

# Corporate Governance Report

June 30, 2020

SHIP HEALTHCARE HOLDINGS, INC.

Representative: Kunihisa Furukawa, Chairman and CEO

Contact : 06-6369-0130

Stock Code : 3360

The corporate governance of SHIP HEALTHCARE HOLDINGS, INC. (the “Company” or “we” or “us”) is described below.

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

### 1. Basic Views

The company will always pursue the best corporate governance, and will continuously work on its enhancement.

The Company is dedicated to the transparency and fairness of decision-making from the standpoint of achieving sustainable growth and medium- to long-term growth of corporate value. In addition, the Company believes that increasing the vitality of management by efficient use of management resources and quick and decisive decision-making is a key component of corporate governance. Numerous actions will be taken to enhance our corporate governance based on the following basic views.

1. To respect the shareholders' rights and secure the equality.
2. To consider the interest of stakeholders including shareholders, and cooperate with such stakeholders in proper manner.
3. To disclose the Company's information in appropriate manner, and secure transparency.
4. To establish the structure that the outside directors take material roles (composition of the Board of Directors, establishment of nomination advisory committee and remuneration advisory committee), and secure the efficient supervision function of business execution by the Board of Directors.
5. To conduct constructive dialogue with shareholders who have an investment policy consistent corresponding with the interests of medium- to long-term shareholders.

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

[Principle 1.4] Cross-shareholdings of Listed Company

We may hold cross-shareholdings of listed company that are our clients etc. for the purpose of enhancing our medium- to long-term corporate value by maintaining and strengthening the business relationships with our clients and others. The criteria for making decisions about holding cross-shareholdings would be (1)risks associated with holding cross-shareholdings, including the risk of failing stock prices (2)expected returns from maintaining and strengthening business relationships (3)consistency with the Company's basic capital policy, and economic rationality and future visions. In the case that the company holding the Company's stock indicates the intention to sell the stock, we will respect the intention in principle.

With respect to exercise of voting rights, based on the idea that the agendas mutually contributes to the sustainable growth o and medium- to long-term improvement of corporate value, we will

comprehensively judge whether the agenda conforms to the Company's holding policy and helps the clients' efficient and solid management, and can expect improvement in corporate value.

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

On the basis of management of corporate pension reserve influence our financial situation in addition to employees' stable asset formation, we strive to properly manage conflicts of interest between corporate pension and company by regularly receiving the reports regarding investment status and Stewardship activities and others from investment agency. The current status of asset management is steady, however, we will consider "the measures in human resources or operation such as planned appointment and allocation of qualified personnel in charge of the investment", including the improvement of the structure, according to the scale of corporate pension.

[Supplementary Principle 4.1.3] Succession Plan

We currently have not devised succession plan for CEO. A person with upstanding personality, insight and experience is considered as an appropriate person for CEO. Succession plan shall be discussed in the board meeting if we decide the appointment of a successor is necessary.

[Supplementary Principle 4.2.1] The Resolution of Remuneration System Design and Remuneration Amount through Objective and Transparent Procedure

With respect to directors' remuneration, the contents of the agendas and the individual remuneration amount submitted to shareholders meeting from the Board of Directors shall be determined after fair examination and counsel by remuneration advisory committee. Since the compensation linked to the Company's medium- to long-term performance functions as a solid incentive towards sustainable growth, it will be considered as needed in the future.

[Supplementary Principle 4.3.2] Appointment of CEO in accordance with the Procedure which is Objective, Opportune, and Transparent

At current point, we consider that discussion and consideration for the appointment of CEO should be led and conducted by the founders. Appointment and dismissal of CEO including succession planning is regarded as a future material issue for the Company's sustainable growth and medium- to long-term improvement of corporate value.

[Supplementary Principle 4.3.3] Establishment of Objective, Opportune and Transparent Procedure for Dismissal of CEO

We have not clearly established the evaluation criteria or procedures with respect to the removal of CEO. When it is objectively determined that there is a problem in the performance of duties, such as a serious scandal, a violation of the law or the Articles of Incorporation, the problem shall be discussed in the board meeting with attendance of independent outside directors and auditors.

[Supplementary Principle 4.10.1] Establishment of Optional Independent Advisory Committee

Though the company has established nomination advisory committee and remuneration advisory committee, they are not the structure consisting of independent outside directors as main members. The committees advise the Board of Directors after asking for the opinion from independent outside directors.

[Supplementary Principle 4.11.1] The Idea for the Balance of Knowledge, Experience, and Ability, Diversity, and Scale of the Board of Directors

The Company's directors shall have upstanding personality, knowledge, ability, and rich experiences together with high sense of ethics.

The members of the Board of Directors of the Company shall be balanced composition with diverse field of knowledge, skills and expertise considering gender, age, internationality, skills and other elements to secure effective performance of the Board of Directors. Although the structure of the Company's Board of Directors currently are not fully diverse in internationality, the Company has appointed a female director and the number of female directors are increasing in other affiliated companies as well, thus, we regard the Company reflects diversity in the management as a whole group.

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

SHIP HEALTHCARE HOLDINGS resolved the constitution of "Basic Policy of Corporate Governance" in the board meeting held in December, 2015, and it is disclosed on the following website. Disclosures required by Corporate Governance Code are disclosed in the basic policy. Please refer to the website (<https://www.shiphd.co.jp/en/>) for details.

[Principle 1.7] Related Party Transactions

The Company discloses Ethical Standards constituted in the Board of Directors so as to secure ethical behaviors of the directors, executive officers and employees at all times.

Any transactions between the Company and officers, major shareholders or others (Related Party Transactions), and also the transactions that cause any conflict of interest Corporation Law determines, shall be conducted with the explanation of its contents etc. and approval by the Board of Directors. The status of such transactions shall be regularly reported to the Board of Directors even after the approval.

In case that the directors incur the issues that relate to conflict of interest about themselves, they shall report the issues promptly to the Board of Directors and receive the approval.

[Principle 3.1] Enhancement of Information Disclosure

(1) Group Philosophy, Strategies, Management Plan

The Company discloses financial information such as management performance of the Company timely and in appropriate manner together with SHIP Group's philosophy, management strategies, management plan and other principles for the purpose of securing transparency and fairness of the management.

(2) Corporate Governance Policy and Basic Policy

We consider enhancing management capability by prompt and decisive decision-making sufficiently utilizing our management resources, and also securing transparency and fairness of decision-making so as to promote the Company's sustainable growth and medium- to long-term corporate value to be a material point of Corporate Governance. We will work on enhancement of information disclosure in accordance with the following basic policy.

- (i) To respect the shareholders' rights and secure the equality.
- (ii) To consider the interest of stakeholders including shareholders, and cooperate with such stakeholders in proper manner.
- (iii) To disclose the Company's information in appropriate manner, and secure transparency.
- (iv) To establish the structure that the outside directors take material roles (composition of the

Board of Directors, establishment of nomination advisory committee and remuneration advisory committee), and secure the efficient supervision function of business execution by the Board of Directors.

- (v) To conduct constructive dialogue with shareholders who have an investment policy consistent with the interests of medium- to long-term shareholders.

(3) Policy and Procedures about the Resolution of Executive Remuneration

Executive remuneration shall be appropriate, fair and balanced that motivate the executives to maximize the long-term interest for shareholders and also the Company's corporate value.

The Company discloses timely and in appropriate manner the policy of executive remuneration (including the policy on the setting of share-related remuneration and other performance-linked remuneration percentages) decided by the Board of Directors based on the counsel from remuneration advisory committee. Remuneration for independent outside directors shall reflect the time and responsibility for their involvement in our business, and it excludes the element of share-related remuneration and other performance-linked remuneration.

In relation to the amount of directors' remuneration, the Board of Directors shall determine individual remuneration amount through fair examination and counsel by remuneration advisory committee.

In case that remuneration advisory committee counsel on the directors' individual remuneration amount, appropriateness of the remuneration amount shall be judged by considering the industry and with the reference of remuneration standard of other companies to be properly compared to the Company. Remuneration advisory committee, in this case, consider the remuneration standard for other executive officers both of the Company and of the other companies within the corporate group we belong to.

(4) Appointment and Dismissal policy of the Officers and the Management Team, the Procedures, and the Reasons for the Individual Appointment and Dismissal

The number of board members of the Company shall not exceed 15 and two of them shall be independent outside directors. The number of auditors shall not exceed 5 and over half of them shall be outside auditors. The term of office of all of the Company's directors shall be 1 year and shall not prevent reappointment.

The officer of the Company shall have high sense of ethics together with upstanding personality, knowledge, ability and rich experience. A person with appropriate experience, ability and required knowledge of finance, accounting, and legislation shall be elected to the auditors of the Company, and at least one of the auditors shall be the person with sufficient knowledge of finance and accounting.

The candidates for new officers (including alternate directors and auditors) shall be recommended and determined by the Board of Directors after the fair, transparent, and rigid audit in nomination advisory committee and consulting with independent outside directors. In regard to the appointment of auditors, agreement from supervisory board shall be required.

The reasons for the appointment of each directors and auditors are disclosed in "NOTICE OF THE 28TH ANNUAL GENERAL MEETING OF SHAREHOLDERS" which is on our website.

[https://www.shiphd.co.jp/en/common/img/ir/event/meeting\\_shd/200603\\_03.pdf](https://www.shiphd.co.jp/en/common/img/ir/event/meeting_shd/200603_03.pdf)

[Supplementary Principle 4.1.1] Board Decisions and Scope of Delegation

The Board of Directors make material business decisions and supervise the directors' execution of duties. The Company delegate the right of decision-making in relation to the Company's business execution save for the matters defined as resolution matters in the board meeting to management

members including the CEO in accordance with the Board of Directors Regulations and Laws.

[Principle 4.9] Standard and Quality of Independent Outside Directors for Their Independency  
The Board of Directors shall formulate and disclose the standards of the independency for the Company, based on requirements of the Outside Board of Directors as stipulated in Corporation Law and the independency standard Financial Instrument Exchange prescribes. Please refer to the Company's Corporate Governance Basic Policy

(<https://www.shiphd.co.jp/en/about/governance01.html>) for more details of the independency standards.

[Supplementary Principle 4.11.2] Concurrent Status of Officers in Other Listed Companies  
The Company shall not permit outside directors and auditors to concurrently serve as a director or an auditor in more than 3 listed companies other than the Company, and the concurrent positions held by officers shall be disclosed in Notice of General Meeting of Shareholders based on the Law.

[Supplementary Principle 4.11.3] Analysis and Evaluation in relation to Effectiveness of the Board of Directors

The Company conducts and discloses analysis and evaluation based on self-assessment of respective directors in relation to effectiveness of the entire the Board of Directors regarding matters that we consider to be important for the Board of Directors to fulfill its role and responsibilities. The evaluation of effectiveness of the Board of Directors in 2018 was conducted and resulted as below.

#### 1, Method for the Analysis and Evaluation

The Company evaluated how effectively the Board of Directors functioned based on "questionnaire (Effectiveness evaluation of the Board of Directors)" for all directors and auditors including outside ones, after explaining the purpose of the evaluation.

The main items for which the evaluation was conducted are as follows. (i) Composition and frequency of the Board of Directors, the number of outside directors (ii) Operation method of the Board of Directors (iii) Securing shareholders' rights and equality (iv) Appropriate cooperation with stakeholders other than shareholders (vii) Communication and education for the directors and auditors.

#### 2, Results of Analysis and Evaluation

We analyzed and evaluated that the board is effectively functioning on the whole as the Company's Board of Directors according to the results of the questionnaire by each directors and auditors. The Board of Directors also is composed of the directors who have diverse knowledge and experiences, and the board has constructive discussion and opinion exchange without any disturbance.

However, we found that the board should be improved the following area, and we will work to improve the items as we are aware that there seem to be scope for improvement and ingenuity.

- Early notification of the Board of Directors' agenda and distribution of materials.
- Providing training opportunities for the directors and auditors

[Supplementary Principle 4.14.2] Principle of Training for the Directors and Auditors

The Company may provide the opportunity to acquire knowledge regarding the business, finance, institution, etc. of the Company as needed so that the directors and auditors can properly fulfill each of their roles and responsibilities required at the timing of and after their assumption. Also, the directors and auditors of the Company shall voluntarily gather information and research in

relation to the Company's financial situation, compliance, corporate governance and other subjects at all times in order to fulfill their roles.

[Principle 5.1] Principles regarding the Constructive Dialogue with Shareholders

The Company endeavors to improve the structure and work on initiatives so as to promote constructive dialogue with shareholders.

- (i) The Company place a director managing overall activities for the dialogue with shareholders and a department (IR department) to operate it.
- (ii) The Company establish a structure that enable IR department to cooperate other subsidiaries' relevant departments so as to promote the dialogue with shareholders such as financial results briefing and corporate briefing for investors, and provide correct information to them.
- (iii) The Company endeavors to realize close communication with shareholders on the basis of stock holding status and opinions of shareholders by means of financial results briefing, IR events, seminars, own showrooms, and facility tours
- (iv) IR department orders and analyzes the opinions and concerns we had from the dialogue with shareholders, and report them to the Board of Directors depending on their importance and nature.
- (v) The Company shall be careful enough not to create a substantial information gap between shareholders. In terms of material information to be disclosed, we disclose it at the right time and fairly, and we will strive to ensure information management so that we do not provide information to only some of our shareholders.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

**[Status of Major Shareholders]**

Name / Company Name	Number of Shares Owned	%
Master Trust Bank of Japan, T	4,010,200	8.46%
Kokko Co.	3,988,900	8.41%
Japan Trustee Service, T	3,059,800	6.45%
Japan Trustee Service , T9	1,498,400	3.16%
Kasuga Kosan LLC	1,400,000	2.95%
Kunihisa Furukawa	1,236,800	2.61%
Koichiro Furukawa	1,230,000	2.59%
Zenkyoren	1,046,500	2.21%
Government of Norway	881,387	1.86%
Japan Post Insurance Co.,Ltd.	830,000	1.75%

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

Parent Company	None
----------------	------

#### Supplementary Explanation

The above major shareholders are as of March 31, 2020.

The ratio is calculated based on the number of issued shares excluding treasury stock (3,420,627 shares).

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-end	March
Type of Business	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (Consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 50 to less than 100

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

None

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

None

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

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
-------------------	--

#### 【Directors】

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Terms of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (Except in the case of concurrently serving as president)
Number of Directors	12
Number of Outside Directors	3
Number of Independent Directors	3

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Seiichiro Sano	From another company											
Toshio Imabeppu	From another company											



Fumiyo Ito	From another company													
------------	----------------------	--	--	--	--	--	--	--	--	--	--	--	--	--

\* Categories for “Relationship with the Company”

\*○ indicates the relevant item that the person falls under as of “today or recently”.

△ indicates the relevant item that the person falls under as of “previously.”

\*● indicates the relevant item that the person’s close family member falls under as of “today or recently”.

▲ indicates the relevant item that the person’s close family member falls under as of “previously”.

- a. A management executive officer of the listed company or its subsidiary
- b. A management executive officer or non-management executive director of a parent company of the listed company
- c. A management executive officer of a subsidiary of a parent company of the listed company
- d. A person who has a significant business relationship with the listed company or who is a management executive officer of entity which has such significant business relationship
- e. A person with whom the listed company has a significant business relationship or who is a management executive officer of entity with whom the listed company has a significant business relationship
- f. A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer
- g. A principal shareholder of the listed company (if a principal shareholder is a legal entity, a management executive officer of such legal entity)
- h. A management executive officer of entity with whom the listed company has a business relationship (does not fall under d, e, and f) (only with respect to the person)
- i. A management executive officer of a company whose outside director assumes the post on a reciprocal basis with the listed company (only with respect to the person)
- j. A management executive officer of an entity to whom the listed company makes a donation (only with respect to the person)
- k. Others

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

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Seiichiro Sano	○	—	Seiichiro Sano assumed various positions such as President of SANYO Electric Co., Ltd., and Senior Managing Executive Officer, Senior Audit & Supervisory Board Member and Advisor of Panasonic Corporation, and possesses profound insight and extensive experience in corporate management. The Company appoints Mr. Sano as Outside Director, expecting him to utilize his knowledge and experience for the Company’s management and participate in the Company’s management from a fair and neutral standpoint. Seiichiro Sano is not (i) a person who executes business of the Company or fellow subsidiaries, (ii) a person who executes business of any companies that regard the Company as a major business counterparty, (iii) a person who executes a business of the Company’s major business counterparty, (iv) a consultant, an accountant, an attorney, or a principal shareholder of the Company of the foregoing who receives a large amount of money or other financial



			asset other than remuneration for directorship from the Company, and he has never been such a position mentioned above.
Toshio Imabeppu	○	—	<p>Toshio Imabeppu assumed various positions such as Director-General, Pharmaceutical and Food Safety Bureau, and Director-General, Statistics and Information Policy of Ministry of Health, Labor and Welfare, and possesses expertise and experience in social welfare, etc. The Company appoints Mr. Imabeppu as Outside Director, expecting him to utilize his knowledge and experience for the Company's management and participate in the Company's management from a fair and neutral standpoint.</p> <p>Toshio Imabeppu is not (i) a person who executes business of the Company or fellow subsidiaries, (ii) a person who executes business of any companies that regard the Company as a major business counterparty, (iii) a person who executes a business of the Company's major business counterparty, (iv) a consultant, an accountant, an attorney, or a principal shareholder of the Company of the foregoing who receives a large amount of money or other financial asset other than remuneration for directorship from the Company, and he has never been such a position mentioned above.</p>
Fumiyo Ito	○	—	<p>Fumiyo Ito assumed various positions such as Senior Nursing Specialist, National Hospitals Division, Health Policy Bureau of Ministry of Health, Labor and Welfare, General Manager, Nursing Department of National Cerebral and Cardiovascular Center and General Manager, Nursing Department, Osaka Medical Center of National Hospital Organization, and possesses profound insight and extensive experience as a nursing manager. The Company appoints Ms. Ito as Outside Director, expecting her to utilize her knowledge and experience for the Company's management and participate in the Company's management from a fair and neutral standpoint.</p> <p>Fumiyo Ito is not (i) a person who executes business of the Company or fellow subsidiaries, (ii) a person who executes business of any companies that regard the Company as a major business counterparty, (iii) a person who executes a business of the Company's major business counterparty, (iv) a consultant, an</p>

			accountant, an attorney, or a principal shareholder of the Company of the foregoing who receives a large amount of money or other financial asset other than remuneration for directorship from the Company, and she has never been such a position mentioned above.
--	--	--	--

**【Committee】**

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

Committee's Name, Composition, and Attributes of Chairperson

Committee Corresponding to Nomination Committee

Nomination Committee						
All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
4	4	4	0	0	0	Inside Director

Committee Corresponding to Remuneration Committee

Remuneration Committee						
All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
4	4	4	0	0	0	Inside Director

Supplementary Explanation

Both of Nomination Committee and Remuneration Committee are composed of 4 members, Chairman and CEO Kuniyoshi Furukawa as Chairperson, President and COO Hirotaka Ogawa, Executive Vice President Koichi Okimoto, and Executive Director Hiroshi Yokoyama, as committeemen. With regard to the proposals resolved by each committees, after the Independent Outside Directors are asked for their opinions, counsel are made to the Board of Directors, and deliberation and resolution are concluded.
--

**【Audit & Supervisory Board Members】**

Establishment of Audit & Supervisory Board Members	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

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

Outside Auditors, Internal Audit Departments, and Full-time Auditors share information and conduct audit works. In addition, liaison meetings with accounting auditors are held as needed to grasp the status of audit work of accounting auditors and exchange information, as well as discuss effective execution of accounting audits.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	0

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroshi Iwamoto	From another company							△						
Hidemitsu Nakao	From another company							△						
Hiroyasu Oyama	From another company													

\*Categories for "Relationship with the Company"

\*○ indicates the relevant item that the person falls under as of "today or recently".

△ indicates the relevant item that the person falls under as of "previously."

\*● indicates the relevant item that the person's close family member falls under as of "today or recently".

▲ indicates the relevant item that the person's close family member falls under as of "previously".

a. A management executive officer of the listed company or its subsidiary

b. A non-management executive director or accounting advisor of the listed company or its subsidiary

c. A management executive officer or non-management executive director of a parent company of the listed company

d. An Audit & Supervisory Board Member of a parent company of the listed company

e. A management executive officer of a subsidiary of a parent of the listed company

f. A person who has a significant business relationship with the listed company or who is a management executive officer of entity which has such significant business relationship

g. A person with whom the listed company has a significant business relationship or who is a management executive officer of entity with whom the listed company has a significant business relationship

h. A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer

i. A principal shareholder of the listed company (if a principal shareholder is a legal entity, a management executive officer of such legal entity)

j. A management executive officer of entity with whom the listed company has a business relationship (does not fall under f, g, and h) (only with respect to the person)

k. A management executive officer of a company whose outside director assumes the post on a reciprocal basis with the listed company (only with respect to the person)

l. A management executive officer of an entity to whom the listed company makes a donation

m. Others

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

Name	Independent Audit & Supervisory Board Member	Supplementary Information	Reason for Appointment
Hiroshi Iwamoto		He previously used to belong to a principal business counterparty of the Company	The Company appoints Hiroshi Iwamoto as Outside Corporate Auditor, expecting him to utilize his expertise and experience nurtured through his service as Senior Assistant to General Manager, Head Office at Sumitomo Mitsui Banking Corporation and as Managing Director at Rising Career Development Corporation for the Company's management and to audit its management from a fair and neutral standpoint.
Hidemitsu Nakao		He previously used to belong to a principal business counterparty of the Company	The Company appoints Hidemitsu Nakao as Outside Corporate Auditor, expecting him to utilize his professional financial knowledge and experience nurtured through his service as Executive Director at Sumitomo Mitsui Banking Corporation and as Representative Director at HORAI Co., Ltd., for the Company's management and to audit its management from a fair and neutral standpoint.
Hiroyasu Oyama			The Company appoints Hiroyasu Oyama as Outside Corporate Auditor, expecting him to utilize his professional expertise and experience mainly regarding finance and securities nurtured through his service as Managing Director of Dojima Kanto Securities Co., Ltd. for the Company's management and to audit its management from a fair and neutral standpoint.

**【Independent Directors/Audit & Supervisory Board Members】**

Number of Independent Directors/Audit & Supervisory Board Members	3
---	---

Matters relating to Independent Directors/Audit & Supervisory Board Members

--

**【Incentives】**

Incentive Policies for Directors	Not applicable
----------------------------------	----------------

Supplementary Explanation

--

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation

--

**【Director Remuneration】**

Disclosure of Individual Directors' Remuneration	All directors' remuneration are individually disclosed.
--	---

**Supplementary Explanation**

--

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

**Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods**

Remuneration amounts shall be appropriate, impartial, and balanced that secure upstanding human resources, encourage the recipients to maximize the corporate value as well as linking to long-term interest for our shareholders.

Remuneration Advisory Committee established in the Board of Directors considers the policy with respect to Director Remuneration (including selection of performance indicator that is subject to performance-linked remuneration) and the substance of individual remuneration, and gives the Board counsel after asking outside directors for their opinions.

Outside directors' remuneration shall be determined by reflecting the time and responsibilities involving in work for the Company, also it does not include performance-linked element of stock related compensation and others.

**【Supporting System for Outside Directors and/or Audit & Supervisory Board Members】**

The Company has no special support system for Outside Directors and Outside Auditors.

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

**1. Overview of Current System**

Corporate auditors attend the Board of Directors meeting and have sufficient discussion with outside officers such as independent officers. Business management meeting is held once a month, and we determine concrete policies and plan for business execution and deliberate the material matters in relation to other consolidated management based on the management basic policy resolved by the Board of Directors.

Also, the Company establishes Internal Audit office directly under the control of the president to prevent the risk of scandals in the Company, and the office advice and counsel the Company for business improvement by auditing business activities in general such as the operation of each offices, effectiveness and accuracy of business implementation, and compliance with laws and regulations internally.

**2. Reason for Adoption of the Current System**

To realize a transparent and integral organization by strengthening audit function by outside officers and Internal Auditing Department in decision-making institution of the Board of Directors, and enhancing the collaboration between the institutions of business execution.

**3. Reason for Adoption of the Current Corporate Governance System**

The Company establishes a structure that integrates swift and appropriate business operation and discussion, recommendation, Internal Audit, and monitoring toward the former business operation by the directors who are familiar with respective business fields, outside directors with rich

experiences, and auditors and outside auditors with expertise so that we realize fair and efficient corporate management.

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

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

	Supplementary Explanation
Early Notification of General Shareholders Meeting	Dispatching 1 day before the legal due date Disclosing 7 days before the legal due date
Allowing Electronic Exercise of Voting Rights	Website for the exercise of electronic voting rights ( <a href="http://www.evot.jp/">http://www.evot.jp/</a> )
Participation in Electronic Voting Platform	Participation in ICJ Platform
Providing Convocation Notice in English	Providing the Convocation Notices in English for foreign investors on the Company's website and ICJ Platform (Electronic medium only)
Other	Posting Notice of the General Meeting of Shareholders on the Company's website Web disclosure of Note List on Convocation Notices Adoption of Universal Font, an easily recognizable font for the Convocation Notices Visualization of index and cover of the Convocation Notices Adoption of bigger font for the Convocation Notices

#### 2. IR Activities

	Supplementary Explanation	Explanation from Representative
Periodic Briefing for Individual Investors	Holding Company briefing and IR seminar	Yes
Periodic Briefing for Analysts and Institutional Investors	Convening briefing (approximately twice a year) and small meeting (as demand) for institutional investors in Tokyo and Osaka by mainly the President and Executive Director	Yes
Periodic Briefing for Analysts and Foreign Investors	Holding Company briefing approximately once or twice a year	Yes
Disclosure of IR Documents on the Website	Disclosing Financial Briefing, other timely disclosed materials, Notice and Resolution Notices of the General Meeting of Shareholders, Investors' Note, Securities Report, and Quarterly Report	
IR Related Divisions (Personnel)	Secretary Office and Corporate Planning Office (1 Officer and 4 staffs)	

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

	Supplementary Explanation
Environmental Activities, CSR Activities etc.	Volunteer activities (twice a year), Adopt Road Momoyamadai, Adopt Forest, Adopt light, Establishment of Medical technician training school in Asian countries (Bangladesh and Myanmar) Membership of Kansai SDGs Platform, Membership of NIKKEI ESG Management Forum

## IV. Matters Related to the Internal Control System

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

#### 1) Structure for securing compliance of execution of the business by Directors with laws, regulations and the Articles of Incorporation

1. The Company shall, in order to realize fair and proper management in accordance to Corporate Ethics Compliance Code of Conduct, enact regulations for structure of compliance including compliance rule; and, seeking the opinions of outside experts as needed, shall prevent breach of laws, regulations and the Articles of Incorporation beforehand.

2. Directors of the Company shall lead compliance of Corporate Ethics all over the Company Group in accordance with laws, regulations, the Articles of Incorporation, the Regulation of the Board of Directors as well as Corporate Ethics. With regard to the state of execution of business by Directors, the Company shall strengthen the Governance Structure receiving audit of Corporate Auditors.

#### 2) Structure for storage and control of the information relating to execution of business by Directors

With regard to information relating to execution of business by Directors, the Company shall endeavor to store and control in a proper state with high search ability. With regard to storage period and other control structure of documents, the Company shall store them for a necessary period of time in a state of available for viewing in accordance with the Regulation on Document Control.

#### 3) Regulation on management of risk of loss and other structure

1. In order to prevent incurrence of risk as much as possible, the Company shall prepare several regulations on risk management for different types of risks. In particular, as for important items and others, the Company shall establish a structure that allows receipt of professional advice from counsel law firms and audit firms, etc., and endeavor to secure compliance, public interest and ethics in corporate activities.

2. The Company shall also endeavor to improve business process by perfecting education of risk management, conduct periodical audit and guidance in order to monitor the status of improvement, and set up a Disaster Management Committee for safety management as a structure relating to other risk management.

#### 4) Structure for securing efficient execution of business by Directors

1. The Company shall hold a meeting of the Board of Directors periodically once a month and extra meetings at any time whenever necessary. As for important items relating to business policy and strategy, the Company shall discuss it at the Business Policy Committee, and determine its execution after deliberation at the Committee.

2. In order to secure efficient execution of business by Directors, the Company shall clarify a role of



Directors by Regulation on Organizational Division of Duty, Regulation on Assignment of Duties, Regulation of Official Authority, shall review continuously rationalization, digitization, acceleration, etc. of business, and shall secure a structure to perform business properly and efficiently.

**5) Structure for securing compliance of execution of the business by employees with laws, regulations and the Articles of Incorporation**

1. The Company has established administration system for compliance internally, distributes “Standards and Outline of Compliance” to all company staff and employees as a basis for compliance system, and endeavors to perfect compliance and to disclose the information.
2. The Company has established the Compliance Committee and holds a meeting of the Compliance Committee periodically every other month in order to develop and maintain the compliance system.
3. When a Director finds an important fact relating to serious breach by the Company with laws and regulation or other compliance, he/she shall immediately report the fact to Corporate Auditors, and discuss and deal with it without delay at the Management Policy Committee.
4. A Corporate Auditor shall express his/her opinion and ask preparation of improvement plan when he/she recognizes any problem in the structure in compliance of laws and regulations and the compliance system of the Company.

**6) Structure for securing proper business performance in the company group consisting of the Company and its subsidiary companies**

1. In order to secure proper business performance in the Company Group and to perform effective control of corporate governance, the Company conducts business management according to its business strategy based on the Control Procedure of Affiliated Companies. The Company, at the Board of Directors, resolves and approves important items relating to the business of the Company group, and further reports on business execution of the Company Group.
2. The Company periodically exchanges information with its affiliated companies, conducts audit of affiliated companies whenever necessary, and endeavors to grasp compliance issues and problems.

**7) Structure relating employees assisting proper performance of the duty of Corporate Auditors and Matters relating to Independence of such employees from Directors**

1. When the Board of Corporate Auditors requests placement of employees assisting performance of the duty of Corporate Auditors, the Board of Directors promptly shall respond to the request by arranging personnel, and shall have such personnel assisting Corporate Auditors take charge of the duty as Secretariat of the Board of Corporate Auditors. Such employees assisting the audit shall not receive any order or instruction from Directors.
2. As for the employees assisting audit of Corporate Auditors, the Board of Directors shall resolve its personnel change such as appointment and rotation after confirming intention of the Board of Corporate Auditors.

**8) Structure for reporting to Corporate Auditors by Directors and employees, structure for reporting to Corporate Auditors by others, and structure for securing effective performance of audit by Corporate Auditors**

1. Directors and employees shall from time to time report to Corporate Auditors important items influencing on the business or performance of the Company. Corporate Auditors may at any time call for reporting from Directors and employees as needed. The Board of Corporate Auditors shall hold a meeting for exchanging opinions with Representative Director, Internal Audit Office, and Accounting Firm respectively.
2. Internal reporting terms for the facts connecting to the violation of law and other compliance are

established and operated for the whole group as a structure of internal reporting. All the reports shall be informed to the Auditors by the person who receive them. Also, the Company provides the provisions that protect the whistleblowers from suffering a loss caused by making the report.

3. The board of Corporate Auditors may as needed utilize legal and accounting specialists in conducting audits to make an independent statement, and the cost will be borne by the Company.

**9) Structure for preventing involvement of anti-social forces in the business activities and damage from such forces**

1. The Company shall not have any relationship with anti-social forces. In order to respond to unjust requests from anti-social forces throughout the organization, the Company shall, based on the Ethical Code and other regulations of the Company, take legal measures from both civil and criminal sides, and refuse any unjust request. The Company shall also engage in education of its staff and employees through internal training.

2. Any person is required to report immediately to his/her superior when he/she has contact with anti-social forces or forces suspected to be anti-social forces; and the superior shall report it to a Person Responsible for Prevention of Unjust Request; who shall report to the Board of Directors about the beginning, progress, and results, etc. relating to the response to the unjust request from anti-social forces. If there is a risk of incurring damage or if damage has been incurred, the Person Responsible for Prevention of Unjust Request shall share the information and coordinate with police, securities agent, legal firm and other professional agent, and shall implement legal measures maintaining the safety of the Company and other persons concerned.

**10) Structure for securing reliability of financial reporting**

In order to secure reliability of financial reporting, the Company shall establish an internal control system aiming at effective and proper submission of the Internal Control Report based on the Financial Instruments and Exchange Act, continuously evaluate the system's proper function and make necessary revisions.

**11) Operational Status of the System securing appropriateness of business**

1. The Company has a system in place to ensure the appropriateness of our business. The outline of the operation situation in the current fiscal year is as follows.

The board meeting is held 13 times, and outside directors who have no interest with the Company attend all of the meetings so as to secure legality and enhance fairness and efficiency of the directors' business execution. Other meetings, Supervisory Board is held 13 times, and Compliance Committee is held 12 times.

2. Auditors conduct auditing duties toward the Company and material subsidiaries. Also, the auditors carry out an audit in cooperation with Internal Audit Department, and regularly hold liaison meeting with accounting auditors to share information.

3. Internal Audit Department conducts business audit on business execution of the Company's respective departments and subsidiaries, and carries out internal control audit, based on internal audit plan.

**2. Preparation towards Elimination of Antisocial Forces**

Preparation towards elimination of antisocial forces is as described above.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
Supplementary Explanation	

### 2. Other Matters Concerning to Corporate Governance System

#### 【Corporate Governance Structure】

