

May 27, 2024

TSI Holdings Co., Ltd.

Tsuyoshi Shimoji, Representative Director and President

Contact: 03 (5785) 6400

The corporate governance of TSI Holdings (the “Company”) is described below.

**I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information****1. Basic Views**

The Company, in an effort to build a business operation structure befitting a fashion and apparel company engaged in business globally, seeks to step up its internal control, for rigorous compliance with laws and regulations and for risk management, while developing a structure that enables decision-making that is highly sound, transparent, and swift, under a corporate philosophy that we create value that shines the hearts of people through fashion and share the happiness of living tomorrow together with society. We will make efforts to keep our corporate value growing as stated in our basic business policy with the aim of further upgrading our corporate governance while building good relationships with our stakeholders by way of these efforts.

**Reasons for Non-compliance with the Principles of the Corporate Governance Code****Principle 1.4 Cross-Shareholdings**

To run its operations smoothly and maintain or reinforce its business relationships, the Company cross-holds shares. This contributes to enhancing its corporate value in comprehensive consideration of its medium- to long-term financial reasonableness and outlook.

The Company reduces its cross-shareholdings that have diminished in effect, in consideration of the conditions of target companies, such as for dividend, while verifying the significance of cross-holding and reporting it at the Board of Directors meetings.

In exercising its voting rights, the Company comprehensively decides to vote in favor or against each of proposals from a perspective of whether it is in conformity to the purpose of the cross-shareholding and whether it contributes to maintaining or enhancing the target company’s corporate value and its shareholder value.

**Principle 4.1 Roles and Responsibilities of the Board (1)****Supplementary Principle 4.1.3**

The Company regards a plan on a successor to the Representative Director and President as an important business management issue, which is, and will continue to be, deliberated on by the Nomination and Remuneration Advisory Committee, the majority of which consists of outside directors.

**Disclosure Based on the Principles of the Corporate Governance Code**

## Principle 1.7 Related Party Transactions

A proposed conflict of interest transaction between the Company and a director is required to be reported to, and resolved by, the Board of Directors under applicable laws and regulations and the Board of Directors Rules. The Company discloses specific details of transactions between itself and related parties in accordance with applicable laws and regulations while reporting them periodically to the Board of Corporate Auditors.

## Principle 2.3 Sustainability Issues, Including Social and Environmental Matters

## Supplementary Principle 2.3.1

## Principle 3.1 Full Disclosure

## Supplementary Principle 3.1.3

## Principle 4.2 Roles and Responsibilities of the Board (2)

## Supplementary Principle 4.2.2

**(1) The Company's Sustainability Efforts**

The Company released a sustainability statement: "Creating a Sustainable Future with Fashion Entertainment: Beautiful Planet Earth, Radiant Society, Happy Life," laying down materialities and key goal indicators (KGIs) that would be the foundation on which the TSI Group would generate a sense of happiness in the long term and in a sustained manner through its operating activities.

We set up the SDGs Promotion Office in September 2021 to pursue sustainability activities while keenly working to build internal platforms and raise awareness on the part of employees.

For reports on specific activities, see SUSTAINABILITY STORY BOOK.

「SUSTAINABILITY STORY BOOK」

[https://www.tsi-holdings.com/pdf/TSI\\_SUSTAINABILITY\\_20220418\\_FIX\\_ENG\\_REV3.pdf](https://www.tsi-holdings.com/pdf/TSI_SUSTAINABILITY_20220418_FIX_ENG_REV3.pdf)

In addition, our response to the TCFD, sustainability policy, human rights policy, governance policy, environmental policy, and social policy are disclosed on our website.

“Information Disclosure Based on the TCFD Recommendations”

([https://www.tsi-holdings.com/pdf/221012\\_TCFD\\_Recommendations\\_EN.pdf](https://www.tsi-holdings.com/pdf/221012_TCFD_Recommendations_EN.pdf))

“Sustainability policy”

(<https://sustainability.tsi-holdings.com/management.html#policy>)

“Human Rights Policy”

(<https://sustainability.tsi-holdings.com/materiality/human/index.html#policy>)

“Governance policy”

(<https://sustainability.tsi-holdings.com/materiality/governance/index.html#policy>)

“Environmental policy”

(<https://sustainability.tsi-holdings.com/materiality/environment/index.html#policy>)

“Social Policy”

(<https://sustainability.tsi-holdings.com/materiality/social/index.html#policy>)

**(2) Investments in Human Capital and Intellectual Properties****(i) Investments in human capital**

“People” are the source of value in our business activities and therefore our greatest asset.

Having set diversity, employee wellbeing, health and safety, and fair labor conditions as important materialities, we will strive to improve the environment to enable all staff working together to thrive happily, both physically and mentally.

To deal with the era of change, the Company will invest in education, training, and development of employees. For developing multi-skilled workforce, we will arrange for programs through which employees acquire needed skills, including enhancement of job rotations, training schemes, and self-learning systems.

(ii) Investments in intellectual properties

For the Company, a brand business player, intellectual properties such as trademark rights and copyrights are highly important for operational purposes. Intellectual properties constitute the base of creative value to be delivered to customers as we seek to put into practice “Creating worldwide sympathy and social value with the power of fashion entertainment,” which is laid down as a purpose in the Medium-term Management Plan dubbed TSI Innovation Program 2025 (TIP25).

We will avidly invest in expertise, such as in designing business model and communication, in an effort to deliver customer experience, going beyond customer expectations other than merely developing superior designs and brands.

Principle 2.4 Ensuring Diversity, Including Active Participation of Women

Supplementary Principle 2.4.1

**(1) Ensuring diversity**

The TSI Group will create an environment where anyone can thrive diversely by pursuing efforts to bring about diverse and flexible work life for everyone in a manner befitting them.

**(2) Voluntary and measurable goals for ensuring diversity and their status**

(i) Female promotion to managerial positions

While female employees accounted for 30.9% of total managerial positions at the Group at the end of February 2024, we have laid down a goal of raising the ratio to 40% by the end of February 2025.

(ii) Promotion of foreign nationals to managerial positions

Although we are yet to set any goal for promotion of foreign national employees to managerial positions, we will continue to internally deliberate on this subject.

(iii) Voluntary and measurable goals for promotion of midcareer hire employees to managerial positions and their status

Although no goals are in place for promotion of midcareer hire employees to managerial positions, we have established diverse work systems (flextime system, reduction of working hours, and second job system) and diverse training programs to accommodate the unique individuality within the TSI Group which brings together

companies with different organizational climates and cultures. We operate our personnel system appropriately while introducing internal position solicitation and job rotation schemes and flexibly accepting diversity in work, job category, and work history.

**(3) Human resource development policy and internal environment improvement policy intended to ensure diversity and their status**

**(i) Human resource development policy intended to ensure diversity**

For ensuring diversity in promoting core personnel, we ensure evaluation and promotion of employees solely based on their individual skills paying no heed to gender, age, and nationality.

With regard to the recruitment of employees, we actively hire mid-career professionals, including those from other industries, in addition to new graduates. To promote female employees to managerial positions, we will keenly work to further raise the ratio of female managerial positions, which is already 30% of all managerial positions in the Group.

While more than 100 foreign national employees already work for the Group as a whole, mainly at overseas subsidiaries, we intend to avidly recruit employees in an effort to further secure highly-skilled professionals with an eye on the expansion of overseas business in the coming years.

**(ii) Environmental improvement aimed to let diverse employees thrive further**

To let diverse employees fully exert their skills in accordance with their own lifestyles, TSI Group companies take measures, such as applying flexible work hours and work formats, revising pay levels, easing the burden of shop work clothes, among other employee welfare matters, and will continue to upgrade these measures.

**(iii) Pursuit of diversity and inclusion**

We will work to reform awareness on the part of individual employees to create an ethos respecting diversity and an environment where diverse employees can grow and thrive with work satisfaction. This is in line with efforts that individual employees with various genders, ages, nationalities, and physical and mental conditions can thrive in accordance with their characteristics, skills, and conditions.

**(iv) The status of efforts to ensure diversity**

The following efforts are in progress toward ensuring diversity in accordance with employees' characteristics.

⊙ Active participation of women

While female managerial positions accounted for 30.9% of all managerial positions in the Group at the end of February 2024, we set the goal of raising the ratio to 40% by the end of February 2025 and strive to recruit and promote employees to increase the ratio of female managerial positions among highly senior positions.

⊙ Further employment of foreign national workers

Employment of foreign national workers by the Group has been growing year after year, and going forward, we are now in the process of employing foreign nationals in a more planned manner.

⊙ Utilization of elderly professionals equipped with experience and past achievements

The Group, working to actively keep employing personnel up to age 65, has an increasing number of instances where employees at the age of 65 or above thrive as the Group further continues to recruit and promote employees irrespective of age.

◎ Empowerment of people with disabilities

To date, the Group's special case subsidiaries in the main have been keenly empowering people with disabilities. Its employees with disabilities accounted for 2.62% of the total workforce at the end of February 2024. Going forward, we seek to generate work satisfaction on their part in ways more directly linked to operations.

◎ Promoting understanding of LGBT

To date, the Group has had an ethos equipped with a high level of understanding about LGBT, dual surnames, common-law marriage, and is now in the process of eliminating gender-based treatment by reviewing and amending various packages, such as the congratulatory or condolence rules (including wedding congratulation payment), for a widened scope.

The following efforts are in progress from a perspective of not only employee characteristics but also workstyle diversity.

◎ Improvement of diverse workstyle programs for reduced working hours and remote work

The Group improves rules and programs to bring about workstyles more diverse than before, such as: i) a program for reduced working hours in units of 30 minutes and up to four hours; ii) a staggered working hours program allowing employees to change work start time from 8:00 to 13:00; iii) flextime system; iv) lifting of ban on second jobs while subsidizing telework environment improvements. In addition, we work to review and amend these programs and lay down new ones, going forward.

◎ Creation of a work environment and programs that are friendly to pregnancy, giving birth, and child-rearing

We achieved 100.0% in childcare leave-taking ratio of female employees and 97.4% in return from childcare leave ratio (both ratios as of February 2024) through: i) the above-mentioned reduced working hour program allowing employees to work in units of 30 minutes and up to four hours; ii) a helpful measure by setting a childcare with reduced working hours for period of up to child graduation from six-year elementary school; and iii) well-thought-out communication at employee's return from childcare leave. We continue to work on this situation to maintain or improve it.

◎ Creation of programs allowing employees to balance between nursing care and work

We work to address work restrictions due to nursing care, hospital visit, and treatment as they will likely grow in the future, including flexible operation for hospital visit holiday, given that total nursing care leave day count, currently up to 93 days under applicable laws, will be extended to a maximum of 365 days.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Group monitors the status of investment of its pension assets periodically, reviewing and revising the weightings of its strategic assets as required. It periodically evaluates asset management companies regarding not only quantitative aspects, such as for investment performance, but also comprehensive aspects, including

qualitative ones such as for investment policy, investment processes, and compliance. The Group regularly holds a meeting of the Pension Plan Committee, the members of which comprise the Finance and Accounting Department, Human Resources Department, General Affairs Department, and union managers to provide advice and proposals while checking the state of investments by asset management companies.

#### Principle 3.1 Full Disclosure

(1) The Company laid down the TSI Group Corporate Philosophy, which is shown on its official website.

In addition, we have established a governance policy and made it public on our website.

- Corporate Philosophy

(<http://www.tsi-holdings.com/philosophy.html>)

(2) The Group's basic views on its corporate governance are shown in the "1. Basic Views" section of this report.

- Corporate governance policy

(<https://sustainability.tsi-holdings.com/materiality/governance/index.html#policy>)

(3) The Company decides remuneration for its senior management executives and directors through deliberations by the Board of Directors on a proposal considered in accordance with the TSI Group Directors Remuneration Rules following debates by the Nomination and Remuneration Advisory Committee, the majority of which consists of outside directors. Remuneration for directors of the Company comprises monthly remuneration and results distribution bonus. Directors' monthly remuneration reflects their responsibilities and results by being linked to their business performance, as it consists of basic remuneration and performance-linked remuneration. No bonus is paid to outside directors and outside auditors as their role is to serve the function of monitoring and supervising the Company's business management from an independent standpoint. Additionally, the Company has introduced a Board Benefit Trust, and part of the compensation for executives, excluding outside directors and auditors, is provided in the form of stock compensation based on this trust instead of cash.

(4) The Company comprehensively considers the election and dismissal of its senior management executives and the nomination of directors and auditors through adequate and swift decision-making and from a perspective of the right person for the right place, following deliberations done by the Nomination and Remuneration Advisory Committee, the majority of which consists of outside directors. At the time of nomination or election, the Representative Director and President of the Company issues recommendations, which are in turn considered by the Board of Directors fairly and strictly in accordance with the policy set forth above.

The Company will dismiss, by resolution of the Board of Directors, any senior management executive found to fail to fulfill his or her role sufficiently having committed a serious breach of law, executed duties unfairly, or committed a neglect of duty or lacking in skills required, following deliberations by the Nomination and Remuneration Advisory Committee.

(5) The career histories of candidates for directors and auditors are shown in a notice of convocation of general meeting of shareholders, which states the reasons for nomination of candidates for outside directors and outside auditors.

**Principle 4.1 Roles and Responsibilities of the Board (1)****Supplementary Principle 4.1.1**

The Company's Board of Directors formulates and revises medium- to long-term strategies, important business policies, such as entity-level plans, as well as business plans. In addition, it supervises execution of duties by management while deciding significant execution of duties stipulated in the Companies Act in consideration of the Company's business policies and business plans. Types of proposal to be submitted to a Board of Directors meeting are set forth in the Board of Directors Rules. While matters other than such types of proposal are delegated to management, any important matter equivalent to these types of proposal is intended to be proposed to the Executive Committee, an advisory body to the Representative Director and President, before being subjected to an approval process by the Representative Director and President, among other executives, using a ringi letter. The proposal thus approved is supposed to be reported to the Board of Directors. This is how it supervises execution of duties by management.

**Principle 4-3. Roles and Responsibilities of the Board of Directors (3)****Supplemental Principle 4-3-4**

To address the increasingly diverse and growing risks due to changes in the business environment, such as the globalization of supply chains and business operations, the advancement of information technology, and the heightened awareness of corporate social responsibility, the Group is promoting Enterprise Risk Management (ERM). This initiative aims to ensure healthier and more sustainable management practices.

The Risk and Compliance Committee has been established as the body responsible for overseeing ERM and overall compliance within the Group. This committee functions as an advisory body to the Representative Director and President. Additionally, the secretariat of this committee is housed within the Legal and Compliance Department of the Corporate Headquarters.

**Principle 4.8 Effective Use of Independent Directors**

In principle, the Company has a policy of electing independent outside directors so that such directors account for one-third or more of the total number of directors. Independent outside directors give comments on proposals and matters for reporting at Board of Directors meetings from a shareholder viewpoint, providing advice as appropriate in accordance with their wealth of experience, thereby contributing to upgrading the Company's business strategies and enhancing the efficiency of its business management.

**Principle 4.9 Qualification for Independent Directors**

The Company elects independent outside directors in accordance with outside director requirements stipulated in the Companies Act and independence standards laid down by the Tokyo Stock Exchange.

#### Principle 4.10 Use of Optional Approach

##### Supplemental Principle 4.10.1

We obtain appropriate involvement and advice from the voluntary Nomination and Remuneration Advisory Committee that was set up previously and is chaired by an independent outside director on nomination (including a successor plan) and remuneration of senior management executives and directors as enhanced independence, objectivity, and accountability are particularly required. Composed of three independent outside directors and one director, the committee is kept sufficiently independent and objective as independent outside directors account for the majority of its members and it is chaired by an independent outside director. This is despite the fact that its members include full-time executive directors in order to evaluate target officers highly appropriately in deciding nomination and remuneration.

#### Principle 4.11 Prerequisites for Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board

##### Supplementary Principle 4.11.1

The Company, as a holding company overseeing group subsidiaries operating in various business domains, arranged for the Board of Directors to be composed of members who are well-balanced due to inclusion of three independent outside directors (of whom one is a female) and from gender and global perspectives. This is in addition to having considered excellent knowledge in business management and issues in business operations, knowledge, experience of managing subsidiaries or other companies, and skills such as management. The size of the Board is appropriate for continuing to make decisions swiftly, as it totals seven members.

The specialties of directors are presented (skill matrix) on a reference document for general meeting of shareholders.

Notice of Convocation of the 13th Annual General Meeting of Shareholders:

[https://www.tsi-holdings.com/pdf/240501\\_sokai\\_EN.pdf](https://www.tsi-holdings.com/pdf/240501_sokai_EN.pdf)

##### Supplementary Principle 4.11.2

The status of concurrent service by outside directors is presented in the Notice of Convocation of the 11th Annual General Meeting of Shareholders and the section titled “1. Organizational Composition and Operation” of this report. The status of concurrent service by other directors is shown in the notice.

##### Supplementary Principle 4.11.3

We conducted a self-evaluation and analysis of the effectiveness of the Board of Directors for the purpose of enhancing its function, thus raising our corporate value. They were done while obtaining advice from external agencies as follows. From February to March 2024, we conducted a questionnaire survey of all the directors and auditors who were members of the Board of Directors. The answers were anonymous and were sent directly to the external agency. Considering a report on the survey findings from the agency, we analyzed, discussed, and evaluated at a regular Board of Directors meeting in May 2024. Shown below is an outline of the findings.



From the survey responses, there has been a generally positive evaluation regarding the number of items deliberated, the time allocated for deliberations, and the conduct of constructive discussions and exchanges of opinions. Despite the remaining issues that need to be addressed, it is recognized that the overall effectiveness of the Board of Directors has been secured to a certain extent.

In the previous effectiveness evaluation, shared recognition was given to issues such as the timing of providing materials for board meetings, ensuring training opportunities for executives, and the formulation and involvement in the implementation of succession plans. Since then, improvements have been pursued by conducting training for executives and senior employees and providing opportunities to report on discussions held by the Nomination and Remuneration Advisory Committee within the Board of Directors. Although the results are still insufficient, there is a recognition that steady progress is being made.

On the other hand, challenges have been identified in enhancing the pre-discussion of board meeting agendas and the monitoring functions of the Board of Directors. These challenges, along with issues aimed at further improving the functions of the Board of Directors and revitalizing discussions, have been shared.

In light of the effectiveness evaluation, the Board of Directors will continue efforts to enhance the Board of Directors functions by swiftly addressing issues after studying them sufficiently.

#### Principle 4.14 Director and Auditors Training

We aptly brief new directors taking office on legal obligations and responsibility required to be adhered to as directors while using external training agency as required. We provide new outside directors and outside auditors taking office with opportunities to acquire knowledge and information on the Company's history and business strategies, principal business activities, and financial position.

#### Principle 5.1 Policy for Constructive Dialogues with Shareholders

Under a policy on platform improvement and efforts intended to step up constructive dialogue with shareholders, a Director, who supervises investor relations, legal affairs, share-related administration, and finance at the Company, oversees the overall dialogue with shareholders and encourages active cooperation between relevant internal units that support dialogue by ensuring that information is shared between them. To step up constructive dialogues with shareholders, we not only arrange for opportunities to have one-on-one meetings but also hold briefing meetings. To manage significant matters for when having dialogues with shareholders, we internally publicize the Inside Information and Insider Trading Control Rules and ensure compliance with it, thereby striving to prevent insider information from being leaked.

**Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans**

The Company identifies its capital cost before laying down a business strategy, presenting and explaining its outline at a general meeting of shareholders and results briefing meeting. We regard various measures such as capital expenditure aimed to put the strategy into practice as an important decision factor. Following the announcement of “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” by the Tokyo Stock Exchange (TSE) on March 31, 2023, we believe that the Company’s important management objective is to raise the price-to-book ratio, which is currently lower than the level required by TSE. On April 12, 2024, the Company announced a change in its shareholder return policy. As part of this new policy, a dividend payout ratio of at least 30% will be maintained. Additionally, between the fiscal years ending February 2025 and February 2027, the company plans to repurchase 10-Billion-yen worth of its own shares and aims for a Dividend on Equity (DOE) of 4% or higher by the end of the fiscal year ending February 2027.

**Supplementary Principle 5.2.1**

The Medium-Term Management Plan, dubbed TSI Innovation Program 2027 (TIP27), presents the whole program, including basic policy on business portfolio policy.

Medium-Term Management Plan: TSI Innovation Program 2027:

[https://www.tsi-holdings.com/pdf/TIP27\\_EN.pdf](https://www.tsi-holdings.com/pdf/TIP27_EN.pdf)

## CORPORATE GOVERNANCE

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#### 2. Capital Structure

|                            |                               |
|----------------------------|-------------------------------|
| Foreign Shareholding Ratio | 10% or more and less than 20% |
|----------------------------|-------------------------------|

#### Status of Major Shareholders

| Name or Company Name                                 | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 9,194,300              | 10.56          |
| AVI Japan Opportunity Trust PLC                      | 4,150,700              | 4.77           |
| Mizuho Bank, Ltd.                                    | 3,280,060              | 4.39           |
| Alpen Co., Ltd.                                      | 3,597,100              | 4.13           |
| Nippon Life Insurance Company Alpen Co., Ltd.        | 3,473,513              | 3.99           |
| Takahiko Miyake                                      | 3,089,180              | 3.55           |
| Ceplux-The Independent UCITS Platform2               | 3,033,700              | 3.48           |
| AVI Global Trust PLC                                 | 2,612,200              | 3.00           |
| Sumitomo Realty & Development Co., Ltd.              | 2,552,000              | 2.93           |
| Custody Bank of Japan, Ltd. (trust account)          | 2,200,200              | 2.53           |

|   |   |
|---|---|
| Name of Controlling Shareholder, if applicable (excluding Parent Company) | – |
|---|---|

|                                       |                |
|---------------------------------------|----------------|
| Name of Parent Company, if applicable | Not applicable |
| Listed Stock Exchange                 | –              |

#### Supplementary Explanation

|   |
|---|
| In addition to what is shown above, there exist treasury shares totaling 10,867,700 shares held by the Company. |
|---|

**3. Corporate Attributes**

|   |  |
|---|--|
| Listed Stock Exchange and Market Segment                                      | Prime Market                                   |
| Fiscal Year-End   | February                                       |
| Business Sector   | Textiles & Apparels                            |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year  | 1,000 or more                                  |
| Net Sales (Consolidated) as of the End of the Previous Fiscal Year            | ¥100 billion or more and less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | 10 or more and fewer than 50                   |

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

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**5. Other Special Circumstances which May have Material Impact on Corporate Governance**

Not applicable

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

### 1. Organizational Composition and Operation

|                             |   |
|-----------------------------|---|
| Corporate Governance System | Company with Audit and Supervisory Board* |
|-----------------------------|---|

\*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board."

\*In the Company referred to "Board of Corporate Auditors."

### Directors

|   |           |
|---|-----------|
| Number of Directors Stipulated in Articles of Incorporation       | 10        |
| Directors' Term of Office Stipulated in Articles of Incorporation | 1 year    |
| Chairperson of the Board  | President |
| Number of Directors   | 7         |
| Election of Outside Directors                                     | Elected   |
| Number of Outside Directors                                       | 3         |
| Number of Independent Directors                                   | 3         |

### Outside Directors' Relationship with the Company (1)

| Name             | Attributes | Relationship with the Company (*1) |   |   |   |   |   |   |   |   |   |   |
|------------------|------------|------------------------------------|---|---|---|---|---|---|---|---|---|---|
|                  |            | a                                  | b | c | a | e | f | a | h | i | a | k |
| Yutaka Nishimura | Other      |                                    |   |   |   |   |   |   |   |   |   |   |
| Akira Iwamoto    | Other      |                                    |   |   |   |   |   |   |   |   |   |   |
| Naoko Ichikawa   | Other      |                                    |   |   |   |   |   |   |   |   |   |   |

\*1 Categories for "Relationship with the Company."

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

## Outside Directors' Relationship with the Company (2)

| Name             | Designation as Independent Director | Supplementary Explanation of the Applicable Relationship | Reasons for Appointment  |
|------------------|-------------------------------------|--|--|
| Yutaka Nishimura | ○                                   | —  | Mr. Yutaka Nishimura has been involved in corporate management and business execution as a corporate manager in a wide range of fields, including consumer goods, and has garnered extensive experience and achievements. As he is expected to provide the Company with frank advice on the appropriateness of the decision-making of the Board of Directors, and to strengthen the supervisory function of the same from an independent and fair standpoint, he has been re-elected as an outside director.                           |
| Akira Iwamoto    | ○                                   | —  | Mr. Akira Iwamoto has been involved in corporate management and business execution at a number of companies through investment activities and has garnered extensive experience and deep expertise. As he is expected to provide the Company with frank advice on the appropriateness of the decision-making of the Board of Directors and to strengthen the supervisory function of the same from an independent and fair standpoint, he has been re-elected as an outside director.  |
| Naoko Ichikawa   | ○                                   | —  | Naoko Ichikawa has garnered extensive experience and achievements, both as a management consultant and from her involvement in corporate management and business execution in a wide range of fields, such as finance, pharmaceuticals, and chemistry. As she is expected to provide the Company with frank advice on the appropriateness of the decision-making of the Board of Directors and to strengthen the supervisory function of same from an independent and fair standpoint, she has been re-elected as an outside director. |

## CORPORATE GOVERNANCE

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#### Voluntary committee

|  |             |
|--|-------------|
| Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee | Established |
|--|-------------|

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

#### Voluntarily Established Committee Equivalent to Nomination Committee

| Committee's Name |                   |                  | Nomination and Remuneration Advisory Committee |                 |       |                  |
|------------------|-------------------|------------------|--|-----------------|-------|------------------|
| All Members      | Full-time Members | Inside Directors | Outside Directors                              | Outside Experts | Other | Chairperson      |
| 4                | 0                 | 1                | 3  | 0               | 0     | Outside Director |

#### Voluntarily Established Committee Equivalent to Remuneration Committee

| Committee's Name |                   |                  | Nomination and Remuneration Advisory Committee |                 |       |                  |
|------------------|-------------------|------------------|--|-----------------|-------|------------------|
| All Members      | Full-time Members | Inside Directors | Outside Directors                              | Outside Experts | Other | Chairperson      |
| 4                | 0                 | 1                | 3  | 0               | 0     | Outside Director |

#### Supplementary Explanation

Members of the committee comprise the Representative Director and President, and outside directors. As a rule, a committee meeting is convened as required by a chairperson chosen from among its members and is held as appropriate.

A committee meeting is attended separately by an executive general manager, an executive office, and an employee as a member of the secretariat.

#### Audit and Supervisory Board Member\*

\*Referred to in Corporate Governance Code reference translation as "*kansayaku*."

\*In the Company referred to "auditor."

|   |             |
|---|-------------|
| Establishment of Audit and Supervisory Board  | Established |
| Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation | 4           |
| Number of Audit and Supervisory Board Members   | 4           |

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments\*

\*In the Company referred to “Internal Auditing Office.”

|  |
|--|
| <p>Status of liaison among auditors and accounting auditors</p> <p>Auditors and accounting auditors closely liaise with each other by taking the opportunity to exchange opinions and reporting to each other on important points for auditing at any required time, as well as periodically when an audit plan is finalized or financial results are audited.</p>                       |
| <p>Status of liaison among auditors and the internal audit department</p> <p>Internal Auditing Office closely liaises with auditors by consulting with the latter to make decisions regarding assembling an annual internal audit plan for the Office, in addition to conducting an audit jointly with the Office as required since the audit target items for auditors are diverse.</p> |

|  |           |
|--|-----------|
| Appointment of Outside Audit and Supervisory Board Members | Appointed |
| Number of Outside Audit and Supervisory Board Members      | 3         |
| Number of Independent Audit and Supervisory Board Members  | 3         |

Outside Audit and Supervisory Board Members’ Relationship with the Company (1)

| Name           | Attributes                  | Relationship with the Company (*1) |   |   |   |   |   |   |   |   |   |   |   |   |
|----------------|-----------------------------|------------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                |                             | a                                  | b | c | d | e | f | g | h | i | j | k | l | m |
| Fujio Okada    | —                           |                                    |   |   |   |   |   |   |   |   |   |   |   |   |
| Rumiko Tanabe  | Certified Public Accountant |                                    |   |   |   |   |   |   |   |   | △ |   |   |   |
| Sawada Shizuka | Certified Public Accountant |                                    |   |   |   |   |   |   |   |   | △ |   |   |   |

\*1 Categories for “Relationship with the Company.”

- a. Person who executes business of the Company or a subsidiary
- b. A non-executive director or an accounting advisor of the Company or its subsidiaries
- c. Person who executes business or a non-executive director of a parent company
- d. An Audit and Supervisory Board Member of a parent company of the Company
- e. Person who executes business of a fellow subsidiary
- f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- g. Major client of the Company or a person who executes business for such client
- h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- m. Other



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## Outside Audit and Supervisory Board Members' Relationship with the Company (2)

| Name              | Designation<br>as<br>Independent<br>Director | Supplementary<br>Explanation of<br>the Applicable<br>Relationship | Reasons for Appointment   |
|-------------------|--|---|---|
| Fujio Okada       | ○  | —   | Mr. Fujio Okada not only has abundant experience in legal affairs, compliance, and internal control but also has deep insight into general corporate management. He is expected to strengthen the supervisory function of the Board of Directors from an independent and fair standpoint and to provide advice concerning all of corporate governance. Accordingly, he has been nominated as a candidate for the outside auditor. |
| Rumiko<br>Tanabe  | ○  | —   | Ms. Rumiko Tanabe has extensive experience and deep expertise in a wide range of fields, including business management, accounting, and tax practice. She is expected to not only contribute to the enhancement of the audit function from an independent and fair perspective but also provide advice on overall corporate governance.   |
| Sawada<br>Shizuka | ○  | —   | Ms. Shizuka Sawada has extensive experience and deep expertise in a wide range of fields, including business management, accounting, and tax practice. She is expected to not only contribute to the enhancement of the audit function from an independent and fair perspective but also provide advice on overall corporate governance.  |

**Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members**

|   |   |
|---|---|
| Number of Independent Directors and Independent Audit and Supervisory Board Members | 6 |
|---|---|

## Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

|  |
|--|
| All outside directors qualified to be independent officers are designated as such. |
|--|

## Incentives

|  |  |
|--|--|
| Implementation Status of Measures related to Incentives Granted to Directors | Introduction of Performance-linked Remuneration Scheme / Other |
|--|--|

### Supplementary Explanation for Applicable Items

In addition to a performance-linked remuneration plan for the directors of the TSI Group companies (excluding outside directors), the Company implemented the Board Benefit Trust (BBT) plan, a new stock remuneration plan, in order to incentivize its directors and delegated executive officers, as well as certain subsidiary directors (excluding outside directors; “Eligible Group Officers”), to enhance its business performance and raise its corporate value in the medium- to long-term.

The BBT plan is a stock remuneration plan that grants shares to eligible group officers in TSI, along with money equal to an amount based on the TSI stock market closing price on the day of resignation. This is done in accordance with their title and performance achievement rate as per the Directors Stock Remuneration Rules laid down by the Company and its subsidiaries targeted for this plan, following acquisition of such shares by the trust plan, funded by the Company’s monetary contribution.

|                                    |   |
|------------------------------------|---|
| Persons Eligible for Stock Options | – |
|------------------------------------|---|

Supplementary Explanation for Applicable Items

–

**Director Remuneration**

|  |                                 |
|--|---------------------------------|
| Status of Disclosure of Individual Directors' Remuneration | No Disclosure for any Directors |
|--|---------------------------------|

Supplementary Explanation for Applicable Items

–

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and the Calculation Methods Thereof | Established |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

The amount of remuneration for each director comprises: i) basic remuneration based on his/her roles, responsibility, and contribution levels, coupled with the Company's previous fiscal year budget achievement rate and business performance growth extent; and ii) performance-linked stock remuneration to be described later. The final amount is decided by the Board of Directors by means of deliberations, by the voluntary Nomination and Remuneration Advisory Committee, the majority of which consists of outside directors, on the Company's fiscal year financial results as well as its efforts on medium- to long-term corporate value enhancement and sustained growth.

Shown below are the policies for deciding director remuneration amounts and the computation methods for the same.

## 1. Basic policy

The Company has a basic policy to decide the amounts of remuneration for its directors with an eye on securing highly skilled professionals as directors and keeping their morale high for enhancing the Company's business performance.

Specifically, remuneration for directors, comprising basic, performance-linked, and performance-linked stock remuneration, is finally decided by the Board of Directors by means of deliberations by the Nomination and Remuneration Advisory Committee, previously set up separately, in consideration of the medium- to long-term enhancement of the Company's corporate value and its progress toward sustained growth.

2. Policy for deciding the amounts of basic remuneration (monetary remuneration) for individual directors (including a policy on deciding the timing and conditions of remuneration payment)

The compensation for directors (excluding outside directors) in the company is determined as follows:

Initially, the total amount, serving as the standard compensation, is decided based on the "Directors' Compensation Regulations" and its detailed rules established by the Board of Directors. This determination considers the position value set according to each director's role and responsibilities.

Subsequently, the basic compensation for directors (excluding outside directors) is established as a monthly fixed remuneration, with the amount determined based on 50% of the standard compensation as the benchmark. Basic remuneration for outside directors, which is fixed monthly, is decided by studying matters comprehensively in accordance with individual directors' roles and responsibilities and considering peer levels and the Company's business performance levels.

3. Policy for deciding on the details of performance-linked remuneration and non-monetary remuneration as well as the methods for computing their amounts and numbers (including policy on deciding the timing and conditions of remuneration payment)

Performance-based compensation includes performance-linked bonuses and achievement-based bonuses reflecting performance indicators to enhance awareness of performance improvement for each fiscal year. Performance-linked bonuses are calculated by multiplying a certain coefficient by the achievement rate of individual goals set based on the achievement level of the consolidated operating profit target for each fiscal year and the position and responsibilities of each director, as determined in accordance with the Directors' Compensation Regulations. These bonuses, totaling 30% of the standard compensation, are paid monthly in the following fiscal year, in addition to the basic compensation. The target values of performance indicators and individual goals for each director are set during the budgeting process for each fiscal year. Furthermore, achievement-based bonuses are paid to directors based on a certain proportion of the excess amount if the consolidated net profit before adjustment for taxes exceeds the annual budget, following a resolution by the Board of Directors after the fiscal year's financial statements are finalized.

Non-monetary rewards are based on the Performance-linked Stock Compensation System "Board Benefit Trust (BBT)," which was reapproved at the 10th Ordinary General Meeting of Shareholders held on May 28, 2021. Under this system, 20% of the standard compensation (annual amount) is paid in shares, with the closing price on the last day of each fiscal year serving as the reference point.

4. Policy for deciding on the amounts of monetary remuneration and performance-linked remuneration, or the ratio of amounts of non-monetary remuneration for individual directors

As a general principle, the breakdown of compensation is set at 50% for basic compensation, 30% for performance-linked bonuses (excluding achievement-based bonuses), and 20% for non-monetary compensation in the form of stock-linked rewards. Any changes to this distribution will be deliberated by the Nomination and Remuneration Advisory Committee, taking into account the policies and practices of

companies of similar scale and within related industries or sectors. Based on this principle, the Board of Directors (or the Representative Director and President as delegated by the Board of Directors) will determine the individual compensation details for directors. Furthermore, in the event of changes, adjustments will be made within the range of compensation proportions indicated in the recommendations of the Nomination and Remuneration Advisory Committee.

Note: Performance-linked compensation includes performance-linked bonuses and achievement-based bonuses, while non-monetary rewards refer to stock-based compensation based on the Board Benefit Trust (BBT).

5. Matters on deciding on the details of remuneration for individual directors

The Representative Director and President should be delegated to decide on the specific details of remuneration for individual directors in accordance with the resolution of the Board of Directors and the TSI Group Directors Remuneration Rules laid down by the Board. The authority applies to the amounts of basic remuneration and performance-linked remuneration for individual directors and, if any results distribution bonus is paid, the ratios of the same. The Board of Directors should request the Nomination and Remuneration Advisory Committee for a draft and obtain a recommendation to ensure that the authority is exercised properly by the Representative Director and President. The Representative Director and President who receives delegation as stated above must decide details of remuneration within a scope of the total amounts of remuneration for directors as approved and resolved by the 6th Annual General Meeting of Shareholders held on May 26, 2017 and in accordance with the recommendation.

Stock remuneration under the performance-linked stock remuneration (Board Benefit Trust (BBT)) plan will be paid in accordance with a proposal resolved by the 10th Annual General Meeting of Shareholders held on May 28, 2021 and the Directors Stock Remuneration Rules laid down separately by the Company.

The Nomination and Remuneration Advisory Committee should consist of the Representative Director and President, and outside directors.

**Support System for Outside Directors and/or Outside Audit and Supervisory Board Members**

Outside directors and outside auditors arrange for an opportunity to exchange information with important employees of the Company or subsidiaries of it, periodically, or at any time.

**Statuses of Persons who have Retired as Representative Director and President, etc.**

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

| Name | Job title/<br>position | Responsibilities | Terms and<br>Conditions of<br>Employment | Date when former<br>role as president/ | Term |
|------|------------------------|------------------|--|--|------|
|------|------------------------|------------------|--|--|------|

|                    |                     |  | (Full/part time,<br>with/without<br>remuneration, etc.) | CEO ended     |                   |
|--------------------|---------------------|--|---|---------------|-------------------|
| Masahiko<br>Miyake | Honorary<br>Advisor | Industry activities<br>and provision of<br>advice to current<br>management | Full time with<br>remuneration                          | March 1, 2021 | Annual<br>renewal |

|  |   |
|--|---|
| Number of Persons Holding Advisory Positions ( <i>Sodanyaku, Komon, etc.</i> ) After Retiring as Representative Director and President, etc. | 1 |
|--|---|

## Other Related Matters

|   |
|---|
| Mr. Masahiko Miyake will retire from the position of honorary advisor at the end of May 2024. |
|---|

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

### (1) Outline of current governance platform

The Company has the Board of Directors, Board of Corporate Auditors, auditors, and accounting auditors in place. The Board of Directors include seven individuals, of whom three are outside directors. The Board of Corporate Auditors comprises four individuals, of whom three are outside auditors. The Company has established various meeting bodies as auxiliary bodies to the Board of Directors, and important matters for the Group are intended to be resolved by the Board of Directors or decided by the Representative Director following swift and discreet deliberations by such bodies.

### (2) Matters on outside directors

Our outside directors do not have any conflict of interest in relation to the Company and supervise our business management objectively from an independent standpoint.

### (3) Status of efforts to improve the functions of auditors

The Board of Corporate Auditors consists of four auditors, including three outside auditors equipped with an objective audit function. There is no conflict of interest between outside auditors and the Company.

The Board of Corporate Auditors performs audits in liaison with the Internal Auditing Office, as required, given the diversity of applicable audit tasks, such as compliance with internal control system, laws and regulations, the Articles of Incorporation, and internal rules. In addition, the Board of Corporate Auditors uses external advisors, such as lawyers, Certified Public Accountant, and Certified Public Tax Accountants, at its own discretion.

(4) Names of Certified Public Accountants engaging in accounting audit service and the audit firms they belong to:

| Name           | Audit firm name |
|----------------|-----------------|
| Yutaka Matsuki | KPMG AZSA LLC   |
| Yumiko Hosoi   | KPMG AZSA LLC   |

(5) Basic policy on deciding remuneration

The Company has a basic policy of deciding on reasonable amounts of remuneration for individual directors flexibly and individually within a total amount approved and resolved in a general meeting of shareholders. This is in consideration of their roles, responsibilities, and contribution levels, and of the Company's financial position for each fiscal year without setting fixed and uniform standards.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company believes its current governance platform to be optimal for securing the appropriateness of its business execution at present. This is because outside directors supervise its business execution from an expert perspective for overall business management, with outside auditors performing audits independently and in liaison with the Internal Auditing Office as required. We will consider improving the platform occasionally depending on future developments.

## III. Implementation of Measures for Shareholders and Other Stakeholders

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

|   | Supplementary Explanation  |
|---|--|
| Early Posting of Notice of the General Shareholders Meeting   | A notice regarding a general meeting of shareholders is forwarded prior to a statutory delivery deadline.  |
| Scheduling of the General Shareholders Meeting During Non-Peak Days   | The general meeting of shareholders for 2024 was held on a non-peak day of general meetings of shareholders.   |
| Electronic Exercise of Voting Rights  | The Company informs ordinary investors of the method to exercise voting rights by reading a QR code on a smartphone and on a website for the same. Institutional investors were informed of the method to exercise voting rights by means of a voting rights electronic exercise platform operated by Investor Communications Japan (ICJ). |
| Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights | The Company informs institutional investors of the method for exercising voting rights through a Voting Rights Electronic Exercise Platform operated by Investor Communications Japan (ICJ).   |

|   |   |
|---|---|
| Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English | Of the Company’s notices of convocation of general meeting of shareholders, one in a narrow sense of the term and reference documents for the general meeting of shareholders are translated into English and presented on the Company’s official website.                      |
| Other   | The Company posts a notice of convocation of general meeting of shareholders (including reference documents), and the attached documents, on its official website swiftly once it is ready to do so after the convocation of the meeting is resolved by the Board of Directors. |

**2. Status of IR-related Activities**

|  | Supplementary Explanation  | Explanation by a representative director or a representative executive officer |
|--|--|--|
| Creation and Publication of Disclosure Policy                            | A Disclosure Policy has not been created or published. Consideration is currently underway for its development.  | -  |
| Regular Investor Briefings held for Individual Investors                 | During the 13th Fiscal Year, the Company held two investor briefings for individual investors in October and November 2023.  | Held   |
| Regular Investor Briefings held for Analysts and Institutional Investors | The Company holds a briefing meeting on the quarterly and full-year financial results.   | Held   |
| Online Disclosure of IR Information                                      | Yes<br>(URL: <a href="http://www.tsi-holdings.com">www.tsi-holdings.com</a><br>Documents posted / Security reports, summary of consolidated financial results, shareholder newsletter, monthly sales information, and results briefing materials, and other timely disclosure documents) |  |



## CORPORATE GOVERNANCE

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|   |   |
|---|---|
| Establishment of Department and/or Placement of a Manager in Charge of IR | Corporate Planning Department, Corporate Headquarters |
| Other   | –   |

### 3. Status of Measures to Ensure Due Respect for Stakeholders

|  | Supplementary Explanation   |
|--|---|
| Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders | At internal corporate policy briefing meetings, the Company occasionally remarks that respect for stakeholder standpoint is an important matter to be ensured while engaging in its corporate activities. |
| Implementation of Environmental Preservation Activities and CSR Activities, etc.     | The Company, having set up the SDGs Promotion Office internally, promotes group-wide efforts on SDGs and CSR, and presents the status of these efforts on its official website.                           |

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

1. Platform to ensure that execution of duties by directors of the Company and Group companies is compliant with laws and regulations and the Articles of Incorporation
- (1) The Company and Group companies deem compliance with laws and regulations as a basic policy for business management, seeking to improve corporate governance and being compliant with them by enhancing the roles of the Board of Directors, Board of Corporate Auditors, and the Risk and Compliance Committee, which serves as the advisory body to the Company's representative director, and the Compliance Department, while developing liaison with experts, such as legal advisors and the accounting auditor.
- (2) The Company verifies that the execution of duties by directors of the Company and Group companies is compliant with laws and regulations. This is verified through meetings held among the Board of Directors and Board of Corporate Auditors at the Company and Group companies, as well as important meetings within the Group, Company, and Group companies, and seeks to enhance internal control functions by mutually checking on them.

2. Platforms for storing and managing information on the execution of duties by directors of the Company, and platform for reporting matters concerning execution of duties by directors of Group companies to the Company

(1) Departments in charge at the Company fairly store and manage various meeting minutes, ringi approval documents, and evidence in accordance with its Document Management Rules and relevant rules (Board of Directors Rules and Ringi Approval Rules, among others).

(2) The Company arranges for matters on the execution of duties by Group companies to be reported by making directors of Group companies submit documents, such as duplicates of minutes of various meetings like the Board of Directors meeting at Group companies, in accordance with the Subsidiary and Affiliate Management Rules. Such documents received by the Company are fairly stored and managed by the departments in charge. Such documents are made available for viewing by directors and auditors at all times.

3. Rules on the management of the risk of loss for the Company and Group companies and other platforms

(1) We lay down the Risk Management Rules to improve and enhance its risk management platform by identifying risks for the overall business management of the Company and Group companies.

(2) Following the Risk Management Rules, a Risk and Compliance Committee, along with its secretariat, the Risk Management Department, has been established to investigate and understand risks across the entire corporate group and manage them. Additionally, each department of the company and its group subsidiaries examine and identify risks within their respective domains in accordance with relevant regulations, and managers are responsible for managing such risks.

(3) The Company has established the Internal Auditing Office as a unit reporting directly to the Representative Director and President. The office assesses the status of operational audits at Group companies in accordance with the Internal Audit Rules and conducts an operational audit directly as required.

4. Platform to ensure that the duties of directors of the Company and Group companies are executed efficiently

(1) A meeting of the Board of Directors of the Company, in addition to being held once a month, is held on an ad hoc basis as required, thereby maintaining a platform on which to deliberate on important matters without delay. A meeting of the Board of Directors at Group companies, in addition to being held periodically, in compliance with laws and regulation and in accordance with their circumstances, is held on an ad hoc basis as required, thereby maintaining a platform on which to deliberate on important matters without delay.

(2) Directors of the Company and Group companies are intended to execute their duties through a clear segregation of roles and authority in accordance with the Board of Directors Rules, Organization Rules, Segregation of Duties Rules, and Service Authority Rules.

(3) We have established various meeting bodies, such as the Executive Committee and advisory bodies to the Representative Director and President. Any important matter for the Company or Group companies should be subjected to a resolution process at the Board of Directors of the Company, following swift and discreet deliberations by such meeting bodies.

(4) The Company has an executive officer system in place, which expedites operational execution and works to concentrate corporate resources and clarify a responsibility profile for business execution at the Group as a whole by making certain executive officers serve concurrently as Group company president.

5. Platform to ensure that execution of duties by employees of the Company and Group companies is compliant with laws and regulations and the Articles of Incorporation

(1) The Company rigorously publicizes matters required to be complied with by employees of the Company and Group companies in accordance with the Group Ethics Rules, Compliance Rules, Code of Conduct, and Subsidiary and Affiliate Management Rules.

(2) To ensure the effectiveness of the Group's compliance platform, we will improve the rules and organizational structure of the Company and Group companies while conducting training programs to raise employee awareness.

(3) The Company will step up efforts to compliance-based business management by arranging for the compliance platform at the Company and Group companies to function effectively in accordance with Whistleblower Protection Rules.

6. Platform to ensure that operations at all Group companies are fair

(1) The Company controls and operates Group companies in accordance with the Subsidiary and Affiliate Management Rules, and officers and employees of the Company attend important meetings of Group companies to provide fair guidance.

(2) In the Service Authority Rules, the Company stipulates matters to be approved by and matters required to be reported to the Board of Directors of the Company, among matters to be approved at Group companies, and controls Group companies in accordance with the rules.

7. Matters on employees required to be assigned to assist auditor duties, matters on securing their independence from directors, matters on ensuring that instructions from auditor to such employees are effective

(1) When assigning any employee is required to assist with auditor duties, approval for the selection, remuneration, and personnel transfer involved is required to be obtained from the Board of Corporate Auditors, and the personnel involved should work to ensure that the employee is independent from directors and instructions from the auditors are effective.

(2) When assigning any employee to assist with auditor duties, the employee should engage in the duty to assist with auditor duties, taking priority over other duties.

8. Platform in which directors and employees at the Company and Group companies give reports to auditors of the Company, a platform to ensure that they are not treated detrimentally on account of having submitted reports, and a platform for reporting to auditors of the Company

At a meeting of the Board of Directors or other important meeting, directors and employees of the Company as well as directors and employees of Group companies report statutory matters, the state of operational execution by the Company and Group companies, and important issues that may seriously affect business management, to auditors of the Company periodically or on an ad hoc basis and, directly or indirectly, or by way of a unit in charge of the Company or of an auditor of a Group company.

(1) Auditors and important employees of the Company as well as directors, auditors and important employees of the Group companies should have an opportunity to exchange opinions periodically or on an ad hoc basis.

(2) The Company and Group companies should enhance the platform to ensure that any individual who has provided a report through an internal reporting hotline or other means, directly or indirectly through an internal or external contact point installed by the Company, is not treated detrimentally on account of having done so.

#### 9. Platform to ensure that an audit by auditors is conducted effectively

(1) Auditors of the Company periodically hold a meeting to exchange opinions with directors of the Company and with the accounting auditor in accordance with the Audit Standards.

(2) Auditors of the Company use external experts as required in auditing the Company or a Group Company.

(3) When an auditor of the Company requests advance payment or reimbursement of expense incurred by his/her execution of duty, such expense or obligation should be processed swiftly unless the unit in charge proves that the expense or obligation was unnecessary for the execution of the duty.

#### 10. Platform for excluding “Anti-social Forces”

The Company is firm against organized criminal groups (commonly referred to in Japan as “Anti-social Forces”) that threaten the order and security of citizens’ living, and neither succumbs to any unreasonable or unlawful demand, nor has any relation with them, including business dealings. We gather and control the information on organized criminal groups by liaising with specialized external agencies.

### **2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development**

The Company publicizes to its directors and employees that it will not have any relation with an anti-social criminal group or individual that threatens the order and security of local communities. We will sternly avoid any relation with an anti-social group or individual by liaising and cooperating with external agencies, such as lawyers and the police.

## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

Supplementary Explanation for Applicable Items

—

**2. Other Matters Concerning the Corporate Governance System**

Shown below is an outline of the Company’s timely disclosure platform.

(1) Basic policy

1) We disclose the information about the Company in a timely, fair, swift, accurate, and clearcut manner.

2) We comply with the Financial Instruments and Exchange Act and other applicable laws and regulations, along with stock exchange regulations.

(2) Platform

The Corporate Department discovers and consolidates internal information of the entire Group, and swiftly discloses any discovered material fact by obtaining approval from the Board of Directors or the Representative Director and President.

**Schematic organizational structure (Reference)**

