Corporate Governance Report

Funai Soken Holdings Inc.

Last updated: December 27, 2024
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The corporate governance of Funai Soken Holdings Inc. is described below:

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

1. Basic Views

The company strives to strengthen its corporate governance with a focus on ensuring effective legal compliance and maximizing shareholder returns. In order to enhance corporate governance, a majority of the directors of the company are outside directors. The company audits the legality and validity of the Board of Directors by means of the Audit and Supervisory Committee (comprising three members, including two outside directors) to ensure objectivity and validity. In addition, the company has established a Governance Committee, comprising all outside directors, to review corporate governance on a regular basis. The company has also established a Nominating Committee and a Compensation Committee, of which more than half of the members are outside directors, as advisory bodies to the Board of Directors to ensure transparency and objectivity with respect to the appointment of directors and directors' remuneration. Based on these bodies' deliberations regarding the various reports, the president makes submissions to the Board of Directors for decisions. To ensure procedures surrounding the selection and development of future group CEO and representative director candidates are fair and transparent, the Successor Nominating Committee's recommendations are discussed by the Board of Directors to identify those candidates with "the right stuff" to lead the group to future prosperity. Furthermore, the company has introduced an executive officer system to ensure a separation between the management and execution of business matters, as well as to ensure flexibility in business execution. In addition, we believe that a proactive approach to disclosure is an important pillar of corporate governance and is committed to prompt and accurate disclosure of its current business activities, as well as its future business strategies, through legally required announcements as well as initiatives such as company briefings and individual meetings with institutional investors and analysts.

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

This section shown in accordance with the revised Tokyo Stock Exchange Corporate Governance Code of June 2021.

Principle 2.6 Fulfilling the Function of Asset Owner of Corporate Pensions

The company outsources its corporate pension to an asset manager who has undertaken to observe the Stewardship Code. As the company is aware that management of the corporate pension fund has a fundamental influence on employees' ability to build up assets steadily, as well as on its own financial situation, the company receives regular operational updates from the asset manager and constantly monitors stewardship through constructive dialogue. In this way, it strives to appropriately manage any conflicts of interest that may arise between the corporate pension and the company. Moreover, defined contribution pensions are similar to defined benefit pensions in that employee asset formation is dependent on the investments made. The company offers e-learning programs on asset management to pension scheme members. However, the company will also consider its approach to utilization of human resources, such as the placement and appointment of staff or the recruitment of external experts as required by company's principles, based on reviews of expected future trends.

Disclosure Based on the Principles of the Corporate Governance Code Updated!

This section shown in accordance with the revised Tokyo Stock Exchange Corporate Governance Code of June 2021.

Principle 1.3 Basic Approach to Capital Policy

The company recognizes that its approach to capital policy is extremely important for enhancing shareholder value over the mid- to long-term. Its basic approach is to improve capital efficiency through profit growth driven by

proactive investment in the business, while building shareholders' equity to an appropriate level and increasing returns to shareholders.

Principle 1.4 Cross-Shareholdings

1. Cross-Shareholding Policy

In light of changes in the environment relating to the Corporate Governance Code and the risk that the company's financial situation could be significantly impacted by share price fluctuations, the company's basic policy is to reduce cross-holdings and to not acquire new shares unless the holding is deemed to be strategically significant.

2. Reviews

Each year, the company's stockholdings are reviewed individually, and the economic rationale of these holdings is assessed. The medium- to long-term objectives for the holdings are examined and returns, such as dividends, are taken into account. As a result of this review, those stockholdings deemed to have limited strategic significance or economic rationale are sold, while taking into account the impact of disposal on the market and other considerations. On the other hand, those stocks that are acknowledged to be of strategic significance to the company shall be retained.

3. Exercise of Voting Rights

The company exercises voting rights to approve or reject proposals made by businesses in which it holds shares, taking account of whether there is an appropriate governance system in place, and whether the stockholding company makes appropriate decisions that will enhance corporate value over the medium- to long-term, based on whether it enhances the corporate value of the group. If the company deems that it cannot approve a proposal, it may consider a disposal of the stockholding concerned. In particular, with regard to proposals that could have an impact on corporate value and shareholder returns (such as takeover defense initiatives or business restructuring measures), the company has a dialogue with the stockholding company to assess its aims and objectives for the improvement of corporate value. Based on this, the company evaluates the merits and disadvantages of the proposals concerned.

Principle 1.7 Related Party Transactions

The Funai Soken Consulting Group Corporate Ethics Code of Conduct prohibits our officers and employees from engaging in any conduct that creates or may create a conflict of interest with the group. "Directors' transactions with competitors" and "directors' transactions with the company" require advance approval by the Board of Directors and must be reported to the Board of Directors in accordance with the Companies Act and the regulations of the company's Board of Directors. Details of transactions with related parties, transaction conditions and the policy for determining transaction conditions are disclosed in the Securities Report.

Principle 2.4.1

To maintain the diverse workforce needed to consistently deliver value to an increasingly diverse world, we believe it is necessary to develop a core team of people of all nationalities, genders, and ages.
Accordingly, the group has established targets for 2030 regarding women and mid-career hires in management positions.

- Women in management positions: 30%
- Mid-career hires in management positions: 50%

We have decided not to set targets for non-Japanese in management positions for the time being as our focus is on Japan, specifically consulting services for Japanese SMEs and mid-scale companies. However, we are aware of this as a potentially significant element, and we are committed to responding flexibly to social and other developments that may cause a change in our business strategies. Moreover, to ensure consistent development and deployment of the core talent needed to drive the innovation our times require, we are working on a variety of initiatives, including: enhancing existing development programs for management positions; following up with on-boarding of mid-career hires to ensure they can adapt to our corporate culture and begin applying their strengths and skills as soon as possible; and continuing our mid-to-long-term investment in workforce development and environment building, combining a broad variety of training for different skills and different ranks.

Principle 3.1 (1) Full disclosure and Transparency (Company goals (Management philosophy), management strategy and business planning)

The President's Message, the group philosophy and the mid-range business plan are disclosed on the company's website and in the Integrated Report.

Principle 3.1 (2) Full Disclosure and Transparency (Basic view and basic policy on corporate governance)
Disclosed in the Basic Views section of this report.

Principle 3.1 (3) Full Disclosure and Transparency (Policies and procedures for determining compensation for executives and directors)
Although the company has an Audit and Supervisory Committee, it has also appointed a Compensation Committee on a voluntary basis. The Compensation Committee ensures that executives' and directors' remuneration is an incentive for the improvement of business performance over the medium- to long- term. It submits proposals for remuneration to the Board of Directors for submission to the General Meeting of Shareholders and discusses the policy and details of individual remuneration.

Principle 3.1 (4) Full Disclosure and Transparency (Selection and dismissal of executives; nomination policies and procedures for candidate directors)
Although the company has an Audit and Supervisory Committee, it has also appointed a Nominating Committee on a voluntary basis. The Nominating Committee ensures that the Board of Directors can fully exercise its function of overseeing the management of the company. It submits proposals regarding the appointment of directors to the Board of Directors for submission to the General Meeting of Shareholders and discusses matters that it deems to be necessary regarding the appointment and dismissal of candidates to be a director of the company.

Moreover, proposals regarding the dismissal of directors for submission to the General Meeting of Shareholders are examined by the Nominating Committee and reported to the Board of Directors.

Principle 3.1 (5) Full Disclosure and Transparency (Explanation of the appointment/ dismissal/nomination of directors)
Reasons for appointment of directors are explained in shareholder meeting convocation notices.

Principle 3.1.3
The Funai Soken Consulting Group is serious about ESG management and sustainability, and initiatives to sustain and raise performance in this area are a core part of the group's management practices.

1. **Policy on Sustainability**
   Since its inception the Funai Soken Consulting Group has always sought to use its comprehensive consulting services as a way of contributing to the community and making the world a better place by providing solid support for its core clientele—SMEs. Under its new Mid-Range Business Plan (2023-2025), the group's basic policy is to further strengthen its position as the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients, and to invest aggressively in HR and ingraining the Group Purpose.
   In 2023, a new group purpose was instituted: Sustainable growth for more companies. This is a statement of the group's conviction that companies that can achieve sustainable growth are those that can thrive and grow amid tumultuous change and uncertainty, and its determination to deliver strong, sustainable growth for clients and the group itself. Inspired by the new group purpose, and with the importance of ESG in mind, the Funai Soken Consulting Group will work hard to ingrain that purpose throughout its whole organization. In areas relevant to efforts toward sustainability, the group has established quantitative targets for securing staff assigned to work focused on realizing growth potential, tackling climate change, and strengthening oversight, and is working to achieve these as part of its Mid-Range Business Plan.

   In 2020, the group established its Basic Policy on ESG Management and identified high-materiality issues for particular attention. Following this, the group established a Basic Policy on the Environment, Basic Policy on Human Rights, Basic Policy on Human Resources, Basic Policy on Information Security, and Basic Policy for the Prevention of Bribery & Corruption. The Basic Policy on the Environment was revised in conjunction with the institution of the Funai Soken Consulting Group Purpose in February 2023.

   Basic Policy on ESG Management
   https://hd.funaisoken.co.jp/en/sustainability/policy/
   Basic Policy on the Environment (revised in February 2023)
   https://hd.funaisoken.co.jp/en/sustainability/environment/policy/

   Basic Policy on Human Rights

https://hd.funaisoken.co.jp/en/sustainability/social/humanrights-policy/
Basic Policy on Human Resources
https://hd.funaisoken.co.jp/en/sustainability/social/workforce-development/
Basic Policy on Information Security
https://hd.funaisoken.co.jp/en/ir/governance.html#governance03
Basic Policy for the Prevention of Bribery & Corruption
https://hd.funaisoken.co.jp/en/ir/governance.html#governance04

2. A Structure to Ensure Groupwide Uptake of Sustainability in Business Management

ESG and sustainability matters have always been common topics of discussion by the Board of Directors. In 2021, though, we established a Sustainability Committee as an advisory committee to the board to ensure sustainability becomes firmly established as a core management tenet across the whole Funai Soken Consulting Group.

The Sustainability Committee has four members and is chaired by an outside director. It typically meets three times a year to set sustainability targets, monitor progress, and evaluate outcomes, and prepare reports and recommendations for the Board of Directors.

In addition, a Sustainability Office has been created within the Funai Soken Holdings organization. The office has established four groups to oversee action across the whole Funai Soken Consulting Group in four specific areas: the environment (climate change), human capital (our people), information security, and business. The Sustainability Office meets monthly to monitor action progress across the whole Funai Soken Consulting Group and discuss future initiatives.

the Funai Soken Consulting Group has initiatives in place to tackle issues of keen interest to stakeholders and the community at large, and lists those it considers as being highly material on its website. These are subject to review as the landscape inside and outside the group evolves.

Read more about the Funai Soken Consulting Group's high-materiality sustainability issues at
https://hd.funaisoken.co.jp/en/sustainability/materiality/

3. Major Initiatives

(1) Human Capital: Our People and Human Rights

As a corporate group using consulting services as a means of delivering value to clients—and to society at large—we recognize that human capital (i.e., maintaining a talented, motivated workforce) is of the highest materiality. Investing in human capital, for instance by securing and training talented people, is one of our highest priorities. Recently, we have been working on diversifying our teams with more women and mid-career hires (see principle 2-4-1), and we are rebuilding our training and development programs to better identify and nurture tomorrow's management candidates. In addition, we are enhancing our support systems to better enable our people to pursue their work in the best physical and mental health.

a. Governance

Governance relating to human capital is monitored and discussed by the Sustainability Committee. The relevant in-house departments pursue hiring, training, and retention policies in accordance with the Funai Soken Consulting Group Basic Policy on Human Resources and the Mid-Range Business Plan (2023-2025). The progress of the various group companies' initiatives is shared at Group HR meetings and Executive Committee meetings, and reported to the Board of Directors as necessary.

b. Strategy

Strategies relating to human capital are applied in accordance with the Funai Soken Consulting Group Basic Policy on Human Resources through implementation of initiatives set forth in the HR strategy section of the Mid-Range Business Plan (2023-2025).

- **Policy 1. Funai Soken Consulting Group Basic Policy on Human Resources**

  In keeping with the fundamental principles set forth in the Funai Soken Consulting Group Basic Policy on Human Resources, we recognize the importance of people as the very means by which we create value as part of the global effort toward sustainability. To that end, attracting and retaining talented people is a top priority in our quest to deliver real value to the world.

  Themes Included in the Basic Policy on Human Resources

  1. Diversity & Inclusion
  2. Creating Opportunities for Growth
  3. Better Employee Engagement
  4. Healthy Management
  5. Transparency Regarding Human Resources Initiatives

6. Compliance

Part of our quest for workforce development is creating opportunities for growth, and we are committed to maintaining an extensive, robust training regime to arm our workforce with the skills to drive the innovation the times demand. We will expand training programs and further invest in education, including accelerated development of young employees and the acquisition of digital skills for better productivity. Regarding the creation and maintenance of better working environments, we believe that diversity and inclusion—not the least of which is empowering women to forge meaningful careers and providing employment opportunities for people with disabilities—is the bedrock on which inclusivity, value creation, and improved productivity are founded. We will continue to endeavor to maintain rewarding, diverse, inclusive workplaces.

- **Policy 2. Funai Soken Consulting Group Basic Policy on Human Rights**

  At the Funai Soken Consulting Group, respect for human rights is not just an obligation but a fundamental precept of our consulting and other business operations. To that end, we have established the Funai Soken Consulting Group Basic Policy on Human Rights to ensure that people's basic rights are protected and respected in all areas of the group's activities.

- **Human Resource Strategy**

  At the Funai Soken Consulting Group, we believe that a diverse workforce is key to sustained growth. To this end, aggressive investment in HR and ingraining the Group Purpose have been established as priorities under our Mid-Range Business Plan (2023-2025), and we will endeavor to further enhance our human capital.

  Key Initiatives in HR Strategy

  Hiring: Ramp up hiring: 1,800 headcount by end of 2025

  - Restrengthen hiring of recent graduates for consulting positions
  - Strengthen mid-career hiring in new and specialist fields
  - Hire people from more diverse backgrounds for management roles

  Training & Career Development: Training & career development for consultants and business staff

  - Expand training programs to accelerate development of new and younger employees
  - Improve productivity through acquisition of digital skills by consultants
  - Expand investment in professional development to boost staff skills and develop the pool of management candidates

  Retention: Improve employee value proposition to boost retention of talent

  - Boost retention through sustained improvements in compensation
  - Boost communication by relocating Tokyo office and consolidating into a single floor
  - Increase employee engagement by sharing the Group Purpose

c. Risk Management

To ensure consideration and respect for human rights in an age when people and working styles are diversifying, we have established a framework of due diligence to ensure we comply with the UN's Guiding Principles on Business and Human Rights. If an event arises that may constitute the occurrence of a human rights risk, the Risk Management Committee is alerted, and measures are discussed and implemented.

d. Targets and KPIs

In keeping with our belief that our people are the true drivers of our growth, our Mid-Range Business Plan (2023-2025) stipulates three targets: a total workforce of 1,800 (including 1,150 consultants); at least 25% of management positions groupwide held by women; and sustaining a majority of outside directors on the board. The Group has a 25% ratio of female managers and a continuing majority of outside directors. In 2023, women held 34.6% of management positions at Funai Soken Holdings, and 22.6% across the whole Funai Soken Consulting Group.

(2) Climate Change and the Environment

Environmental issues like climate change are a global challenge, and we, informed by the underlying principles of our Basic Policy on the Environment, recognize the importance to business. Propelled by our group purpose—sustainable growth for more companies—we are eager to be a part of the effort to achieve sustainability and to use all facets of our business to reduce environmental impact. Climate change is a major challenge and a global effort is required to overcome it. We are mindful of the impact of climate change on the group's business activities, and are determined to adapt nimbly to socioeconomic changes brought about by regulations and policy adjustments. For instance, in addition to measuring greenhouse gas emissions caused by the group's business activities and launching efforts to reduce these,

we also offer our clients and suppliers support for responding to these and other climate change issues. We aim not only to improve our readiness for and resilience to natural disasters (which are becoming ever more severe as a result of climate change), but we are also striving for greater adaptability to the inevitable changes in the business environment caused by new policies and restrictions implemented as part of the global move toward decarbonization.

a. Disclosure Framework

We disclose an ever-broader range of information in line with the Task Force on Climate-Related Financial Disclosures recommendations. Funai Soken Holdings's Sustainability Office is the focal point of efforts in concert with Funai Consulting's Carbon Neutrality Consulting Unit to facilitate efforts to reduce our footprint through dialogue with the group's various companies. Receiving regular data from group companies on key indicators for environmental impact, including greenhouse gas emissions, we evaluate and analyze the effects on our business activities, and keep abreast of environmental risks and opportunities.

b. Governance

The company, led by the Sustainability Office and a director in charge of sustainability affairs, also collaborates with Funai Consulting's Carbon Neutrality Consulting Unit to assess and manage risks and opportunities relating to climate change, to study the group's basic environmental policy and targets for GHG emissions, etc., and to implement measures, manage their progress and handle information disclosure. The company is also involved in the promotion, progress management and disclosure of various measures. The Sustainability Office reports those studies and progress information to the Sustainability Committee, an advisory body to the Board of Directors, for further discussion. The outcomes of these discussions are reported to the board as appropriate for monitoring.

c. Strategy

The group's Basic Policy on the Environment states that we will strive to make a real reduction in environmental impact, not only within our business activities, but also by using out consulting and other services as a means for working together with clients to address climate change, prevent environmental pollution, and promote recycling. To that end, we endeavor to be aware of the impact of risks and opportunities pertaining to climate change, and will carry out the strategies necessary to making sustainability the norm throughout society.

d. Risk Management

The Sustainability Office is responsible for analyzing climate change risks and reporting these to the Sustainability Committee. If the Sustainability Committee determines that an environmental risk requires action, it alerts the Risk Management Committee and reports to the Board of Directors. The board, having considered the connection with other risks, then decides on action to be taken.

e. Targets and KPIs

The group's Mid-Range Business Plan (2023-2025) stipulates a sustainability goal of reducing greenhouse gas emissions by 50% compared with 2019 levels. In June 2021, the group switched its energy supply contract, and now Tokyo Headquarters is powered by electricity derived from renewable energy sources. By 2030, the group aims to achieve a 100% renewable energy procurement rate at all its Japanese sites, thereby reducing greenhouse gas emissions to virtually zero and achieving Scope 2 under the GHG Protocol.

(3) Information Security

The Funai Soken Consulting Group's consulting business activities necessitate the handling of various client information. As such, information security is one of our highest materiality issues. Actions are governed by the group's Basic Policy on Information Security and undertaken in accordance with a manual, and employees undergo ongoing information security training. Moreover, risk management and security measures are subject to constant improvements.

- Studied the level of information security at group companies
- Appointed information security staff at each group company
- Regular meetings with group companies
- The following measures were undertaken to enable people to perform their work anywhere (i.e., at the office or remotely) and ensure solid security.
- Overhaul the group's system for preserving client information assets
- More stringent authorization requirements (e.g., multi-factor authentication and device

authorization)

- Controlled access to systems
- Migration of work systems to the cloud, email encryption and incorrect transmission prevention measures: Funai Soken Holdings and some Funai Soken Consulting Group companies have obtained ISO/IEC 27001 certification. As we continue to offer a broad range of solutions, including new initiatives such as digital transformation, the Sustainability Committee and the group's other advisory committees will continue to discuss all relevant issues and ensure steadfast governance. Under that guidance, we will adhere closely to our Basic Policy on Information Security, ensure our workforce is thoroughly aware of the rules, and strive to further enhance administration and training surrounding information security.

(4) Initiatives Undertaken as Part of Our Business Activities

The Funai Soken Consulting Group uses its consulting and other business activities to raise the standard of business management by helping clients improve their businesses and seek sustained growth.
Many of the group's consulting services are geared toward promoting sustainability, including improving working practices, boosting employees' skills, maintaining and expanding employment, and business continuity planning.

Sustainable Growth Company Awards

One of our initiatives that adds momentum to efforts to boost sustainability is the Sustainable Growth Company Awards. The Sustainable Growth Company Awards function to reward companies that combine profitability and growth potential with social responsibility. Every year at our National Management Strategy Seminar Conference, we acknowledge companies that have not only performed well in terms of profits, but that have also made outstanding contributions to the community.

Principle 4.1.1 Scope of Matters Delegated to Management

The company separates the functions of the Board of Directors, which makes decisions and supervises the management of the company, from the functions of executive officers who execute business matters. The scope of this is defined in the official regulations of administrative authority. The Board of Directors makes decisions on important matters of business execution in accordance with laws and regulations and the regulations of the Board of Directors, as well as supervising the Executive Committee and overseeing the implementation of business matters. The Executive Committee comprises directors and executive officers and has been established under the Board of Directors for matters regarding business execution and resolutions other than those that are decided by the Board of Directors. In addition to considering and discussing important agenda items in advance to aid the deliberations of the Board of Directors (excluding matters resolved at Board of Directors' meetings) it makes decisions and shares information on those agenda items that are not covered in board meetings.

In March 2016, the company transitioned to become a company with an Audit and Supervisory Committee in order to enhance corporate governance by improving the audit and supervisory function in respect of the Board of Directors and to improve management fairness and efficiency. As a result of this, by resolution of the Board of Directors, the company stipulates in the Articles of Incorporation that all or some important decisions of business execution (excluding matters listed in Paragraph 5 of the Article) can be delegated to the directors to ensure swift and precise decision-making in accordance with the provisions of Article 339-13, Paragraph 6 of the Companies Act.

Principle 4.3.2 Appointment of Chief Executive Officer Through Objective, Timely and Transparent Measures

The company reviews the selection and development of the candidates to be the group's next CEO and representative director. The process is led by the Successor Nominating Committee (chaired by an outside director) which comprises one director and three outside directors. The Board of Directors deliberates based on reports from the Successor Nominating Committee to determine the appropriate candidates to be the group's next CEO and representative director to take on leadership and management responsibility for the company in future. The Successor Nominating Committee is involved in the selection of Group CEO and representative director candidates to ensure that the process remains fair and highly transparent.

Principle 4.8 Effective Use of Independent Outside Directors

Currently, five of the nine directors of the company are independent outside directors. We have a majority of outside directors in order to strengthen the management oversight capabilities of the Board of Directors and to ensure fairness. Candidates' profiles are reviewed as needed (taking account of specialty fields, experience, career, etc.) and the company's policy is to appoint directors who are qualified for the role taking account of the requests of stakeholders, diversity of personnel and management policies as required.

Principle 4.9 Independence Standards and Qualification for Independent Outside Directors
Outside directors are expected to supervise management from a high-level perspective based on their abundant experience. The Nominating Committee selects outside director candidates who are comprehensively judged to possess the character, acumen and business and professional experience suited to fulfill that role, after checking their relationship with the company in terms of personal connections, capital and transactions based on the criteria for independence established by the Tokyo Stock Exchange, and for whom there is no risk of conflict of interest with the general shareholders of the company.

Principle 4.10.1
The Board of Directors is currently comprised of nine directors, five of whom are independent outside directors. We know that diversifying our Board of Directors paves the way toward long-term growth; a more diverse board will help us achieve our group purpose—"Sustainable growth for more companies"—by improving the quality of board discussions and executive decision-making. To that end, we have set a gender diversity target that women will make up 30% of the Board of Directors by 2030. As of March 23, 2024, two of the nine board members (22.2%) were women.

In particular, given the importance of independence and objectivity in matters pertaining to the nomination executives and directors and their compensation packages, we established a Nominating Committee, a Successor Nominating Committee, and a Compensation Committee, all of which are headed by outside directors, to provide oversight and advice on these matters. These committees have a majority of outside director to ensure independence and objectivity. Further information on these committees is available in section II. of this report.

Principle 4.11.1
The Board of Directors consists of no more than 10 directors (excluding directors who are Audit and Supervisory Committee members) and no more than five members of the Audit and Supervisory Committee. It is made up of officers with diverse backgrounds in terms of expertise and experience, including directors with an in-depth knowledge of the group's business and outside directors whose role is to audit the group from an independent and objective standpoint. The Board of Directors draws up a matrix outlining the major skills and specialties of its members, and the appointment of directors is deliberated on by the Nominating Committee (of which more than half of the members are outside directors) based on a diverse and varied assessment of capabilities and performance, and is determined by the Board of Directors. Information regarding the skill matrix and other matters relating to director selection policy is disclosed on pages 22 and 23 of the Notice of Convocation of the 2024 Annual General Meeting of Shareholders.
https://ssl4.eir-parts.net/doc/9757/announcement12/96872/00.pdf (English translation on page 14 and 15)
https://ssl4.eir-parts.net/doc/9757/announcement1/96869/00.pdf (Japanese version, original)

If we are to sustain robust growth in an age of turmoil and uncertainty, then a more diverse, more effective board of directors is vital. We believe that directors are entrusted by shareholders to manage the company and its business on their behalf, and our selection policy for directorship candidates focuses on ability to carry out those duties and responsibilities rather than on age, gender, nationality, race, or ethnicity. We will select as directorship candidates individuals who can devote the necessary time to properly fulfill their duties and responsibilities, and in doing so, we will take the following into consideration.

- Attendance at pertinent board meetings: Candidates must be able to attend at least 90% of pertinent meetings held per business year.

In terms of gender diversity, we have set a target that women will make up 30% of the Board of Directors by 2030. At present, two of the nine board members (22.2%) are women.

The Funai Soken Holdings Board of Directors currently comprises nine directors, including five outside directors who bring business administration experience from outside the Funai Soken Consulting Group. Since most of the company's sales are derived within Japan, it does not believe that it is necessary to appoint any overseas directors at present. In terms of Audit and Supervisory Committee members who are appointed to the Board of Directors, there is one certified public accountant, with specialized knowledge of finance and accounting, and one lawyer, with specialized knowledge of legal affairs.

Principle 4.11.2 Other Mandates of Directors and Corporate Auditors
The status of other important mandates of directors serving concurrently as directors of the company is disclosed in Reference Documents for General Meeting of Shareholders in the notice of convocation and in "Status of Directors" in the Securities Report. If outside directors concurrently serve as officers of other companies, the number of mandates they hold should remain within a reasonable range from the viewpoint of time and effort required to

appropriately fulfill their roles and responsibilities as directors of the company.

Principle 4.11.3 Self-Evaluation of Effectiveness of the Board of Directors

1. Objective and Method of Evaluation of Effectiveness

The company conducts an evaluation of the effectiveness of the entire Board of Directors once a year for all directors, including Audit and Supervisory Committee members, through a self-assessment questionnaire. The Board of Directors deliberates the results of this evaluation to improve the effectiveness of the Board of Directors. The evaluation of effectiveness was deliberated at the Board of Directors' meeting held in March 2024. The following is a summary of those deliberations.

2. Summary of Evaluation Results

2023 Action Plan in Review

(1) Re. "Ensuring appointment of directors is consistent with the skills and diversity required for the board as a whole": Appropriate people were appointed in accordance with Nominating Committee conclusions.

(2) A DX Promotion Committee was created in 2023 as an advisory committee to the Board of Directors, and undertook initiatives aimed at achieving the goal of establishing the Funai Soken Consulting Group as the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients, as stated in the Mid-Range Business Plan.

(3) Further debate by the Governance Committee and Sustainability Committee on ESG matters such as TCFD compliance and disclosure of human capital information drove an expansion of disclosure of non-financial information and led to an improvement in our ESG score with rating agencies.

(4) The Risk Management Committee reports periodically to the Board of Directors on information security matters, but there is an ongoing need for further strengthening of risk management, e.g., identifying underlying risks.

In addition to those, we have also seen progress in the following initiatives.

(1) Swifter execution of business by strengthening the board's supervisory capabilities and delegating authority to relevant departments: Authority is being delegated appropriately.

(2) A culture is developing that enables outside directors to speak freely and frankly as a result of measures such as advance distribution and explanation of board meeting agendas and encouragement of communication among outside directors by the Governance Committee.

Action Plan

The Board of Directors makes decisions on strategy, taking all appropriate information into account, based on active discussion to ensure the opinions of all directors are reflected. This ensures the effectiveness of the entire Board of Directors.

The details of the 2024 Action Plan are as follows: In future, the company will strive to further improve the effectiveness of the Board of Directors by implementing this Action Plan.

(1) Directors share with each other their ideas on the functions and roles that should be fulfilled by the company's board of directors, which has majority of outside directors, and undertake the board's business carefully and deliberately.

(2) Further bolster risk management and strengthen our structure for preventing the emergence of underlying risks.

(3) Continue to ingrain the Group Purpose and strive for more in-depth discussion of mid-to-long-term management strategies including creating new businesses.

(4) Promote more in-depth communication among outside directors; implement measures to improve the quality of board meeting deliberations.

Principle 4.14.2 Training Policy for Directors and Corporate Auditors

The company pays expenses and conducts training for inside directors/executive officers, outside directors and newly appointed inside directors/executive officers as follows in order that directors and executive officers may fulfill their respective roles and responsibilities appropriately.

1. For Inside Directors and Executive Officers

The company invites outside lecturers to conduct training based on real examples, such as violations of laws and regulations that we may be susceptible to, illegal conduct that may arise at the company, selection of M&A targets, as well as points to consider for management decision-making and management approaches for subsidiary companies, including overseas transactions.

2. For Outside Directors

The company improves the effectiveness of outside directors' supervisory capabilities through better

understanding of the business, based on deepening their knowledge of the group and its business. This includes outside directors' participation in "group company presentations on management policy" and group company board meetings as appropriate.

3. **For Newly Appointed Inside Directors and Executive Officers**
   The company offers opportunities for training at external organizations to gain the minimum knowledge required for directors on matters such as laws, compliance and corporate governance.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

In accordance with the policy outlined below, the company values the importance of constructive dialogue and communication with shareholders and investors, who are its key stakeholders. It responds as appropriate based on a mutual consideration of opinions and viewpoints.

1. **System of Implementation and Collaboration Between Departments**
   - **(1)** The director in charge of investor relations (IR) is responsible for constructive dialogue and communication with shareholders and investors.
   - **(2)** Staff from the Corporate Communication Office and others meet regularly and implement the business of the company in cooperation with each other.
2. **Dialogue with Shareholders and Investors**
   - **(1)** In terms of the dialogue with shareholders and investors, the basic principle is that as much of this as possible is done by the Director of IR or the CEO to ensure the outcomes of the dialogue is clearly reflected in management.
   - **(2)** In addition to one-on-one meetings, the following methods of communication are used.
     - Company briefings on the mid-range business plan and business strategy
     - Participation in IR conferences arranged by securities companies
     - Improved provision of information via the company website, notices of convocation of shareholders' meetings, etc.
   - **(3)** The company views the General Meeting of Shareholders as an important forum for dialogue with shareholders and investors, and therefore endeavors to provide ample opportunity for Q&A with stakeholders.
3. **Internal Feedback on the Views of Shareholders and Investors**
   The views obtained through dialogue and communication with shareholders and investors are relayed as feedback to the management team (or, depending on the content, the Board of Directors).
4. **Management of Insider Information**
   With respect to dialogue and communication with shareholders and investors, the company manages insider information correctly in accordance with the Group Regulations on the Prevention of Insider Trading and ensures that all officers and employees concerned are aware of the importance of handling insider information correctly.

Establishing Awareness of the Importance of Cost of Capital and Share Price as a Core Part of Business Administration; Providing Information in English [Updated Dec. 27, 2024]

As part of the group's quest for sustained growth in corporate value, Funai Soken Holdings calculates the cost of capital annually and reports this, along with changes over time, to the Board of Directors. The company has begun including ROE targets in its mid-range business plans, beginning with the 2023-2025 plan. Moreover, displaying return on capital in comparison with cost of capital over time in the Integrated Report highlights our determination to make awareness of the importance of capital efficiency a core part of our business administration.
The current Mid-Range Business Plan and Integrated Report can be viewed at the Funai Soken Holdings website.
Mid-Range Business Plan: https://hd.funaisoken.co.jp/en/ir/strategy.html
Integrated Report: https://hd.funaisoken.co.jp/en/ir/integrated-report.html

Principal 5.2 Business Strategies and Plans: Formulation and Publication

We recognize the vital importance of prudent capital policy for mid-to-long-term increases in shareholder value. Our basic approach is to seek higher capital efficiency through profit growth driven by proactive investment in the business, while building shareholders' equity to an appropriate level and increasing returns to shareholders. On February 8, 2023, we instituted our new Mid-Range Business Plan for 2023–2025. Details are available here:
https://ssl4.eir-parts.net/doc/9757/announcement16/86094/00.pdf
NB: The plan was amended on February 8, 2024.
https://ssl4.eir-parts.net/doc/9757/announcement16/96112/00.pdf

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

Major Shareholders Updated!

Name/ Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,680,800	12.14
Funai Honsha, K.K.	4,933,079	10.54
Custody Bank of Japan, Ltd. (Trust account)	1,868,300	3.99
Sumitomo Mitsui Banking Corporation	1,745,102	3.73
SSBTC CLIENT OMNIBUS ACCOUNT	1,620,869	3.46
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,471,321	3.14
Kazuko Funai	1,307,501	2.79
Nippon Life Insurance Company	1,062,000	2.27
Katsuhito Funai	1,056,960	2.26
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	994,200	2.12

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

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	December
Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	No less than 10 billion yen, less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

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

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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 Audit and Supervisory Committee

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	President
Number of Directors	9
Appointment of Outside Directors	Appointed.
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Nobuyuki Isagawa	Academic professor											
Taeko Yamamoto	Joined Funai Soken Holdings from another company											
Tomomi Murakami	Joined Funai Soken Holdings from another company											
Atsushi Nakao	Certified public accountant											
Akihiro Kobayashi	Attorney											

* **Categories for "Relationship with the Company"**

- ○ When the director presently falls or has recently fallen under the category;
- △ If 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 subsidiary
b. Non-executive director or executive of the parent of the company
c. Executive of a fellow subsidiary company of the company
d. A party whose major client or supplier is the company or an executive thereof
e. Major client or supplier of the company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the company
besides executive remuneration
g. Major shareholder of the company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the company (which does not correspond to any of d, e, or f) (director himself/herself only)
i. Executive of a company, between which and the company outside directors are mutually appointed (director himself/herself only)
j. Executive of a company or organization that receives a donation from the company (director himself/herself only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Nobuyuki Isagawa		○	Professor, Graduate School of Management, Kyoto University	Reasons for Appointment as Outside Director Nobuyuki Isagawa has been appointed as a professor with a high degree of expertise and knowledge that will enable him to fulfill an appropriate role in his duties as an outside director. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between him and general shareholders.
Taeko Yamamoto		○	EVP, CMO at Fujitsu Ltd.	Reasons for Appointment as Outside Director Taeko Yamamoto brings deep insight into marketing in the technology field. She was appointed to advise on the group's digital transformation initiatives and corporate management. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between her and general shareholders.
Tomomi Murakami		○	Senior Manager at Board Advisors Japan, Inc.	Reasons for Appointment as Outside Director With long experience in supporting companies in the process of developing environmental, CSR and ESG management credentials—from both corporate and policy perspectives— Tomomi Murakami was appointed to help the group pursue ESG management. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between her and general shareholders.
Atsushi Nakao	○	○	President, Certified Public Accountant & Tax Accountant, CS Accounting Co., Ltd.	Reasons for Appointment as Outside Director Atsushi Nakao has been appointed as an outside director in view of his professional capacity as a certified public accountant and tax accountant so that he can make proposals regarding company management and supervise the legality and validity of the Board of Directors. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between him and general shareholders.
Akihiro Kobayashi	○	○	Attorney Partner, Kyoto Office, Chuo Sogo Law Office, P.C	Reasons for Appointment as Outside Director Akihiro Kobayashi has been appointed as an outside director to capitalize on his extensive experience and knowledge as an attorney so that he can make proposals regarding company management and supervise the legality and validity of the Board of Directors. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between him and general shareholders.

Audit and Supervisory Committee

Composition and Attributes of Chairperson

	All Board Members	Committee	Inside Director	Outside Directors	Committee Chairperson (Chairperson)
Audit and Supervisory Committee	3	1	1	2	Inside Director

Directors and Employees Assigned Specifically to Aid the Duties of Audit and Supervisory Committee Members	Yes

Matters Concerning the Independence of the Directors and Employees from the Executive Directors

Two assistant staff members are assigned to assist the Audit and Supervisory Committee in its duties.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Internal Oversight Office draws up a plan at the beginning of each fiscal year and conducts audits on a coordinated basis throughout the year. Based on the results of internal audits, audit reports are submitted to the Board of Directors and the Audit and Supervisory Committee. The details are reviewed, instructions are drawn up for areas of improvement, and a system to implement the proposals for this improvement is put in place. Subsidiary companies may also be audited, and extraordinary audits are carried out as required.

Audit and Supervisory Committee members have a prompt and fair audit system in place and hold monthly meetings in conjunction with board meetings. They discuss audit policies and schedules with the accounting auditors and exchange information in order to improve the effectiveness of the audit function. In addition, systematic and comprehensive audits are conducted principally by a full-time member of the Audit and Supervisory Committee (one person) covering the business of all departments. The results of audits by the accounting auditors are also reported to the Audit and Supervisory Committee and the Internal Oversight Office. A system is in place to facilitate audits at any time to review whether improvements have been made in those areas highlighted by internal controls. The company's Internal Oversight Office, Audit and Supervisory Committee and accounting auditors strengthen their cooperation through sharing information and exchanging views with each other as required to improve the quality of audits and enhance internal control functions.

Voluntary Committees

Presence of Voluntary Committees Corresponding to the Nominating Committee and the Compensation Committee	Yes

Status of Voluntary Committee, Composition and Attributes of Chairperson

	Name of Committee	All committee members	Committee member	Inside Director	Outside Director	Outside Experts	Other	Committee Chairperson (Chairperson)
Voluntary Committee Corresponding to the Nominating Committee	Nominating Committee	4	0	1	3	0	0	Outside Director
Voluntary Committee Corresponding to the Compensation Committee	Compensation Committee	5	0	2	3	0	0	Outside Director

Supplementary Explanation

(1) Nominating Committee

Purpose

The Nominating Committee's purpose is to improve the corporate value of Funai Soken Holdings and the Funai Soken Consulting Group and to help ensure the transparency and objectivity of motions tabled at shareholders'

meetings relating to director appointments and dismissals by nominating suitable candidates for director, auditor, and executive officer positions at group companies.

Composition

The Nominating Committee comprises members selected by the Funai Soken Holdings Board of Directors (members shall not be limited to directors of Funai Soken Holdings). The committee shall have at least three members, the majority of which shall be independent outside directors. The chairperson of the Nominating Committee shall be an outside director appointed by the Funai Soken Holdings Board of Directors.

Position on Committee	Name	Rank
Chairperson	Nobuyuki Isagawa	Outside director
Committee member	Tomomi Murakami	Outside director
Committee member	Akihiro Kobayashi	Outside director
Committee member	Tatsuro Ono	Director and executive vice president

Activities

The committee met seven times in 2023, and the attendance rate was 100%. Major points of discussion and reports included the following.

Meeting 1 (August):

- Deliberations regarding challenges pertaining to group company executive officer structure and the direction of actions to be taken

Meeting 2 (September):

- Deliberations regarding the skill matrix and Board of Directors composition
- Deliberations regarding corporate officers in conjunction with the integration of group companies
- Deliberations regarding succession

Meeting 3 (October):

- Deliberations regarding candidates for group company director positions starting in March 2024.
- Interviews with candidates for future director positions

Meeting 4 (November):

- Deliberations regarding candidates for group company director positions starting in March 2024.

Meeting 5 (December):

- Deliberations regarding candidates for group company director positions starting in March 2024.

Meeting 6 (January):

- Deliberations regarding candidates for group company director positions starting in March 2024.

Meeting 7 (February):

- Deliberations regarding candidates for group company director positions starting in March 2024.

(2) Successor Nominating Committee

Purpose

The Successor Nominating Committee's purpose is to nominate a suitable candidate to serve as the next representative director from among multiple candidates, with due reference to the company's management philosophy and strategies, and to make its recommendations to the Board of Directors. The committee also helps ensure the transparency and objectivity of the processes of appointing and dismissing the president of Funai Soken Holdings.

Composition

The Successor Nominating Committee comprises members selected by the Funai Soken Holdings Board of Directors (members shall not be limited to directors of Funai Soken Holdings). However, the current chairman and president and past holders of those offices may not become members of the Successor Nominating Committee. The committee shall have at least three members, the majority of which shall be independent outside directors. The chairperson of the Successor Nominating Committee shall be an outside director appointed by the Funai Soken Holdings Board of Directors.

Position on Committee	Name	Rank
Chairperson	Nobuyuki Isagawa	Outside director
Committee member	Tomomi Murakami	Outside director
Committee member	Akihiro Kobayashi	Outside director
Committee member	Tatsuro Ono	Director and executive vice president

Activities

The committee met once in 2023, and the attendance rate was 100%. Major points of discussion and reports included the following.

Meeting 1 (July):

- Confirmation of the continued appointment of the president

(3) Compensation Committee

Purpose

The Compensation Committee's purpose is to is to improve the corporate value of Funai Soken Holdings and the Funai Soken Consulting Group and to help ensure the transparency and objectivity of corporate officers' compensation by deliberating on the individual compensation packages paid to directors (including members and non-members of the Audit and Supervisory Committee) and executive officers of Funai Soken Holdings, and directors, auditors, and executive officers of Funai Soken Consulting Group companies.

Composition

The Compensation Committee comprises members selected by the Funai Soken Holdings Board of Directors (members shall not be limited to directors of Funai Soken Holdings). The committee shall have at least three members, the majority of which shall be independent outside directors. The chairperson of the Compensation Committee shall be an outside director appointed by the Funai Soken Holdings Board of Directors.

Position on Committee	Name	Rank
Chairperson	Atsushi Nakao	Outside director
Committee member	Nobuyuki Isagawa	Outside director
Committee member	Taeko Yamamoto	Outside director
Committee member	Tatsuro Ono	Director and executive vice president
Committee member	Motoki Haruta	Director and executive officer

Activities

The committee met five times in 2023, and the attendance rate was 100%. Major points of discussion and reports included the following.

Meeting 1 (October):

- Deliberations regarding performance evaluations of group companies' officers

Meeting 2 (November):

- Deliberations regarding performance evaluations of group companies' officers

Meeting 3 (December):

- Deliberations regarding executive remuneration policy
- Deliberations regarding performance evaluations of group companies' officers

Meeting 4 (January):

- Report on group companies' business performance and degree of achievement of KPIs

Meeting 5 (February):

- Performance evaluation and deliberation on compensation amount of group companies' officers

Independent Directors

Number of Independent Directors	5

Other Matters Relating to Independent Directors

All outside directors who fulfill the qualifications and conditions of being independent directors are designated as independent directors.

Incentives

Incentive Policies for Directors	Introduction of performance-linked floating compensation and a stock option program

Supplementary Explanation

The company has introduced a stock option program to raise employee's motivation to achieve improved business results and a higher stock price.

Recipients of Stock Options	Inside directors, directors and executive officers of subsidiary companies.

Supplementary Explanation

The company has introduced a stock option program for directors and executive officers to incentivize them over the

medium term through an awareness of the company's results and stock price performance and also to increase motivation and boost morale by enabling them to help contribute to share price outperformance and an enhancement of corporate value.

Director Remuneration

Disclosure of Individual Directors' Remuneration	Remuneration is not disclosed for individual directors

Supplementary Explanation

The total amount of directors' remuneration is disclosed in the Securities Report and Business Report for the year.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) Matters Pertaining to Policy on Determining Directors' Remuneration Amounts and Calculation Methods

Our policy pertaining on determining directors' remuneration amounts and calculation methods recognizes that directors' remuneration is a vital part of corporate governance as relates to the pursuit of sustainable growth for the Funai Soken Consulting Group and mid-to-long-term growth in corporate value, as well as sharing value with shareholders. The policy is configured to allow directors' remuneration to function as a healthy incentive for directors to strive to achieve those objectives. It is intended to help us secure, retain, educate, and reward talented people, and holds that the process of determining remuneration should be highly transparent and objective. The remuneration of directors who are not members of the Audit and Supervisory Committee is discussed by the Compensation Committee, after which the CEO submits the matter to the Board of Directors, which makes a final decision. The remuneration of directors who are members of the Audit and Supervisory Committee is determined through discussions by the Audit and Supervisory Committee.

As pertains the process of determining the amount of directors' remuneration for this business year, the Board of Directors' and Compensation Committee's role is to deliberate multiple times on the policy on determining officers' remuneration, and to deliberate multiple times on the compensation packages of each of the company's directors (excluding those who are members of the Audit and Supervisory Committee). Compensation is determined based on factors such as each directors' duties, responsibilities, performance, and degree of contribution. We have also made improving engagement part of factors such as bottom-line performance and degree of contribution by establishing performance evaluation indices relating to ESG (e.g., as relate to employee turnover). Based on the committee's decisions, the CEO made submissions to the board of directors, which made a decision.

- **Remuneration Structure and Performance-Based Remuneration**

  Directors are divided into two groups: those who are members of the Audit and Supervisory Committee and those who are not. The remuneration structure of directors (excluding outside directors) who are not members of the Audit and Supervisory Committee contains the items listed below, and remuneration is apportioned based on rank and duties. Compensation comprises a fixed portion as well as performance-based remuneration and performance-based stock-as-compensation.

  Fixed Compensation

  A fixed monthly amount comprising the following.

  - **Basic remuneration**

    Monetary compensation, which is not linked to performance, and the amount of which is determined in accordance with rank and duties.
  - **Performance-based remuneration**

    Monetary compensation linked to consolidated sales and operating income in the most recently completed business year, as well as the previous year's growth rate and employee turnover rate. Between 80% and 120% of the preceding year's compensation, determined in accordance with a personal assessment score (from best to worst: S, A, B, C, and D) based on each individual's degree of achievement of the criteria listed above and personal KPIs

  Performance-Based Stock-as-Compensation

  - **Stock options as compensation**

    Stock options are granted, as long-term incentive compensation, every year during the term of

office, in accordance with rank, roles, and achievements with the aim of increasing motivation and morale relating to the sharing of value with shareholders and achieving mid-to-long-term improvements in business performance, on the condition that the options can only be exercised upon resignation. The remuneration structure of outside directors and those directors who are members of the Audit and Supervisory Committee comprises only fixed compensation (i.e., the fixed monthly amount).

- **Remuneration Levels and Methods of Determining Remuneration Amounts**
  The Compensation Committee deliberates to ensure appropriate remuneration levels and structures in accordance with each individual's duties, and takes into consideration the compensations paid by other companies in our industry so as to ensure that remuneration amounts are in keeping with the company's performance and scale of business. The Compensation Committee sets officers' remuneration policy, monitors the system, and deliberates on specific calculation methods. Based on the conclusions they reach, the compensation paid to directors who are not members of the Audit and Supervisory Committee is then determined by a Board of Directors resolution, and the compensation paid to directors who are members of the Audit and Supervisory Committee is determined through discussions by the directors who are members of the Audit and Supervisory Committee.
- **Policy for Determining the Ratio of Performance-Based Stock-as-Compensation to Compensation not Linked to Performance**
  At Funai Soken Holdings, performance-based stock-as-compensation generally makes up 20% of total compensation, and this ratio changes in accordance with performance outcomes.
- **KPIs for Performance-Based Compensation and Performance-Linked Floating Compensation; Reasons for Choosing Those KPIs; and Methods of Calculating the Compensation**
  When calculating compensation, these factors are evaluated: the group's achievement of targets (i.e., for consolidated net sales, operating income, and ordinary income) in the most recently completed business year; qualitative evaluation of the individual's progress toward achieving targets relating to his/her duties, responsibilities, performance, and degree of contribution; and the group's progress toward achieving the targets of the Mid-Range Business Plan. Indicators relating to achievement of performance targets are used to gauge earning capability. In FY2023, net sales were 25,635 million yen (1.3% above forecast), operating income was 7,100 million yen (equal to forecast) and ordinary income was 7,197 million yen (0.7% above forecast).
- **Grounds for the Board's Finding that Individual Directors' Compensation Packages Were in Line with Policy**
  The Board of Directors determined that individual directors' compensation packages were in line with official policy after receiving a report to that effect from the Compensation Committee, which carried out exhaustive, multifaceted examination of the proposed packages to check their compliance with policy.

  Compensation for directors (excluding those who are members of the Audit and Supervisory Committee) was set at a maximum of 450 million yen per year (of which, the amount for outside directors shall be no more than 40 million yen) by a vote at the 53rd general meeting of shareholders on March 25, 2023. Within that amount, directors (excluding outside directors) will be awarded up to 100 million yen of stock options per year as compensation. The number of directors (excluding those who are members of the Audit and Supervisory Committee) upon closing of that meeting was five (including three outside directors).

  Authority for determining the amount and calculation methods of officers' remuneration rests with the Board of Directors. To govern the content of that authority and the scope of discretion, we have, in addition to our Audit and Supervisory Committee, a voluntary Compensation Committee. To ensure objectivity and transparency, the committee is chaired by an outside director and a majority of the committee's members are outside directors. The committee's role is to deliberate on the compensation packages of each of the company's directors (excluding those who are members of the Audit and Supervisory Committee). Compensation is determined based on factors such as each directors' duties, responsibilities, performance, and degree of contribution, and bound by the maximum amounts approved at a shareholders' meeting. Based on the committee's decisions, the CEO makes submissions to the board of directors, which deliberates on each individual case and makes a final decision. The amount of compensation paid to directors who are members of the Audit and Supervisory Committee is determined through discussions by the Audit and Supervisory Committee.

Supporting System for Outside Directors

Materials for Board of Directors' meetings are distributed in advance. Prior to Board of Directors' meetings, outside directors are given a one-hour briefing on key matters for the meeting.

Retired Presidents Holding Advisory Positions

Information on Retired Presidents/CEOs Holding Advisory Positions

Name	Job Title/ Position	Responsibilities	Employment Terms (Full/Part Time, with/without Compensation, etc.)	Date when Former Role as President/CEO Ended	Term
-	-	-	-	---	-

Number of Retired Presidents/CEOs Holding Advisory Positions	–

Other Matters

The company has no internal regulations pertaining to retired president/CEOs holding advisory positions.

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

1. Summary of Current Corporate Governance Position

The Company has established a Governance Committee to oversee the appointment of outside directors and audits by the Audit and Supervisory Committee, and to consider appropriate matters of corporate governance. It has established the Nominating Committee and Compensation Committee as advisory bodies to the Board of Directors and has introduced an executive officer system.

2. Company Institutions

(1) Board of Directors

The Board of Directors comprises four directors (excluding directors who are Audit and Supervisory Committee members) including one outside director, and three directors who are Audit and Supervisory Committee members, including two outside directors. In addition to the regular Board of Directors' meeting once a month, extraordinary board meetings are held as required. The Board of Directors also conducts specialist and diverse ranging reviews of the management of the company and reaches prompt decisions on this basis.

The term of office for directors (excluding directors who are Audit and Supervisory Committee members) is one year, and for directors who are Audit and Supervisory Committee members it is two years in order to clarify management responsibilities for each fiscal year.

The chairman of the board is President and CEO Takayuki Nakatani; the other board members are Tatsuro Ono, Motoki Haruta, Nobuyuki Isagawa (outside director), Taeko Yamamoto (outside director), Tomomi Murakami (outside director), Masahiro Hyakumura, Atsushi Nakao (outside director and member of the Audit and Supervisory Committee), and Akihiro Kobayashi (outside director and member of the Audit and Supervisory Committee).

The Board of Directors is currently comprised of nine directors, five of whom are independent outside directors. When appointing new directors to the board, the Nominating Committee discusses the candidates and makes a recommendation to the Board of Directors, which then makes its decision accordingly. If we are to sustain robust growth in an age of turmoil and uncertainty, then a more diverse, more effective board of directors is vital. We believe that directors are entrusted by shareholders to manage the company and its business on their behalf, and our selection policy for directorship candidates focuses on ability to carry out those duties and responsibilities rather than on age, gender, or nationality. In terms of gender diversity, we have set a target that women will make up 30% of the Board of Directors by 2030. At present, two of the nine board members are women.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee effectively monitors and audits management decisions and execution of business activities, and holds regular meetings every month. The full-time member of the Audit and Supervisory Committee attends important meetings other than Board of Directors meetings, such as Executive Committee meetings, and expresses his or her opinions accordingly. Of the outside directors who serve on the Audit and Supervisory Committee, one is a certified public accountant with specialized knowledge of finance and accounting, while another is a lawyer with specialized knowledge pertaining to

compliance.

The chairperson is Director Masahiro Hyakumura; the other committee members are Atsushi Nakao and Akihiro Kobayashi.

(3) Advisory Committees

a) Nominating Committee

The Nominating Committee deliberates the selection criteria for directors and executive officers in accordance with company regulations. Its role is to increase the transparency and objectivity of decisions on candidates to be directors and executive officers and to strengthen supervisory function of the Board of Directors. Three of the four committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Nobuyuki Isagawa; other committee members are Tomomi Murakami, Akihiro Kobayashi, and Tatsuro Ono.

b) Successor Nominating Committee

The Successor Nominating Committee evaluates the current Group CEO and representative director based on business performance, etc., and discusses the succession plan in accordance with company regulations. Its role is to increase transparency and objectivity in the selection of Group CEO and representative director candidates. Three of the four members of the Successor Nominating Committee are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Nobuyuki Isagawa; other committee members are Tomomi Murakami, Akihiro Kobayashi, and Tatsuro Ono.

c) Compensation Committee

The Compensation Committee deliberates remuneration policy for directors and executive officers in accordance with company regulations. Its role is to increase the transparency and objectivity of decisions on remuneration for directors and executive officers and to strengthen supervisory function of the Board of Directors. Three of the five committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director and member of the Audit and Supervisory Committee Atsushi Nakao; the other committee members are Nobuyuki Isagawa, Taeko Yamamoto, Tatsuro Ono, and Motoki Haruta.

d) Governance Committee

The Governance Committee reviews various issues related to the corporate governance of the group from a medium- to long-term perspective. Its purpose is to improve management fairness and transparency and to strengthen corporate governance. All four committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director and member of the Audit and Supervisory Committee Akihiro Kobayashi; the other committee members are Nobuyuki Isagawa, Taeko Yamamoto, Tomomi Murakami, and Atsushi Nakao.

e) Sustainability Committee

The Sustainability Committee exchanges information and fosters a shared awareness regarding sustainability in business management, and submits recommendations to the Board of Directors regarding the sustainability connotations of policies and plans, thereby helping to deepen the board's discussions in this area and overseeing the entrenchment of sustainability in business management groupwide through the steady resolution of ESG issues, all with a view to promoting the mid-to-long-term development of Funai Soken Holdings and the greater Funai Soken Consulting Group. Two of the five committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Tomomi Murakami; other committee members are Nobuyuki Isagawa, Takayuki Nakatani, Tatsuro Ono, and Motoki Haruta.

f) DX Promotion Committee

The DX Promotion Committee exchanges information and fosters a shared awareness regarding digital transformation at the Funai Soken Consulting Group, and submits recommendations to the Board of Directors regarding the group's DX-related policies and plans, thereby helping to deepen the board's discussions in this area and overseeing the entrenchment of DX in business management groupwide, all with a view to promoting the mid-to-long-term development of Funai Soken Holdings and the greater Funai Soken Consulting Group.

The chairperson is Outside Director Taeko Yamamoto; the other committee members are Takayuki Nakatani, one Funai Soken Holdings executive officer, and directors and management-level

employees from the Funai Soken Consulting Group.

g) Risk Management Committee

The Risk Management Committee recognizes of the importance of identifying, evaluating, and managing risks that have a significant impact on corporate management and business continuity, and appropriately manages the risks surrounding the group and seeks to prevent risks from arising, for instance by identifying risks that require a priority response and implementing specific measures to deal with them.

It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks.

The chairperson is Director and Executive Vice President Tatsuro Ono; the other committee members are Masahiro Hyakumura, one Funai Soken Holdings executive officer, and directors and management-level employees from the Funai Soken Consulting Group.

h) Internal Control Committee

The Internal Control Committee functions to ensure the creation and proper operation of an internal control system overseeing Funai Soken Holdings' and the Funai Soken Consulting Group's financial statements, so as to uphold the appropriateness of financial statements stipulated in the Financial Instruments and Exchange Act and its enforcement order. The Funai Soken Consulting Group CEO and the heads of the organizational units subject to internal oversight are serve on the committee as internal control managers, in which capacity they build and manage internal control systems within their day-to-day work.

The chairperson is President and CEO Takayuki Nakatani; the other committee members are Tatsuro Ono, Motoki Haruta, and Masahiro Hyakumura.

(4) Business Execution System

The company has introduced an executive officer system in order to distinguish decision-making and supervision of business execution by the Board of Directors from the business execution functions of the business divisions. In accordance with the policies determined by the Board of Directors, the executive officers are responsible for carrying out the daily business operations of the company. In addition to Board of Directors' meetings, the company holds monthly Executive Committee meetings, consisting of the directors, executive officers, and standing members of the Audit and Supervisory Committee to review business execution and to build consensus among the officers.

(5) Accounting Audits

The company has an audit contract with PricewaterhouseCoopers Japan LLC, as the company's accounting auditors. There are no special interests between the company, its corporate auditors and the auditor's executive officers that should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

- **Name of the Certified Public Accountants Who Have Audited the Company and Name of Their Audit Firm:**
  Masahisa Kinoshita, PricewaterhouseCoopers Japan LLC
  Kengo Yamamoto, PricewaterhouseCoopers Japan LLC
- **Assistants for Audit Duties for the Fiscal Year Ending December 2023**
  The assistants for audit duties are determined according to the selection criteria of the audit firm, and are specifically taken from certified public accountants, auditors who have passed the CPA exams and other assistants, including accounting systems experts.
- **Assistants for Audit Duties**
  Seven Certified Public Accountants; 13 others.

3. Reasons for Adoption of Current Corporate Governance System

Following a resolution at the 46th Ordinary General Meeting of Shareholders held on March 26, 2016, the company transitioned to become "a company with an Audit and Supervisory Committee" (as per law) and appointed three directors (including two outside directors) to serve on the committee. The company considers that by granting voting rights to these directors on the Board of Directors its audit and supervisory functions are strengthened. In addition, it considers that increasing the ratio of outside directors on the Board of Directors and improving the transparency and validity of management will further enhance corporate value.

In order to enhance corporate governance, a majority of directors of the company are outside directors. The company audits the legality and validity of the Board of Directors by means of the Audit and Supervisory Committee (comprising three members, including two outside directors) to ensure the board's objectivity and validity. In addition,

the company has established a Corporate Governance Committee, formed exclusively of outside directors, to conduct reviews of corporate governance on a regular basis as required.

The company has also established a Nominating Committee and Compensation Committee (of which more than half of the members are outside directors) as advisory bodies to the Board of Directors to ensure transparency and objectivity with respect to the appointment of directors and directors' remuneration. Based on these bodies' deliberations regarding the various reports, the president makes submissions to the Board of Directors for decisions.

To ensure procedures surrounding the selection and development of future group CEO and representative director candidates are fair and transparent, the Successor Nominating Committee's recommendations are discussed by the Board of Directors to identify those candidates with "the right stuff" to lead the group to future prosperity. Moreover, an executive officer system has been introduced to ensure a separation between the management and execution of business matters, as well as to ensure flexibility in business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Notification of General Shareholder Meetings	The company aims to send out its meeting notifications earlier than the statutory notification date. The General Shareholder Meeting for the year ended December 31, 2023, was held on March 23, 2024. The notice of convocation was sent out three weeks in advance on March 1 (one week before the statutory notification date). In addition, the date of the meeting was also made available in advance on the company website on February 29, prior to the date of sending out the notification.
Scheduling AGMs to Avoid Peak Days	The closing date of the company is December 31. This ensures that the company is able to hold its AGMs on a date that avoids coinciding with the AGMs of other companies. It is also held on a Saturday to enable wider participation by the company's shareholders.
Allowing Electronic Exercise of Voting Rights	Shareholders have been able to exercise their voting rights using the online voting website (computer and smartphone) operated by Mitsubishi UFJ Trust and Banking Corporation as of the fiscal year ended December 2009 onwards.
Participation in Electronic Voting Platform and Other Initiatives to Help Institutional Investors to Exercise Their Voting Rights	As of the fiscal year ended December 2009, the electronic voting rights platform operated by ICJ, Inc. has also been available for use by institutional investors.
Providing Convocation Notice in English	As of the fiscal year ended December 2018, the company prepares an English language version of the Notice of Convocation for overseas shareholders. It is also posted on the company's website at the same time as the Japanese version.
Other	In order to provide information to shareholders as promptly as possible, notices of convocations and resolutions at the Ordinary General Meeting of Shareholders have been posted on the company's website from the fiscal year ended December 2009 onwards. Shareholder meetings are held at a venue in a city area with easy transport access. In addition, business and financial reports are explained using video at the General Meeting of Shareholders.

2. IR Activities

	Supplementary Explanation	Presentations by the Representative
Compilation and Publication of Disclosure Policy	The company posts its disclosure policy on the company website. https://hd.funaisoken.co.jp/en/ir/governance.html	
Regular Briefings for Analysts and Institutional Investors	The company holds financial results briefings and teleconferences, and engages in dialogue with analysts and institutional investors from Japan and overseas by hosting one-on-one meetings, in-person and online. Individual meetings with outside directors can also be arranged if requested. The company also participates in conferences hosted by securities companies several times a year.	Yes
Regular Briefings for Overseas Investors	The company posts on its website English-language scripts of twice-yearly financial results briefings held in Japan. It also engages in direct dialogue with overseas investors in Europe, the US, Asia, and elsewhere through one-on-one meetings, as well as conferences hosted by securities firms.	Yes
Posting of IR Materials on Website	As part of its effort to expand information disclosure, the company publishes its integrated report, securities report, financial results briefing materials, operation reports, and scripts of various briefings on its website.	
Establishment of Department and/or Manager in Charge of IR	A Corporate Strategy Department has been established within the Corporate Development Divisional Headquarters. Director: Eijiro Saito Executive officer and head of the Corporate Strategy Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	A new group purpose has been instituted: Sustainable growth for more companies. This is a statement of the group's conviction that companies that can achieve sustainable growth are those that can thrive and grow amid tumultuous change and uncertainty, and its determination to deliver strong, sustainable growth for clients and the group itself.
Implementation of Environmental Activities, CSR Activities, etc.	The company conducts a wide range of consulting activities related to the environmental and revitalization of rural communities, including decarbonization and ESG. Its aim is to make a contribution and to help bring about the successful development of society through these activities. The group is engaged in activities aimed at enabling more companies to achieve sustainable growth, as well as philanthropic activities.
Established Policy Regarding Providing Information to Stakeholders	The company compiles a disclosure policy and posts it on the company website, not only to meet information disclosure obligations stipulated by law, but also as part of our proactive dissemination (to the extent possible) of unbiased information that we believe is conducive to promoting a deeper understanding of the Funai Soken Consulting Group.

IV. Matters Related to the Internal Control System

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

1. Development of Internal Control System

The Funai Soken Consulting Group has established a new group purpose—"sustainable growth for more companies"—as an expression of its commitment to delivering strong, sustainable growth for clients and itself in an age of tumultuous change and uncertainty. To ensure that the directors and employees embody that group purpose, the company has established and maintains an internal control system to build an appropriate organization, set internal rules and regulations, communicate information and monitor business execution.

2. Basic Policy for Establishment of Internal Control System

(1) Summary of Resolutions for Matters such as Systems for Ensuring Appropriateness of Operations.

(1)-1 System to Ensure that the Execution of Duties by Directors and Employees of the Company Complies with Laws and Regulations as well as the Articles of Incorporation

a) The group has established the Regulations on Group Compliance and the Group Corporate Ethics Code of Conduct which set forth its basic stance on social responsibility. It thereby clarifies the criteria to ensure that the directors and employees act with strong ethics and good sense in accordance with laws and ordinances and internal rules and regulations.

b) The group has established and maintains an appropriate internal control system. It has established the Internal Oversight Office as an auditory function under the direct control of the representative director to: ensure that the business of the company and the companies in the group is properly conducted in accordance with laws and regulations; oversee the correct implementation of the group's internal control system; propose improvements as required; and perform internal oversight of the company and group.

c) If a director or employee discovers any serious instances of violation of laws or ordinances, or any other infringement of laws and ordinances or internal rules and regulations, this must be reported immediately and without delay to the Audit and Supervisory Committee and to the Board of Directors.

d) In order to prevent and rectify illegal conduct, or acts that violate social norms and corporate ethics, the company has established the Group Hotline Rules and strives to enhance its compliance system through initiatives such as an internal hotline for anyone involved with the group. The company is also committed to raising the awareness of directors and employees of compliance matters through training, including workshops and e-learning.

e) The group takes a strong stance on anti-social individuals and organizations that have a negative impact on social order and the integrity of its corporate activities.

(1)-2 System to Ensure that the Execution of Duties by Directors of the Company Is Performed Efficiently

a) In order to ensure that directors' decisions and their execution of duties are implemented efficiently, the company has established rules concerning the operation of the Board of Directors. As a general rule, the Board of Directors meets once a month, but meetings can also be held on an ad hoc basis as required.

b) To ensure efficient, organized business execution, the company has established the Regulations of Administrative Authority and Criteria of Administrative Authority to clarify the responsibilities and system of authority for each of the company's organizations and each position therein.

c) The company promotes quick decision making and efficient business execution through appointing executive officers to be in charge of business execution and through delegating the company's operations and clarifying authority and responsibility in the execution of the company's business by resolution of the Board of Directors.

d) The company has established the Executive Committee as an organization to coordinate the business activities of the Group, review the status of business execution and build consensus through discussion of important matters within the group.

e) The company sets out numerical targets for the budget period based on the business plan and clarifies the objectives and responsibilities of each group company and department and aims to achieve its planned performance targets through analyzing differences between the budget and actual results.

(1)-3 System Concerning the Storage and Management of Information Related to the Execution of Duties by Directors of the Company

a) The details of resolutions, approvals and reports on directors' execution of their duties are saved and stored as appropriate based on the Regulations of the Board of Directors, Regulations of the Executive Committee, Regulations for Document Management, and Regulations for Confidential Document Management.
b) Regarding the protection of information, the company has established the Regulations on Information Security and strives to clarify the levels of authority required to view different information, and to promote awareness among directors and employees of issues such as password management and leak prevention measures, falsification, and destruction of information.

(1)-4 Regulations and Other Systems Concerning Management of Risk of Losses of the Company

a) The company recognizes the importance of identifying, evaluating, and managing those risks that have a significant impact on corporate management and business continuity. It strives to implement a system for appropriately managing the risks surrounding the group and has established the Risk Management Committee to take specific measures to deal with risks that require a priority response.
b) With respect to the management of the risk of losses, the company has established the Regulations on Group Crisis Management to strengthen the management system to prevent losses.

(1)-5 System to Ensure the Appropriate Operation of Group Companies

a) The group shall share the basic ideas expressed in the Group Philosophy and Group Vision while respecting management autonomy in each of its companies.
b) The company shall dispatch directors and corporate auditors to group companies as required in order to improve the soundness and efficiency of management. It shall also hold Group Presidents' Council meetings to exchange information and to consult with its companies.
c) The group shall conduct internal audits to ensure the effectiveness and validity of internal controls as a system for conducting surveys and audits of group companies, in addition to audits by members of the Audit and Supervisory Committee and accounting auditors,
d) The group shall have a set of Regulations for Group Company Management in place to manage the business operations of its companies.
e) The group shall establish a system of company approval for important matters concerning the business operations of group companies when it is necessary to improve soundness of management at its companies and to ensure the appropriateness of its business activities.
f) The company shall ensure the reliability of its financial reporting through appropriate and effective management and evaluation. It shall also establish company-wide internal controls for financial reporting across the group and control systems for individual business processes.

(1)-6 Matters Concerning Employees Who Assist in the Execution of Duties by Audit and Supervisory Committee Members at the Committee's Request

a) Directors shall engage employees to assist the Audit and Supervisory Committee in carrying out its duties if requested by the Audit and Supervisory Committee.
b) Assistants to the Audit and Supervisory Committee are assigned as dedicated staff to members of Audit and Supervisory Committee to assist them in carrying out their duties. Independence from the business executives on matters related to staff transfers and personnel evaluation is ensured by obtaining the agreement of Audit and Supervisory Committee members in advance.

(1)-7 System Concerning Directors' and Employees' Reports to the Audit and Supervisory Committee and Other Systems Concerning Reports to the Audit and Supervisory Committee

a) Members of the Audit and Supervisory Committee attend important meetings such as Board of Directors' meetings and Executive Committee meetings to monitor and audit the management of the company and the decision-making process on a regular basis.
b) A system is in place that allows prompt and effective reporting by directors and employees to Audit and Supervisory Committee members upon request for issues such as facts that may cause significant damage to the company or information received on the in-house hotline. No disadvantage shall accrue to anyone making reports as outlined above.
c) The Internal Oversight Office reports on the status and results of its internal audits to members of the Audit and Supervisory Committee. The Audit and Supervisory Committee cooperates closely with the Internal Oversight Office—e.g., the committee requesting

reviews by the Internal Oversight Office as required—and conducts efficient audits.

(1)-8 Policy Related to the Handling of Audit Expenses

a) The Audit and Supervisory Committee is eligible to receive payment in advance or reimbursement from the company for expenses arising from the execution of its duties.

b) When the Audit and Supervisory Committee deems it necessary, it may use external experts for the execution of its duties. Expenses accruing from this shall be treated as set forth in a) above.

(1)-9 Other Systems to Ensure that the Audit by Audit and Supervisory Committee Members is Conducted Effectively

a) The majority of the Audit and Supervisory Committee shall be outside directors to ensure the transparency of the audit. The Audit and Supervisory Committee meets with the president and directors as necessary to exchange opinions on important company issues and on audit matters and makes requests when it deems these necessary, thereby promoting mutual understanding with the president and the directors.

b) The Audit and Supervisory Committee meets regularly with the accounting auditors and the Internal Oversight Office to actively exchange opinions and information.

(2) Overview of Implementation of System to Ensure the Appropriate Operation of Group Companies

The Board of Directors meets once a month as a decision-making body on matters related to the management of the company and business execution. It makes decisions on important management issues, such as items stipulated in laws and ordinances and in the Articles of Incorporation, management policy and budget setting. It analyzes and evaluates the performance of group companies based on monthly reports. It discusses matters from the perspective of compliance with laws and ordinances and the Articles of Incorporation and business appropriateness. In addition, the Executive Committee, which is attended by the company's directors, executive officers and full-time members of the Audit and Supervisory Committee, meets once a month to deliberate on important group matters.

(2)-1 Internal Audits

Regarding the appropriateness of the operation of the company's internal control system, the Internal Oversight Office has conducted an audit of the company and the companies in the group and has reported the results of this to the company's president and members of the Audit and Supervisory Committee.

Two of the three members of the company’s Audit and Supervisory Committee are Outside Directors. This ensures the transparency of audits.

(2)-2 Compliance

In order to improve directors’ and employees’ awareness of compliance, the company arranges compliance education including training through workshops and e-learning.

(2)-3 Risk Management

The company has established a Risk Management Committee and undertakes risk management activities, including assessment of potential risks and prevention of the occurrence of risks within the company and the group. The group has also established a Group Corporate Ethics Code of Conduct to eliminate anti-social forces. It sets out the provisions and reviews new clients when they apply for credit, and implements this code as required. In addition, it has established an in-house hotline and has communicated this to the directors and employees of the company and the group. The company has a system in place to enable it to ascertain facts that may cause significant damage to the company. Legal counsel and the outside directors on the Audit and Supervisory Committee act as points of contact in this respect.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic Approach to the Exclusion of Antisocial Forces

The group takes its social responsibilities very seriously and has a basic principle of avoiding any sort of relationship with anti-social forces. It has established action guidelines in this respect in the Regulations on Group Compliance. In accordance with the code of conduct in these regulations, group employees pledge to observe the conduct stipulated in the guidelines when joining the company.

The company has an internal process in place in accordance with its legal system to eliminate anti-social forces and has a crisis management system for swift assessment of information. It has established a department to take responsibility in case of emergency and ensured a system enabling companywide response including the involvement of top management.

2. Status of Exclusion of Antisocial Forces

(1) The company has put in place a risk management system and strives to obtain information promptly through the establishment of a Risk Management Committee. There is also a system in place in which the Risk Management Department is charged with ensuring prompt reporting to top management and implementation of countermeasures based on information obtained.

(2) Based on this system, the company manages information in an integrated manner based on prompt understanding of issues internally. It strengthens its cooperation with external professional entities such as legal counsel and the police and ensures any relationships with antisocial forces are promptly terminated.

(3) When the company undertakes work under consignment, provisions for the exclusion of antisocial forces are clearly set forth in writing in the contract at the time of the contract of assignment.

(4) The company's credit management rules set forth provisions for the exclusion of antisocial forces. The credit management system is operated in accordance with these rules.

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 the Corporate Governance System

1. Status of Risk Management System

The Company has established a Risk Management Committee as a company-wide organization to manage crises including management of the risk of losses. It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks.

2. Overview of Timely Disclosure System

(1) Information about Corporate Resolutions

In principle, important corporate resolutions are made at the monthly Board of Directors meeting. For urgent matters, a system of holding extraordinary Board of Directors' meetings facilitates quick decision-making when required. For important resolutions, Finance Department considers whether disclosure is necessary in accordance with the timely disclosure rules of the Tokyo Stock Exchange. If it is deemed that disclosure is necessary, the information is promptly disclosed through the Finance Department.

In addition, the company strives to disclose fair and accurate corporate information after taking advice from accounting auditors and lawyers as required.

(2) Information about significant events

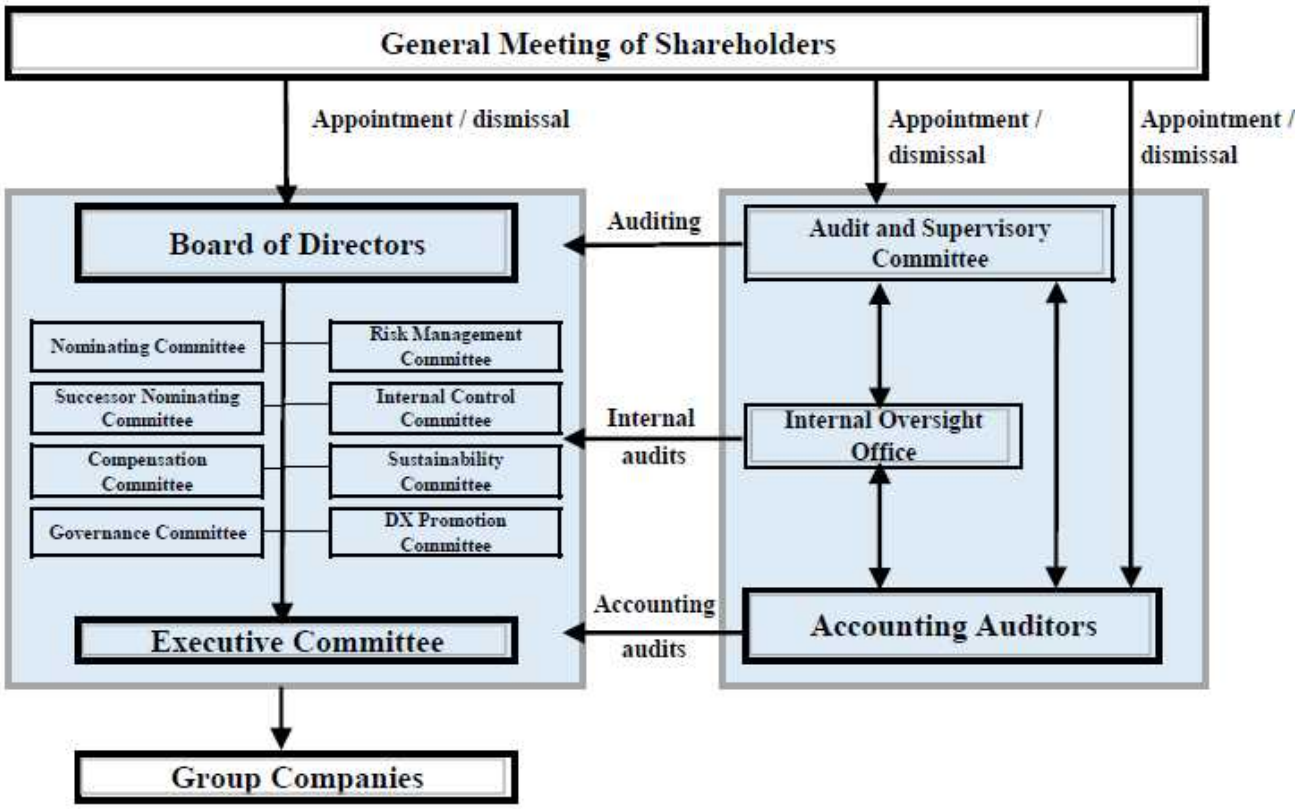
If a significant event occurs, information is quickly gathered from the department concerned and collated by the Finance Department, which then reports to the Executive Committee and the Board of Directors. The Finance Department reviews the details of the information as appropriate and strives to promptly disclose this information if disclosure is deemed to be necessary. In addition, the company strives to disclose fair and accurate corporate information after taking advice from accounting auditors and lawyers as required.

(3) Information about the financial accounts

With respect to the company's financial results, the financial figures are prepared as promptly as possible by the Finance Department. They are audited by an accounting auditor, and once the results are approved by the Board of Directors, the financial information is released on the day of the Board of Directors' meeting.

(4) Other

The company is proactive in disclosing its financial results once they are published, for instance through posting them on the company website. Also, group investor relations information is drafted and published by the Finance Department and the Corporate Communication Office.



Schematic of the Internal Structure for Timely Disclosure of Information

