professor and Head of Research Institute of Joshibi University of Art and Design and her abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. < Reason for designation as an independent officer > She fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.

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

Committee's Name, Composition, and Designated Status of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Internal Directors	1	1
Outside Directors	4	4
Outside Experts	0	0
Others	0	0
Chairperson	Internal Director	Internal Director

Supplementary Explanation

- The Nomination and Remuneration Advisory Committee was established as the discretionary nominating body of the Board of Directors to serve the dual functions of a nomination committee and remuneration advisory committee (Date established: November 5, 2015).
- Nomination and Remuneration Advisory Committee members consist of directors, including all independent directors (outside directors who meet the independence standards of the Company; the same applies hereafter) and internal directors other than executive directors. A majority of committee members are independent directors. The members of this Committee are selected by approval of the Board of Directors and the Chairperson of this Committee is selected by deliberation of the Committee. In principle, this committee is convened by the chairperson, and other committee members may request the chairperson to convene a meeting, or may convene a meeting themselves. In principle, the contents of the Committee's report are based on the unanimous consent of all Committee members present, and in cases where unanimous consent cannot be obtained, decisions are made by a majority of the Committee members. The Board of Directors is to approve and resolve the Company's management's decisions by respecting the contents of the Committee's report. Based on the above, the Company believes that the Nomination and Remuneration Advisory Committee has sufficient independence.
- The committee deliberates on the following matters. The results of deliberations are reported to the Board of Directors as necessary.
  (1) Selection of Chairperson of the Nomination and Remuneration Advisory Committee
  (2) Appointment of director candidates and audit & supervisory board member candidates, or dismissal of directors and audit & supervisory board members
  (3) Remuneration for directors
  (4) Succession planning for the president and chief executive officer (president and executive officer)
  (5) Amendment or abolition of Corporate Governance Guidelines
  (6) Analysis and evaluation of effectiveness of the Board of Directors as a whole

(7) Matters concerning advisors, etc. who assumed the post after retiring from representative director and president

(8) Other matters referred by the Board of Directors

- In FY2023, the meeting was held five times, and all committee members attended all meetings.

In FY2023, the Board of Directors mainly deliberated the following matters.

(i) Selection of candidates for Directors, etc.

(ii) Succession planning for the President (President and Chief Executive Officer)

(iii) Remuneration for Directors (basic remuneration and performance-linked remuneration)

(iv) Analysis and evaluation of the effectiveness of the Board of Directors as a whole

(v) Conclusion of special advisory contract

[Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	6
Number of Audit & Supervisory Board Members	3

Cooperation Among Audit & Supervisory Board Members, Accounting Auditors and the Internal Audit Department

To ensure effective and efficient audits, audit & supervisory board members, accounting auditors, and the Internal Audit Department mutually share audit results and other information appropriately and in a timely manner through reporting meetings, exchange of opinions, and other meetings.
The readiness status of the internal control system established and operated by the Internal Control Department is monitored by the Internal Audit Department, audit & supervisory board members, and accounting auditors, who exchange information on their respective audit results and monitor the system status.

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

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takashi Yonekawa	From another company										○			
Hiroshi Imoto	From another company													○

* Categories for "Relationship with the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;
  "△" when the audit & supervisory board member fell under the category in the past
* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;
  "▲" when a close relative of the audit & supervisory board member fell under the category in the past

a. Executive 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 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 an audit & supervisory board member
i. Major shareholder of the Company (or an executive of the major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier of the Company (which does not correspond to f, g, or h) (refers only to the audit & supervisory board member)
k. Executive of a company which has the same individual(s) as the Company appointed as outside directors/audit & supervisory board members (refers only to the audit & supervisory board member)
l. Executive of a company or organization that has received a donation from the Company (refers only to the audit & supervisory board member)
m. Others

Outside 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
Takashi Yonekawa	○	<Outside Audit & Supervisory Board Member Attributes> Mr. Yonekawa is the former Vice President and Executive Officer of Sompo Japan Insurance Co., Inc.; Fuyo has regular leasing transactions with the company, but the amount is less than 1% of the total annual consolidated sales. He is also the President of Yasuda Nipponkoa Health Insurance Union and Fuyo has regular leasing transactions with the union, which is less than 1% of total annual consolidated sales. Additionally, he is the vice chairman of the National Federation of Health Insurance Societies and the chairman of the Tokyo Federation of the National Federation of Health Insurance Societies. The Company has no transactions with the both Federations.	To utilize the abundant experience and high insight that he has served as a Director and Managing Executive Officer, Vice-President and Executive Officer of Sompo Japan Insurance Inc., to carry out appropriate audits from an independent and objective standpoint. ＜Reason for designation as an independent officer＞ As it meets the requirements for independent officers set by the Tokyo Stock Exchange and there is no risk of conflicts of interest with general shareholders.

Hiroshi Imoto	○	<Outside Audit & Supervisory Board Member Attributes> In June 2016, Mr. Imoto retired as a full-time audit & supervisory board of member of Japan Bank for International Cooperation Co., Ltd.	By making use of Mr. Imoto's abundant experience and high level of insight as a member of the Japan Bank for International Cooperation's International Management and Planning Division, Industry Finance Department, and Full-time Audit & Supervisory Board of Member, to carry out appropriate audits from an independent and objective standpoint. ＜Reason for designation as an independent officer＞ As it meets the requirements for independent officers set by the Tokyo Stock Exchange and there is no risk of conflicts of interest with general shareholders.

[Independent Officers (Directors/Audit & Supervisory Board Members)]

Number of Independent Officers	6

Other matters concerning independent officers

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[Incentives]

Incentive Policies for Directors	Introduction of performance-linked Remuneration and other forms of Remuneration

Supplementary Explanation

By increasing the link between directors' remuneration, company performance and shareholder value, we will increase the motivation to improve performance and raise stock prices, and "ensure stable performance and growth as well as increase corporate value. In addition to the basic remuneration, we have introduced performance-linked remuneration (annual bonus) and stock remuneration (stock benefit trust (BBT=Board Benefit Trust)). For details of each remuneration, please refer to [Remuneration for Directors] " Disclosure of Policy on Determining Remuneration Amounts or Calculation Methods ".

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Individual Remuneration is not disclosed.

Supplementary Explanation

Total amount of director Remuneration in fiscal 2023 : 361 million yen

Policy on Determining Remuneration Amounts or Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts or Calculation Methods

The Company has determined by a resolution of the Board of Directors the method of deciding the "decision policy regarding the content of individual remuneration of directors". When determining individual remuneration for directors, the basic policy is to set the level at an appropriate level based on individual responsibilities. In addition to basic remuneration paid as fixed remuneration, performance-linked remuneration and stock remuneration are introduced as variable remuneration. Regarding the ratio of each remuneration, the ratio of variable remuneration to basic remuneration 1 is set to 0.7 based on the average ratio of listed companies. The breakdown of variable Remuneration is that the ratio of performance-linked Remuneration to stock Remuneration is 5: 7, and the ratio of medium- to long-term incentives is increasing.
The basic remuneration is within the range of the remuneration limit approved at the general meeting of shareholders, and the basic remuneration for each individual according to the position is based on the general level of employee remuneration and executive remuneration of the Company and the business condition of the company. The appropriateness and appropriateness of determining the amount is decided by a resolution of the Board of Directors after deliberation and report by the Nomination and Remuneration Advisory Committee.
The basic remuneration may be temporarily reduced by a resolution of the Board of Directors after deliberation and report by the Nomination and Remuneration Advisory Committee depending on the company's business performance and other reasons.
Performance-linked remuneration shall be based on 26% to 35% of the annual amount of basic remuneration, depending on the position, within the range of remuneration approved at the general meeting of shareholders, and shall be in accordance with the executive performance-linked remuneration rules separately established by the Company. The amount to be paid is determined by a resolution of the Board of Directors after deliberation and reporting by the Nomination and Remuneration Advisory Committee within the range of 0 to 200% of the standard amount, depending on the consolidated performance of the company in the fiscal year preceding the payment date, the degree of contribution of each person to the company performance, the status of efforts to address medium- to long-term management issues, etc.
It consists of two parts: a part linked to applicable indicators such as the company's consolidated business performance (hereinafter referred to as "applied index linked portion") and a part reflecting the individual evaluation of each director (hereinafter referred to as "individual evaluation portion "). The composition ratio is determined for each position. The "applied index-linked portion" is calculated from financial metrics like balance of operating assets, consolidated ordinary profit, consolidated ROA etc. The "individual evaluation portion" is determined by the president based on the performance and qualitative evaluation of the section of business the director is in charge of.
Performance-linked remuneration may be reduced or not paid if the director inflicts great material loss to the company or if the director is on long-term leave due to illness treatment.

The performance indicators that form the basis for calculating the amount of performance-linked remuneration are divided and set into financial items, which are important performance evaluation indicators, and non-financial items of environment and human capital investment, in order to achieve the medium-term management plan "Fuyo Shared Value 2026". The financial items are consolidated ordinary profit, consolidated ROA, consolidated shareholder's equity ratio and consolidated ROE. Non-financial items are the amount invested in the promotion of decarbonization (non-consolidated) and human resources development-related expenses (non-consolidated).

[Calculation method of performance-linked remuneration]
Performance-linked remuneration amount = payment standard amount for each position x performance-linked payment coefficient (*)
(*…Consolidated ordinary profit," "consolidated ROA," and "consolidated shareholder's equity ratio" are calculated by combining the percentage of achievement against the planned value and the ratio against the same period of the previous fiscal year. Consolidated ROE" is 100% when achieved, and when not achieved, it is calculated as the ratio of the actual value to the target value. Non-financial items are calculated based on the percentage of achievement compared to the planned value. For directors under the Senior Managing Director, the performance of the business under their jurisdiction and qualitative evaluation are taken into consideration, and the individual evaluation decided by the president is also reflected.)
For stock Remuneration, we have introduced a "stock benefit trust (BBT (= Board Benefit Trust)"), which is based on the directors' stock benefit regulations resolved by the Board of Directors within the Remuneration limit approved at the general meeting of shareholders. If a director retires after satisfying the eligibility requirements, they will acquire the right to receive benefits of the Company's shares acquired by the Trust according to their position and term of office on the date of resignation. The number of points (1 point = 1 share of the Company's common stock) that will be used as the basis for the delivery of shares, etc. shall be the total number of service points granted to the eligible directors by the time of their retirement from office, in principle, on each date of the General Meeting of Shareholders. If it is resolved for a director is to be dismissed at a general meeting of the shareholder, or if a director retires during tenor because of certain misconduct, or if there is any inappropriate behavior that might damage the company during tenor, the director will not have the right to receive benefits.
Internal directors who do not execute business operations are paid stock remuneration as fixed and variable remuneration, and directors who chair the Board of Directors are paid a chairperson's allowance as fixed remuneration in addition to base remuneration. For outside directors and outside Audit & Supervisory Board Members who are supervisors, performance-linked remuneration and stock remuneration are not suitable, so only fixed remuneration is provided.
Regarding the amount of individual remuneration for the directors of the Company, Hiroaki Oda, Director and CEO, who supervises and controls the business activities of each department as the chief executive officer and evaluates the directors in charge of each department, who based on the resolution of the Board of Directors, is entrusted with the determination of the amount of performance-linked remuneration to be paid to directors and the specific details regarding the timing of payment. After deliberation and report by the Nomination and Remuneration Advisory Committee, the appropriateness of the evaluation method of performance-linked remuneration and the appropriateness of the calculated remuneration amount should be examined and reported so that the authority can be exercised appropriately; the Director and CEO decides the amount and timing of performance-linked remuneration to be paid to each director.

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

Outside Officers (referring to Outside Directors and Outside Audit & Supervisory Board Members. The same implies hereinafter.) have 3 persons belong to Board of Directors Operations Office in charge and the secretariat and various communications for the in advance explanation for Board of Director agenda items are held with outside officers.
The Company provides outside officers with advance delivery of proposals for meetings of the Board of Directors and Audit & Supervisory Board, implementation of advance explanations of proposals attached to the Board of Directors, provision of materials and minutes for management meetings, and organize site visits, and provision of opportunities to attend external seminars.

[Retired Presidents/CEOs Holding Advisory Positions (Consultant, Advisor, etc.)]

Information on retired presidents/CEOs holding advisory positions (consultants, advisors, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without Remuneration, etc.)	Date when former role as president/CEO ended	Term
Takashi Sato	Special Advisor	• Advice as requested by management • Maintenance of relationships with customers and business partners	Part-time, compensated	March 31, 2016	One-year renewable

Number of Retired Presidents/CEOs Holding Advisory Positions (Consultant, Advisor, etc.)	1

Other Matters

The Company may permit the use of the title of "Special Advisor" as an honorary title for those who have retired as President and Representative Director (for life, without remuneration in principle).
The Special Advisor does not attend meetings of the Company's Board of Directors, the Executive Committee meetings or other internal meetings, and does not have the authority to make management decisions for the Company. When specific duties are delegated to the Special Advisor, an advisory contract is concluded and a fixed fee is paid in accordance with his/her role. Specific expected roles and the conclusion of advisory contracts, etc. are determined by the President after deliberation (including reports on the status of activities at the time of renewal) by the Nomination and Remuneration Advisory Committee, of which the majority is composed of independent outside directors. The Special Advisors with whom the Company has concluded advisory contracts at present are as shown in the table above.
Renewal of advisory contracts with special advisors to whom specific duties are delegated shall, in principle, be limited to six years, including the first year of conclusion.
In order to clarify the above details, the Company has established internal regulations pertaining to the advisory system after deliberation by the Nomination and Remuneration Advisory Committee (date of establishment and enforcement: February 15, 2023).

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

The content of the management structure for executing the Company's business, supervision and oversight, and other organizational aspects of corporate governance are described below. Also see the Guidelines for further information concerning Points A, B and C. In regard to the nomination of officers, see "Committee's Name, Composition, and Designated Status of Chairperson" in Section II-1. For officer remuneration, also see [Director Remuneration] in Section II-1.

A. Board of Directors

The Board of Directors consists of 9(nine) directors. It deliberates on and decides important matters concerning management and matters specified in laws and regulations, the Company's Articles of Incorporation, and the Board of Directors Regulations. In the composition of the Board of Directors, internal directors other than the executive directors are to be selected, and the chairperson of the Board of Directors is, in principle, to be selected from among the directors other than the executive directors. 4(four) independent directors are appointed to increase the objectivity and transparency and strengthen the oversight function of Board of Directors. The Board of Directors has established the Board of Directors Operations Office as a secretariat under the direct control of the Board of Directors.
The Board of Directors met 11 times in in fiscal 2023. The attendance record of each officer during fiscal 2023 is shown below.

Directors
Yasunori Tsujita, Hiroaki Oda, Keiji Takada, Yusuke Kishida, Seiichi Isshiki,
Hideo Ichikawa, Masayuki Yamamura, Hiroko Matsumoto attended 11 meetings.
Hiroshi Takahashi was elected at the 55th Annual General Meeting of Shareholders held on June 21 2024.

Audit & Supervisory Board Members
Masaharu Nakamura(Resignation effective Nov./8/2024), Takashi Yonekawa, Hiroshi Imoto attended 11 meetings.
Masato Morikawa was elected at the 55th Annual General Meeting of Shareholders held on June 21 2024.

In FY2023, the following items were mainly resolved and reported.
(1) Fiscal year management plan and the medium-term management plan
(2) Status of risk management, compliance program plan
(3) Policy and updates related to sustainability and CSV ((non-financial targets, contribution to reduction of CO_2 emissions), improving engagement figures) and drafting the Integrated Report
(4) Status of internal audits
(5) Individual transactions (investments, establishment of maximum credit limits for business partners, etc.)
(6) Matters stipulated in the Companies Act, Financial Instruments and Exchange Act, Japan's Corporate Governance Code of the Tokyo Stock Exchange etc., including the status of operation of internal control systems, Annual Securities Report, verification of the significance of policy shareholdings, and the status of dialogue with shareholders.

B. Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee was established as a discretionary committee of the Board of Directors.

For details, please refer to the item "Establishment of committees, composition of members, and attributes of the Chairperson.

C. Audit & Supervisory Board

Our Audit & Supervisory Board consists of three auditors, including one full-time members and two part-time audit & supervisory board members who are also independent audit & supervisory board members. According to the audit plan formulated by the Audit & Supervisory Board, each audit & supervisory board member audits execution of operations by directors by attending important meetings, reviewing important documents, examining operations and assets, and reviewing the audit findings of the independent accounting auditor and the Internal Audit Department among other relevant activities. The audit policy for fiscal 2023 states that, in accordance with the Code of Audit & Supervisory Board Member Auditing Standards, the Audit & Supervisory Board is an independent body which has received the mandate for its responsibilities from shareholders. Audit & supervisory board members perform audits from the following main perspectives to ensure healthy, sustainable growth of the Company and work to establish a strong corporate governance system that can earn the trust of society.

The Audit & Supervisory Board met 14 times during fiscal 2023 and specific items for consideration, including major resolutions and matters to be discussed, are as follows.

<Matters to be resolved>: Audit policy, plan, assignment of duties, consent to the proposal for the appointment of audit & supervisory board members, reappointment of accounting auditors, consent to the remuneration of accounting auditors.

<Matters to be reported>: Reporting on the status of the operation of internal control systems, evaluation of internal control reports on financial reporting, results of visits by full-time audit & supervisory board members to domestic and overseas offices and group companies.

<Matters to be deliberated and discussed>: Appropriateness of accounting auditors, prior consent to non-assurance services by accounting auditors, draft audit report by the Audit & Supervisory Board.

D. Executive Committee

The Executive Committee is composed of Executive Officers with positions of managing executive officer or higher, the heads of the Corporate Planning Division, Human Resources Division, and Business Planning & Promotion Division as well as the presidents of major subsidiaries. Full-time audit & supervisory board members also attend meetings of the Committee on a regular basis. As a general rule, the Executive Committee meets at least once a month to make decisions on operating activities and implementation of measures delegated by the president, and to discuss important issues concerning internal controls. Its aim is to improve the quality of management decisions and to speed up decision-making. The Executive Committee met 21 times during fiscal 2023.

E. Compliance Committee

The officer in charge of compliance serves as the chairperson of the Compliance Committee and the officer in charge of Group Legal and Compliance serves as vice chairperson. Full-time members include the head of the relevant corporate divisions (planning and administrative management work), the

representative directors and others from domestic subsidiaries, the general managers of the supervising divisions of overseas subsidiaries, and outside lawyers are outside committee members. Additionally, acting as an observer, full-time audit & supervisory board members and presidents of domestic subsidiaries participate in the committee. The Legal & Compliance Division serves as the administrative office for the Compliance Committee. Compliance Committee meetings are held once a quarter, and matters relating to establishment of a compliance structure and furtherance of annual compliance plans are debated and discussed. The matters debated and discussed at the committee meetings are reported and presented to the Board of Directors and the Executive Committee, which take steps to establish and strengthen the compliance structure.

F. CSV Promotion Committee

The Company has established the CSV Promotion Committee, which is chaired by the executive officer in charge of planning and administration and includes the heads of related the corporate divisions as well as the head of the business divisions (provision of products and function, promotion of relationship management and business support) as members. The CSV Promotion Committee in principle meets semiannually to discuss and report on the formulation and revision of materiality plans, the formulation and revision of plans for issues equivalent to materiality, and other important matters related to the promotion of sustainability and CSV matters deliberated by the Committee are decided by the Executive Committee, and important matters are reported to the Board of Directors at least once a year.

G. Internal Audits

The internal audit function is administered by the Group Internal Audit Division (staffed by 11 employees). The Group Internal Audit Division conducts operational audits of all departments, offices, branch offices, and major subsidiaries, and plays a part in ensuring that internal controls are functioning in addition to examining their effectiveness. The audit policy for fiscal 2024 is as follows.

(1) Promote risk-based audits and objectively evaluate the effectiveness of internal controls, risk management, and the compliance structure.

(2) Improve the function of evaluating the effectiveness of internal control on a group basis through close cooperation with the internal audit departments of each group company.

(3) Promote audits that contribute to management by expanding and strengthening the internal audit function, and contribute not only to the preservation of corporate value but also to its enhancement and creation.

The results of these operational audits are reported directly to the President and Audit & Supervisory Board Members on a case-by-case basis by the General Manager of the Group Internal Audit Division and are also reported regularly and directly at meetings of the Board of Directors, Audit & Supervisory Board, and Executive Committee twice a year.

H. Accounting Audits

The Company’s consolidated and unconsolidated financial statements are audited by Ernst & Young ShinNihon LLC, based on Article 193, Paragraph 2-1 of the Financial Instruments and Exchange Act. There are no conflicts of interest between the Company and audit firm or the employees of the audit firm performing the audit that are notable pursuant to the Certified Public Accountants Act. The names of the certified public accountants (CPAs) who performed the accounting audit on our Company are listed below.

Names of CPAs and Name of the Firm They are Affiliated With

<Name & Title of CPA>	<Name of Firm Affiliated With>
Yuji Ozawa, Managing Partner	Ernst & Young ShinNihon LLC
Toru Nakagiri, Managing Partner	Ernst & Young ShinNihon LLC

* All personnel had seven years or less of continuous auditing experience.
* The audit firm has voluntarily taken steps to ensure that accounting audits of our Company will not be performed by the same managing partners for more than a certain time period.
* Audit support staff included 8 CPAs and 27 assistant accountants and other staff.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the corporate form of a company with an Audit & Supervisory Board. By establishing and operating the following systems, the Company is working to ensure that corporate governance functions effectively and enhances corporate value over the medium to long term.
Audit & supervisory board members work closely with the Internal Audit Division and the Internal Control Department on audits. The Company also appoints outside auditors to ensure independence and a sufficient corporate governance function. Furthermore, in order to improve the objectivity, transparency, and supervisory function of the Board of Directors, the Company has established the following. The Company also appoints multiple outside directors whose independence is demonstrated. These outside directors provide oversight and advice on the execution of business from an external perspective to improve the oversight function of the Board of Directors. The Nomination and Remuneration Advisory Committee, which is comprised of a majority of outside directors has also been established to ensure a highly transparent system of management and eliminate arbitrariness. The Internal Audit Division reports the results of internal audits to the President and CEO and directly to the Board of Directors.

The Company has introduced an executive officer system to speed up decision-making and improve management efficiency by separating the management supervisory function and the executive function.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Ensure Dynamic General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meetings	The Notice of the 55th Annual General Meeting of Shareholders was sent out on May 31, 2024, six days prior to the legally mandated deadline (21 days prior to the meeting date).
Scheduling General Shareholder Meetings on Days When Numerous Other Companies Are Not Holding Theirs	The 55th Annual General Meeting of Shareholders was held on June 21, 2024.
Electronic Exercise of Voting Rights Permitted	The Company has permitted the exercise of voting rights via the Internet since the 37th Annual General Meeting of Shareholders held on June 27, 2006.
Participation in an Electronic Voting Platform or Other Means to Increase the Exercise of Voting Rights by Institutional Investors	The Company has participated in a platform for the exercise of voting rights since the 42nd Annual General Meeting of Shareholders.
Convocation Notice in English Provided	Since the 49th Annual General Meeting of Shareholders, the Company has posted the convocation notice (partial excerpt) in English on the Company website on the date on which providing information in electronic format is launched, and makes it available for viewing on the Internet via the TDnet Company Announcements Service operated by Tokyo Stock Exchange, Inc.
Other Matters	After it has been approved by the Board of Directors, the convocation notice was posted on the Company website before it was sent out on May 23, 2024 and was also made available for viewing on the Internet via the TDnet Company Announcements Service operated by Tokyo Stock Exchange, Inc. To enable shareholders to view the General Meeting of Shareholders since the 53 Meeting, it will be livestreamed via the Internet.

2. IR Activities

	Supplementary Explanations	Explanation from Representative
Formulation and Public Disclosure of the Disclosure Policy	The Company formulated a Disclosure Policy in March 2010. It is posted on the Company website.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors after summary financial results are announced for the second quarter and the full year.	Yes
Posting of IR Materials on Website	The Company posts summary financial statements, an overview of financial results, financial results presentation materials, the securities report, the Integrated Report, news releases, other IR information on the Company website.	
Establishment of Department and/or Manager in Charge of IR	Division in charge of IR: Corporate Communications Office, Corporate Planning Division	

3. Measures to Ensure Respect for Stakeholders' Positions

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company's basic stance toward each stakeholder is set forth in the "Basic Policy on the Systems to Support Sustainable Value Creation," "Corporate Governance Guidelines," and other regulations.
Implementation of Environmental Conservation Activities, CSR Activities, etc.	As a member of society, the Company carries out CSR activities that fulfill our responsibilities, not only from an economic perspective, but also in a wide variety of areas from the environmental and social perspectives. On the environmental front, we have built an environmental management system together with 15 of our main domestic subsidiaries. We also pursue environmental activities through our business, from energy savings and resource conservation in our own group companies, to the ESCO service, energy and environment field leasing and finance that contributes to energy savings for customers, PC Eco & Value leases that contribute to reuse of PCs, and re-marketing (used asset buy-back service) that contributes to resource conservation, among other activities. Particularly in regards to the climate change issue, we also entered the solar power generation business through a subsidiary in 2012. Recently, we are supplying renewable energy through renewable energy power plants business domestically and internationally. In 2018, the company joined the "RE100", which aims to convert electricity consumed by each company group into 100% renewable energy by 2030. In 2021, the company declared that it will accelerate the date for achieving this goal from 2050 to 2030, while also becoming carbon neutral at the same time. As an initiative to support the introduction of renewable energy and energy-saving equipment to customers, we started the "Fuyo Renewable Energy 100 Declaration Support. Program" in 2019 and the "Fuyo Zero Carbon City Support Program" in 2020. We released the " Fuyo Circular Economy Lease " in 2023, and launched to provide our services which contribute to the realizing a recycling oriented society. On the social side, we are engaged in activities that contribute to medical welfare and a super-aging society by improving the efficiency of corporate management by strengthening BPO efforts, solving labor shortages, contributing to work style reforms, and investing in start-up companies aiming to develop advanced medical equipment and leasing buildings such as paid nursing homes for the elderly. Regarding the current status of activities, we will publish them in Integrated Report and there is more detail in the Sustainability section of the Company website: (https://www.fgl.co.jp/eng/sustainability/)
Development of Policies on Provision of Information to Stakeholders	The Fuyo Lease Group's Basic Compliance Policy stipulates that the Company will enhance management transparency by disclosing information in a fair, timely, and appropriate manner.
Other	The Company regard the advancement of women as an important management issue and we are comprehensively hiring new women and promoting them to management roles with the aim of further expanding the scope of their capabilities. In addition to hiring and promoting, we also strive to help every person-regardless of gender-balance life events with work and showcase their strengths. Specifically, we encourage the use of annual and male parental leave, present chances for exposure to a range of professions and role models, and allow a choice of work styles. The company also holds a variety of events for employees to experience diverse careers and role models. The Company co-hosts roundtable talks with senior employees, lectures by external female executives, and exchange meetings with executives and employees to provide

	opportunities for exposure to varied occupations and role models. Additionally, since FY2023, we have been supporting each employee's individual career and skill development through career consulting-career consultation by two qualified internal and external individuals available to all employees on a voluntary basis-and ongoing, periodic interviews with female employees. In recognition of our efforts, we received "Platinum Kurumin Certification" in fiscal 2017 and "Eruboshi" Certification with 2 stars (the second of three levels) in fiscal 2021 from the Minister of Health, Labor and Welfare. The achievements against the numerical targets of our General Business Action Plan(plan period from April 1, 2022 to March 31, 2027) based on The Act on the Promotion of Women's Participation and Advancement in the Workplace formulated in April 2022 are as follows: ・Percentage of female employees hired (Employees joining in April 2024): 59.5% （Target: 40%） ・Percentage of women in managerial positions: 32.2% （Target: 35%） ・Rate of taken annual paid leave: 93.3%（Target: 90%） ・Rate of taken male paternity leave: 108.3% (Target:100%） To further advance awareness of diversity and inclusion in the workplace, the group also conducts group training for managers, executive-level staff, and human resources people in addition to offering e-learning courses on the themes of LGBTQ and people with disabilities. As a result, we entered the "PRIDE Index 2023," an evaluation index for efforts to address sexual minorities in the workplace established by the voluntary organization "work with Pride," and received the "Silver" award. Please refer to the Annual Securities Report for the fiscal year ended March 31, 2024 for the difference in wages between men and women in our Group. (https://ssl4.eir-parts.net/doc/8424/yuho_pdf/S100TQ74/00.pdf)

IV. Matters Related to the Internal Control System

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

Below is a summary of the Company’s decisions concerning a system to ensure that the execution of duties by directors complies with laws and regulations and the Company’s Articles of Incorporation, and other systems to ensure proper conduct of Company business.

1) System to Ensure that the Execution of Duties by Directors, Executive Officers, and Employees Complies with Laws and Regulations and the Company’s Articles of Incorporation

The Company regards compliance as one of the most important management issues and has established the Fuyo Lease Group Compliance Basic Policy as a basis for action that all executives and employees of the Fuyo Lease Group must observe in order to comply with laws, regulations, and rules and to carry out sincere and fair corporate activities that are not inconsistent with social norms. The Basic Policy on Systems to Support Sustainable Value Creation, Corporate Governance Guidelines, Fuyo Lease Group Basic Compliance Policy, Fuyo Lease Group Human Rights Policy and Fuyo Lease Group

Environmental Policy and Basic Policy for Establishing the Internal Control System are collectively positioned as the Fuyo Lease Group Code of Corporate Conduct.
The Company has produced rules, procedures, and manuals based on the Fuyo Lease Group Code of Corporate Conduct, and has established a compliance system through employee education and training. We have also established of a robust internal whistleblowing system, and other measures. We maintain a structure to ensure that directors, executive officers, and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties. This is accomplished through oversight by the Board of Directors and Audit & Supervisory Board, audits by audit & supervisory board members, the accounting auditor, and the Company's Group Internal Audit Division.

2) System for Retention and Management of Information Concerning the Execution of Duties by Directors

The Company produces Board of Directors meeting minutes, Executive Committee meeting minutes, and written ringi proposals based on the Articles of Incorporation, the Executive Committee Regulations, and the Ringi Proposal Regulations. A system for retention and management of information concerning the execution of duties by directors has been established and this system is maintained by retaining documentation for the specified period of time.

3) Loss Risk Management Regulations and Other Systems

In the Risk Management Regulations, the Company has segmented risks that should be managed into credit risk, market risk, liquidity risk, administrative risk, system risk, legal risk, human risk, reputational risk, and other types of risk. We manage these risks according to the specific nature and importance of each risk, by the systems and methods specified in our basic policy on management of each risk.
We have also formulated other regulations such as Emergency Preparedness Regulations to prepare for the occurrence of emergencies and disasters and Confidential Information Management Regulations concerning the management of information, and have established regulations concerning the management of loss risk and other systems. We act to strengthen the risk management system on an ongoing basis to respond to various risks that arise along with changes in the management environment in an appropriate and timely manner.

4) System to Ensure the Efficient Execution of Duties by Directors

The Company has established a system to ensure the efficient execution of duties by directors by clarification of the division of duties through the executive officer system, through the delegation of duties and authority based on the regulations on responsibilities and authorities, and by planning and management and budget control based on the Medium-term Management Plan. We will improve the PDCA cycle through budget controls and other means, and maintain an efficient system and work to improve efficiency in the future as well.

5) System to Ensure Appropriate Business Conduct by the Corporate Group, Consisting of the Company and its Subsidiaries

The Corporate Group, which consists of the Company and its subsidiaries (hereafter, "Corporate Group"), share the Fuyo Lease Group Code of Corporate Conduct in common, and the entire Group is managed in light of the specific characteristics of the business of each company.
The Company seconds directors to all subsidiaries and implements management and controls such as requiring approval or reporting on the conduct of business and management status of subsidiaries based on the Management Regulations for Affiliates. By doing so, we maintain a structure that ensures the proper conduct of business in the Corporate Group.

Our basic policy is that each subsidiary establishes its own internal controls, and the Group Internal Audit Division of the Company performs regular audits of the operations of the main subsidiaries. We also strive for improvement by providing the necessary support and guidance on compliance, risk management, and improving efficiency, depending on the nature of each subsidiary's business.

6) System to Ensure Reliability of Financial Reporting in the Corporate Group

The Corporate Group implements appropriate internal controls at the Group-wide level and at the operating process level to ensure the reliability of financial reporting or, in other words, to ensure the reliability of the financial statements and information that could have a material impact on the financial statements. If any deficiency is discovered in the internal controls, improvements are implemented as needed, and we maintain the system in a manner that ensures the reliability of financial reporting.

7) System for the Support Personnel When an Audit & Supervisory Board Member Requests Personnel to Assist with Duties

The Company assigns personnel to assist an audit & supervisory board member (hereafter, "audit & supervisory board member assistant employee") according to the rules on concurrent duties in the Board of Directors Operations office.

8) Ensuring Independence of Personnel in the Preceding Paragraph from Directors and Effectiveness of Audit & Supervisory Board Member Instructions

To ensure the independence of audit & supervisory board member assistant employee from directors and the effectiveness of work instruction issued by audit & supervisory board members, the Company has directed that audit & supervisory board member assistant employee report directly to and perform work for an audit & supervisory board member. Audit & supervisory board member assistant employee shall not accept orders or instructions from a director. Furthermore, any personnel transfer, personnel evaluation, or discipline for audit & supervisory board member assistant employee is decided and implemented after first consulting the Audit & Supervisory Board.

9) System for Reporting to Company Audit & Supervisory Board Members

(1) System for Company directors, executive officers, and employees to report to the Audit & Supervisory Board or audit & supervisory board members, and other systems for reporting to audit & supervisory board members

Company directors, executive officers, and employees report to the Audit & Supervisory Board or audit & supervisory board members 1) when they discover facts that could have a serious adverse effect on the Company, 2) when a director, executive officer, or employee has committed a violation of laws and regulations or the Articles of Incorporation, or is thought to pose the risk of committing such violations, or 3) other matters specified in laws and regulations or requested by the Audit & Supervisory Board or audit & supervisory board members.

(2) System for the directors, audit & supervisory board members, executive officers, and employees of subsidiaries to report to the Company's audit & supervisory board members

The directors, audit & supervisory board members, executive officers, and employees of subsidiaries will promptly report to a Company audit & supervisor board member when the audit & supervisor board member has requested a report as necessary for performing his or her duties.

Company audit & supervisory board members will regularly convene Group audit & supervisory committee meetings, consisting of the audit & supervisory board members and others from the Company and its subsidiaries to receive reports on audit results and share information.

Moreover, we have added Company audit & supervisory board members as contacts for reporting in the Group internal whistleblowing system, and have established an information route to ensure that reports are appropriately reported to audit & supervisory board members even when a whistleblower reports to another contact.

10) System to Ensure that Whistleblowers in the Preceding Paragraph are not Retaliated Against for a Whistleblowing Report

The Company will not retaliate against a director, audit & supervisory board member, executive officer, or employee of the Company or one of its subsidiaries because they have reported as mentioned in the preceding paragraph. Moreover, the Regulations on Internal Whistleblowing clearly specify protection of the whistleblower or reporter who reports to an audit & supervisory board member.

11) Policy on Handling of Expenses or Obligations Audit & Supervisory Board Members Incur in the Execution of Duties

When an audit & supervisory board member so requests, the Company will promptly pay expenses and other obligations for the performance of duties in advance, or make other arrangements.

12) Other Systems to Ensure the Effectiveness of Audits Performed by Audit & Supervisory Board Members

The Company maintains a system to ensure that audits by audit & supervisory board members are performed effectively by providing an environment that enables audit & supervisory board members to ascertain the status of the execution of business in the Company at all times through attendance at Board of Directors and Executive Committee meetings and other meetings, participating in regular discussions with management, circulation of important ringi proposals, reports on the results of administrative audits by the Group Internal Audit Division, and other means. The Company implements improvements to this system as needed.

13) System for Prohibition of Relationships with Antisocial Forces

In the Fuyo Lease Group Basic Compliance Policy, the Company states that it prohibits all relationships with antisocial forces that could threaten the order or safety of civil society. The Company also responds in a systematic manner to prohibit relationships with antisocial forces by formulating compliance regulations and a response manual, providing education and training to employees, partnering with law enforcement, and taking other steps.

The Company will continue to maintain a system for prohibiting relationships with antisocial forces and will work to mount a comprehensive response in the future.

2. Basic Views on Elimination of Antisocial Forces and State of Preparedness

The Company's basic views on elimination of antisocial forces and the state of preparedness are detailed below.

1) Basic Views on Elimination of Antisocial Forces

The Company prohibits all relationships with antisocial forces that could threaten the order or safety of civil society, and does not provide any products or services to antisocial forces. We perform appropriate screening in advance, prevent the execution of transactions at the outset, and take immediate action to cancel transactions in the event that a counterparty is revealed to be an antisocial force after the fact.

2) State of Preparedness for Eliminating Antisocial Forces

(1) The Company has formulated compliance rules and standards (on relationships with antisocial forces), and has also produced an Antisocial Force Response Manual, which contains guidelines for responding to prohibit relationships with antisocial forces. We work to make sure that all officers and employees are aware of these by providing education and training.

(2) The Company has appointed a division to be in charge of prohibiting relationships with antisocial forces and an administrator to prevent improper requests. We have established an internal communication structure, and a system for partnering with law enforcement, Anti-Organized Crime Campaign Center of Tokyo, law firms, and other external institutions, and we mount a systematic response.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

Internal system for timely disclosure of Company information

The Company endeavors to disclose information in a timely and appropriate and fair manner, in accordance with the Financial Instruments and Exchange Act and with Tokyo Stock Exchange rules for timely disclosure. We disclose information on important decisions, emergent events, information concerning financial statements, or other information could affect investment decisions, or when there has been a material change in important Company information that has already been disclosed.

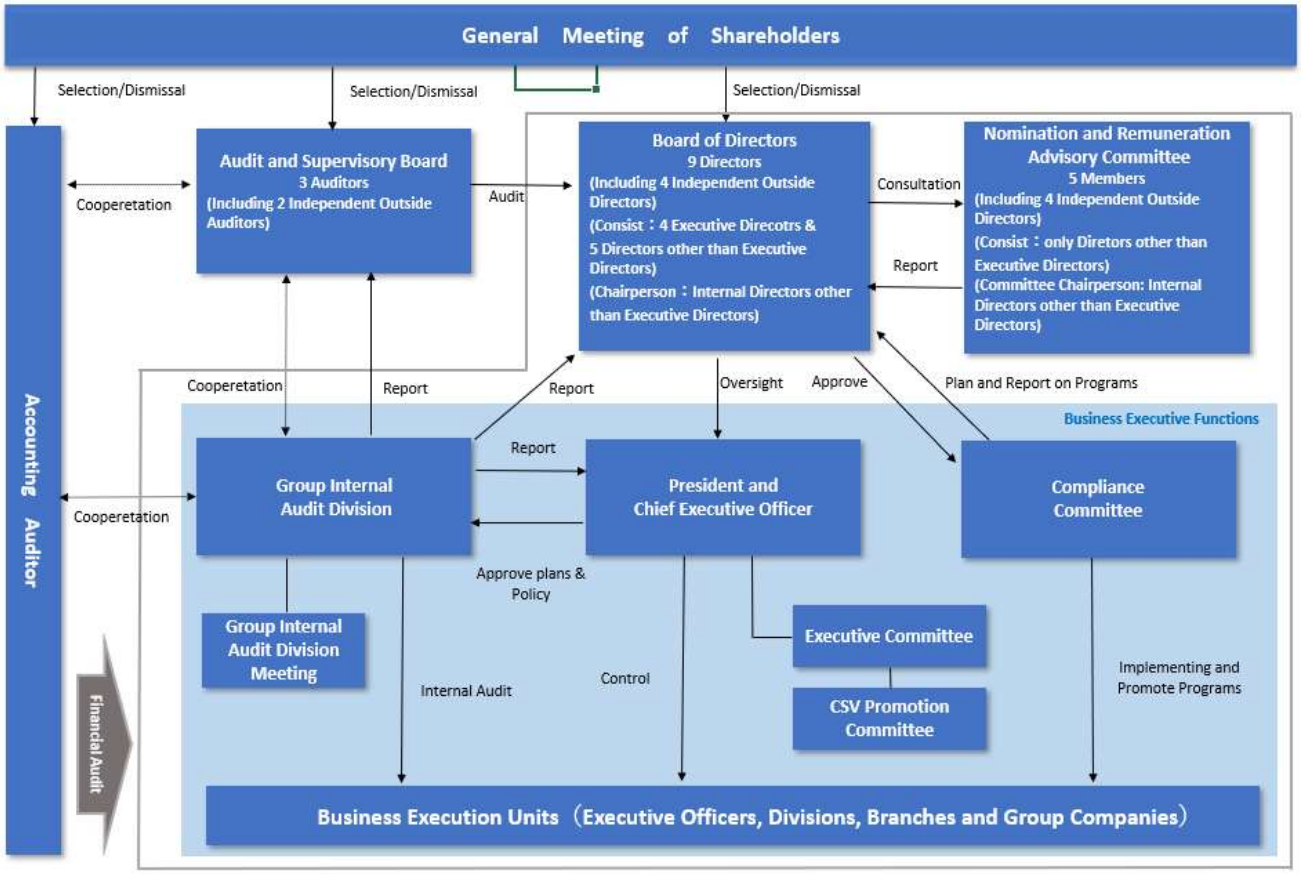
To achieve this, the Company has specified procedures for handling important information concerning timely disclosure, etc. to comprehend the information that must be disclosed in a timely manner. We work to make sure that everyone in the Company is aware of the internal procedures and we manage Company information appropriately, in accordance with the Insider Trading Management Regulations, Immediate Reporting Regulations, and Confidential Information Management Regulations.

For information on important decisions, emergent events, information concerning financial statements, or other information could affect investment decisions in the Company, the division collecting the information and the division in charge of information disclosure determine whether the information needs to be disclosed and consider timely disclosure and the method of disclosure, based on the Financial Instruments and Exchange Act and various other relevant laws and regulations, as well as the timely disclosure rules of Tokyo Stock Exchange, Inc. The decision to disclose is made by the Board of Directors or by the Chief Information Management Officer, and is then promptly disclosed. We also receive timely advice and guidance from the Audit & Supervisory Board, and seek advice from the accounting auditor when necessary.

The Company registers information that must be disclosed in a timely manner on TDnet (Timely Disclosure Network) operated by Tokyo Stock Exchange, Inc., and then responds to inquiries from the exchange or provides an explanation in advance. The exchange then processes the disclosure and once it has been disclosed at the specified time, the information registered for disclosure is transmitted to numerous mass media organizations. It is also simultaneously posted on the Company Announcements Disclosure Service and provided for general viewing. The information disclosed is also posted on the Company website after disclosure.

[Reference Material]

1. Diagram of Corporate Governance System



2. Skills Matrix for the Board of Directors

The table below shows the areas in which we expect each director and auditor to perform, taking into account their expertise and experience, in order to steadily implement the Group's medium-term management plan and achieve its goals.

Name	Position / Executive Status			Nomination and Remuneration Advisory Committee	Years in Office	Areas of Particular Interest (Up to 4 areas are listed)					
						Business and Other Management (Industry)	Finance & Accounting	Global Business	IT & Technology	Human Resource Development	Internal Controls & Management
Yasunori Tsujita	Director and Chairman, Chairperson of Board of Directors			Chairperson	9	● (Finance (Bank・Lease))			●	●	●
	—										
Hiroaki Oda	President and Chief Executive Office (Representitive Director)				3	● (Finance (Bank・Lease))		●			
	President and Executive Officer										
Keiji Takada	Director and Deputy President (Respresentational Director)				4	● (Finance (Lease))		●			
	Deputy President and Executive Officer										
Yusuke Kishida	Director and Deputy President (Respresentational Director)				2	● (Finance (Lease))	●				●
	Deputy President and Executive Officer										
Hiroshi Takahashi	Managing Director				(New election)	● (Finance (Lease))	●				●
	Managing Executive Officer										
Seiichi Isshiki	Director	Outside	Independent	Member	9	● (Resources・Energy)	●		●		●
	—										
Hideo Ichikawa	Director	Outside	Independent	Member	6	● (Chemical・Manufacturer)		●		●	●
	—										
Masayuki Yamamura	Director	Outside	Independent	Member	3	● (Communications・Technology)	●		●		●
	—										
Hiroko Matsumoto	Director	Outside	Independent	Member	3	● (University Education・Industry-Government-Academia Collaboration・Product Design)				●	
	—										
Masato Morikawa	Full-time Audit & Supervisory Board Member				(New election)	● (Finance (Lease))	●	●			
	—										
Takashi Yonekawa	Audit & Supervisory Board Member	Outside	Independent		3	● (Finance (Insurance))	●	●		●	
	—										
Hiroshi Imoto	Audit & Supervisory Board Member	Outside	Independent		3	● (Finance (International Finance))		●		●	●
	—										

(Note 1) The list above does not represent all of the knowledge and experience possessed by each director and audit & supervisory board member

(Note 2) Of the 12 directors and audit & supervisory board members, 11 are male and 1 is female. The number of years in office is calculated in months.

3. Timely Disclosure System Flowchart

