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## CORPORATE GOVERNANCE

Valuence Holdings Inc.

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Valuence Holdings Inc.

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This document provides an overview of Valuence Holdings Inc. corporate governance.

## I. Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information

### 1. Basic Philosophy

“Valuence” included in the company’s name, is a word combination of “Value” indicates value, “Intelligence” indicates knowledge and wisdom, and “Experience” indicates experience and involvement. As the name implies, the company appreciates, creates, and provides life-changing value to change the lives of every person involved with us. Being true to its name, the company aims to encourage the prosperity of the shareholders, customers, business partners, employees, and society at large, while striving to achieve sustainable growth and maximize corporate value.

Enhancing and strengthening corporate governance to achieve this aim is an important management issue, and the company recognizes that the establishment of a corporate governance system to ensure appropriate operations is a necessary management process. The company is working to strengthen corporate governance with a focus on compliance in conjunction with improving management efficiency and business performance.

### [Reasons for not implementing the principles in the Corporate Governance Code]

Valuence Holdings Inc. adopts and implements the principles defined under the Corporate Governance Code.

### 2. Capital Structure

Percentage of Shares Held by Foreign Nationals	Less than 10%
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### [Major Shareholders]

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
SF Property Management Inc.	7,368,200	56.10
Custody Bank of Japan, Ltd. (Trust Account)	1,197,600	9.12
Custody Bank of Japan, Ltd. (Trust Account 9)	582,500	4.44
Kouji Sakimoto	448,000	3.41
Shinsuke Sakimoto	448,000	3.41
BBH/SUMITOMO MITSUI TRUST BANK, LIMITED (LONDON BRANCH) /SMTTIL/JAPAN SMALL CAP FUND CLT AC	381,000	2.90
GOLDMAN, SACHS & CO. REG	280,500	2.14
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	201,000	1.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	178,400	1.36
MSCO CUSTOMER SECURITIES	128,600	0.98

Majority Shareholders (Excluding Parent Company)	SF Property Management Inc.
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Parent Company	None
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Supplementary Explanation

### 3. Corporate Overview

Stock Exchange Listing and Section	Tokyo - Mothers
Fiscal Year-End	August
Industry Sector	Wholesale
No. of Employees at End of Previous Fiscal Year (Consolidated)	Between 500 and 999
Net Sales in the Previous Fiscal Year (Consolidated)	Between ¥10 billion and ¥99 billion
No. of Consolidated Subsidiaries at the End of Previous Fiscal Year	Less than 10

### 4. Guidelines on Measures to Protect Minority Shareholders During Dealings with Majority Shareholders

When considering transactions with controlling shareholders or close family members of said shareholders, Valence Holdings Inc. may, after deliberating the details and validity of the transaction at a meeting of the board of directors, approve such transactions. Such transactions are predicated on an underlying necessity, as well as board deliberation related to transaction details and validity. Such transactions shall be subject to the same basic terms and conditions as normal transactions and allowed regardless of the financial amount involved. Through this process, the company strives to protect the interests of minority shareholders.

### 5. Other Special Conditions That May Have a Major Influence on Corporate Governance

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## II. Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems

### 1. Matters Related to Institutional Structure and Organizational Operations

Organizational Form	Company with Audit and Supervisory Committee
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#### [Director Relationships]

No. of Directors Under Articles of Incorporation	15
Director Term of Service Under Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
No. of Directors	9
Appointment of External directors	Appointed
No. of External Directors	5
No. of External Directors Designated as Independent Officers	5

#### Relationships to the Company (1)

Name	Category	Relationship to the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hiroki Tomiyama	From another company											
Yoshihiko Takubo	Scholar											
Masahide Kamachi	Certified Public Accountant											
Kiyohito Hamada	Certified Public Accountant											
Takashi Goto	Attorney											

\* Categories of Relationships to the Company

\* A ○ icon indicates a category applicable to the said person currently or recently. A △ icon indicates a category applicable to the said person in the past.

\* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

a Executive of a listed company or its subsidiary

b Executive or non-executive director of the parent company of a listed company

c Executive of a fellow subsidiary of a listed company

d Person of a listed company considered as a major client, or an executive of the said company

e Major client of a listed company or an executive of the said company

f Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration

g Major shareholder of a listed company (if the major shareholder is a corporation, an executive of the said corporation)

h Executive (said person only) of a client (not covered by items d, e, and f) of a listed company

i Executive (said person only) of an entity with a mutual appointment of an outside member of the audit and supervisory board

j Executive (said person only) of an entity to whom a listed company making donations

k Other relationship

## Relationships to the Company (2)

Name	Audit and Supervisory Committee Members	Independent Officers	Supplementary Explanation Related to Applicable Items	Reason for Selection
Hiroki Tomiyama		○	—	As a corporate manager at other companies, Hiroki Tomiyama possesses a wealth of experience and discernment. In our judgment, his giving effective advice to the company's overall management will contribute to the improvement of soundness and transparency in our decision-making. Accordingly, we have named him as a candidate for Outside Director. We believe Mr. Tomiyama meets the standards of independence, as there are no special interests between Mr. Tomiyama and the company that would have a potential conflict of interest with general shareholders of the company.
Yoshihiko Takubo		○	—	As a professor at Graduate School of Management, GLOBIS University, Yoshihiko Takubo possesses deep expertise in the environment surrounding corporate management. In our judgment, his giving effective advice by supervising the company's management will contribute to the company group's further growth. Accordingly, we have named him as a candidate for Outside Director. We believe Mr. Takubo meets the standards of independence, as there are no special interests between Mr. Takubo and the company that would have a potential conflict of interest with general shareholders of the company.
Masahide Kamachi	○	○	—	Masahide Kamachi has a wealth of experience and insight as a certified public accountant. He is well qualified to perform management oversight from an objective and independent standpoint based on legal, corporate, and social considerations without being unduly influenced by Company arguments. Accordingly, in our judgment, the presence of Mr. Kamachi will improve the transparency and strengthen the supervisory function of our board of directors. Accordingly, we have named him as a candidate for Outside Director who is a member of the Audit and Supervisory Committee. We believe Mr. Kamachi meets the standards of independence, as there are no special interests between Mr. Kamachi and the company that would have a potential conflict of interest with general shareholders of the company.

Name	Audit and Supervisory Committee Members	Independent Officers	Supplementary Explanation Related to Applicable Items	Reason for Selection
Kiyohito Hamada	○	○	—	<p>As a certified public accountant, Kiyohito Hamada possesses a wealth of expert knowledge and experience related to corporate accounting. He also has experience in corporate management as a director with several corporations. In our judgment, Mr. Hamada is capable of accomplishing a significant role in the oversight of business execution as a member of the Audit and Supervisory Committee. Accordingly, we have named him as a candidate for Outside Director who is a member of the Audit and Supervisory Committee. We believe Mr. Hamada meets the standards of independence, as there are no special interests between Mr. Hamada and the company that would have a potential conflict of interest with general shareholders of the company.</p>
Takashi Goto	○	○	—	<p>As a lawyer, Takashi Goto possesses a wealth of expert knowledge and experience (including experience in corporate management as a corporate director) in the law. Further, he combines significant knowledge and character for exercising administration over corporate management. In our judgment, Mr. Goto is capable of accomplishing a significant role in the oversight of business execution as a member of the Audit and Supervisory Committee. Accordingly, we have named him as a candidate for Outside Director who is a member of the Audit and Supervisory Committee. We believe Mr. Goto meets the standards of independence, as there are no special interests between Mr. Goto and the company that would have a potential conflict of interest with general shareholders of the company.</p>

## [Audit and Supervisory Committee]

### Member Composition and Attributes of Chairperson

	Total No. of Members	No. of Full-time Members	No. of Internal Directors	Outside Director	Chairperson
Audit and Supervisory Committee	4	1	1	3	Outside director
Directors and Employees who Should Assist in the Duties of the Audit and Supervisory Committee	None				

### Reason for Adopting the Current System

Of the members of the Audit and Supervisory Committee, one internal director works full-time and conducts regular information gathering including attendance at important meeting bodies such as the Executive Management Meeting while ensuring appropriate communication of information in coordination with the internal auditing division. Therefore, there are no directors or employees who should assist in the duties of the Audit and Supervisory Committee. In the future, when the Audit and Supervisory Committee requests the personnel who should aid in these duties, these personnel shall be deemed as appointed/assigned.

### Coordination Among Members of the Audit and Supervisory Committee, Financial Statement Auditors, and Internal Auditing Division

The Audit and Supervisory Committee receives explanations of audit planning and reports on audit results from the accounting auditor, and monitors/verifies that the accounting auditor maintains an independent position and conducts appropriate audits. In addition, we share information once each quarter with internal auditing staff and the accounting auditor, share issues found in the audit process, and work to ensure appropriate audits. The Internal Audit Office regularly reports the results of internal audits to the representative director as well as to the Audit and Supervisory Committee, exchanging information on these occasions in the interest of mutual cooperation.

## [Optional Committees]

Establishment of an Optional Committee Corresponding to a Nominating Committee or Compensation Committee	Yes
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### Establishment Status of Optional Committees, Member Compositions and Attributes of Chairpersons

	Name of Committee	Total No. of Members	No. of Full-time Members	No. of Internal Directors	Outside Director	No. of Outside Experts	No. of Others	Chairperson
Optional Committee Corresponding to a Nominating Committee	Nomination and Compensation Committee	3	1	1	2	0	0	Outside director
Optional Committee Corresponding to a Compensation Committee	Nomination and Compensation Committee	3	1	1	2	0	0	Outside director

### Supplementary Explanation

The company's Nomination and Compensation Committee is comprised of three or more directors with a majority of independent outside directors and includes one representative director, and have been appointed by the resolution of the board of directors. Currently, the Nomination and Compensation Committee is comprised of three members: Shinsuke Sakimoto, representative director; Kiyohito Hamada, independent outside director (chairperson); and Takashi Goto, independent outside director.

The Nomination and Compensation Committee deliberates on the following matters as consulted by the board of directors, and reports to the board of directors.

- (1) Matters regarding the appointment and dismissal of directors (matters to be resolved by the general meeting of shareholders)
- (2) Matters regarding the selection and dismissal of representative director
- (3) Matters regarding the selection and dismissal of directors with special titles
- (4) Matters regarding the compensation, etc. of directors (excluding members of the Audit and Supervisory Committee)
- (5) Matters regarding the maximum compensation of directors (members of the Audit and Supervisory Committee) (matters to be resolved by the general meeting of shareholders)
- (6) Matters regarding the successor planning (including development)
- (7) Other important management matters that are deemed necessary by the board of directors

### [Independent Officer Relationships]

No. of Independent Officers	5
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Other Items Related to Independent Officers	
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### [Incentives]

Remunerative Incentives for Directors	Compensatory Stock Options, Etc.
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Supplementary Explanation	
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The company has adopted a compensatory stock option system to increase incentive and motivation for improving corporate earnings. The company has adopted a restricted stock compensation plan to share the benefits and risks of share price fluctuations with shareholders, as well as to provide further incentives for contributing to share price increases and improvement in corporate value.

Persons Eligible for Stock Options	Internal directors, outside directors, employees, directors of subsidiaries, employees of subsidiaries
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Supplementary Explanation	
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The company has adopted a compensatory stock option system to increase incentive and motivation for improving corporate earnings. The number of stock options granted is determined in general consideration of past contributions to earnings and expected future contributions to earnings.

### [Matters Related to Director Compensation]

Disclosure of Individual Director Compensation	The company does not disclose individual compensation.
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Supplementary Explanation	
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No disclosure is made for individual compensation because no executive compensation that exceeds 100 million yen.

Policy for Determining Compensation Amount and Method of Calculation	Yes
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Information Disclosure for Regarding Policy for Determining Compensation Amount and Method of Calculation	
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Compensation is limited to the scope approved at the general meeting of shareholders. Director compensation is determined by the board of directors, while compensation for members of the Audit and Supervisory Committee is determined

subsequent to negotiations with said members.

The company established the Nomination and Compensation Committee as an optional advisory body to the board of directors on August 1, 2020, in order to improve fairness, transparency, and objectiveness of procedures relating to the nomination and compensation, etc. of directors and to enhance corporate governance. The Nomination and Compensation Committee deliberates on matters regarding the compensation, etc. of directors (excluding members of the Audit and Supervisory Committee) and matters regarding the maximum compensation of directors who are members of the Audit and Supervisory Committee as consulted by the board of directors, and reports to the board of directors.

### [Support System for Outside Directors]

With regard to the support system for outside directors, the Legal Affairs Division, which serves as the secretariat for the board of directors, sends materials regarding board meetings in advance to all officers including outside directors who are members of the Audit and Supervisory Committee, so that they can attend board meetings after understanding the specific details of the agenda. In addition, supplementary explanations are given as needed.

## 2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration (Overview of Current Corporate Governance System)

### 1. Board of Directors

The company's board of directors is composed of nine members: five directors who are not members of the Audit and Supervisory Committee, of which two are outside directors, and four directors who are members of the Audit and Supervisory Committee, of which three are outside directors. The board meets regularly once per month, as well as in special board meetings convened as necessary. The board supervises business operations and makes important management decisions, including company policies and business strategy. Directors who are Audit and Supervisory Committee members attend all board of director meetings to audit the state of business execution by the directors.

### 2. Audit and Supervisory Committee

The company's Audit and Supervisory Committee consists of four members, of which three are outside directors. In principle, this committee meets once each month. In addition, the committee exchanges information and opinions with the financial statement auditors and Internal Audit Office as necessary, working to substantially improve audits.

### 3. Executive Management Meeting

In order to speed up and improve the efficiency of business execution, the Company holds, in principle, two meetings of the Executive Management Meeting each month. This meeting is comprised of directors (excluding non-executive directors) and executive officers to formulate business strategies, check progress, and share issues between departments. The executive management meeting functions effectively as an entity for directing and communicating important business matters, as well as in promoting a unified awareness organization-wide. The director who is a full-time member of the Audit and Supervisory Committee attends all meetings of the Executive Management Meeting, striving to grasp the situations within the company as well as risks.

### 4. Nomination and Compensation Committee

The company established the Nomination and Compensation Committee as an optional advisory body to the board of directors on August 1, 2020. The Nomination and Compensation Committee consists of the representative director and president, and two outside directors to improve fairness, transparency, and objectiveness of the procedures relating to the nomination and compensation, etc. of directors and strive to enhance corporate governance.

### 5. Internal Audits

The company's internal audits are carried out by the Internal Audit Office (comprised of one member), established as an independent division directly reporting to the representative director and president. The Internal Audit Office, which belongs to a division independent from divisions receiving audits, confirms the status of compliance with various internal regulations as well as laws and regulations, confirms the operational status of internal control systems, and provides suggestions and warnings regarding matters including efficiency and safety based on the internal audit regulations. Internal audits on all areas of business are conducted based on the internal audit plan formulated at the beginning of each fiscal year and audit results are reported directly to the representative director and president in writing. The Internal Audit Office gives instructions for improvement to the divisions receiving audits based on the audit results, and ensures the effectiveness of the internal audits by having those divisions report the status of improvements without delay after the audits.

## 3. Reasons for Selecting the Current System of Corporate Governance

In order to speed up decision making and improve the agility of the board of directors, and to further improve corporate governance and enhance effectiveness through further strengthening of the monitoring system and supervisory function, the company has adopted the system of a company with an Audit and Supervisory Committee.

### III. Measures for Shareholders and Other Stakeholders

#### 1. Efforts to Boost Participation in General Shareholders' Meetings and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholder Meetings	The company strives to close financial records quickly to facilitate sending convocation notices as early as possible.
Scheduling Meetings to Avoid Peak Meeting Day	The company endeavors to avoid scheduling general shareholders' meetings during the peak meeting days in Japan.
Exercise of Voting Rights by Electromagnetic Means	The company accepts the exercise of voting rights via the internet.
Provision of Convocation Notices (Summary) in English	The company provides convocation notices in a narrow sense as well as reference materials for the general meeting of shareholders in English.

#### 2. Investor Relations Activities

	Supplementary Explanation	Explanation from Representative
Creation and Announcement of Disclosure Policy	The company publishes information on our corporate investor relations webpages.	
Regular Investor Briefings for Individual Investors	The company aims to hold regular briefings, including the use of online channels and other mechanisms.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held during the second quarter, as well as after announcements of financial results.	Yes
Posting of IR Materials on Website	The company publishes financial data, timely disclosure documents, voluntary disclosure documents, and other information on our corporate investor relations webpages.	
Establishment of Investor Relations Department	The IR Office is in charge of investor relations, with the head of the IR Office as the responsible party.	

#### 3. Respecting the Position of Stakeholders

	Supplementary Explanation
Formulation of Guidelines for Providing Information to Stakeholders	In keeping with the disclosure policy published on our corporate investor relations webpages, our policy to provide timely and appropriate information actively to all stakeholders through financial documents, financial briefings, and other information published through our investor relations webpages.

## **IV. Matters Related to Internal Control Systems**

### **1. Basic Philosophy and Creation of Internal Control Systems**

#### **1. Systems for Ensuring the Execution of Duties by Company and Subsidiary Directors, Executive Officers, and Employees In Compliance with Laws, Regulations, and Articles of Incorporation**

(1) The company management philosophy is to fulfill the social responsibility to shareholders, customers, business partners, local communities, employees, and all other stakeholders through achieving sustainable growth and ongoing corporate value improvement. To this end, the company has established Compliance Rules to ensure officers and employees observe a strict compliance with laws, regulations, and the articles of incorporation. Further, the Internal Audit Office conducts internal audits of the company and subsidiaries. The company strives to build stronger internal control systems by improving the risk management structure, which includes an internal reporting system.

(2) The company has established Compliance Regulations and Code of Conduct to ensure employees comply strictly with laws, regulations, and the articles of incorporation. The company also maintains a system for the ongoing improvement of internal control functions related to compliance.

(3) The company has established Internal Reporting Regulations to provide a system for internal reporting related to any acts discovered that are in violation of compliance. The company has established an internal contact point, as well as a third-party agent (consulting attorney), to whom reports may be made.

#### **2. Systems for the Storage and Management of Information Related to the Execution of Duties by Directors**

The company practices the appropriate storage and management of the proceedings of the general meeting of shareholders and meetings of the board of directors, as well as important information and documents related to management and business execution in compliance with laws, regulations, records management rules, approval regulations, and other internal rules and related manuals.

#### **3. Rules and other Systems to Manage the Risk of Loss by the Company and its Subsidiaries**

(1) The company has established the Risk Management Committee, chaired by the president, which makes determinations on systems and policies for risk management and evaluates and, if necessary, improves risk management structures within the company group, including subsidiaries. The company's Legal Affairs Division serves as the risk management division, controlling risk management activities and verifying/revising the Risk Management Rules.

(2) The company shall establish an emergency response system, including a business continuity plan, to prepare against large-scale disasters.

#### **4. Systems to Ensure Company and Subsidiary Directors Execute Duties Efficiently**

(1) To ensure directors of the company and its subsidiaries execute their duties efficiently, the company has established the Board of Directors Rules, which provides for the operation of the board of directors. Regular Board of Director meetings are held once a month to make important decisions and oversee the status of business execution. Extraordinary board of director meetings are also held when deemed necessary.

(2) By adopting an executive officer system, directors focus on management functions such as speeding up management and strengthening the supervisory function to clarify responsibilities for execution through delegation of authority to execute business to executive officers.

(3) In accordance with the Board of Directors Rules, the board of directors that includes outside directors determines execution policies for management, matters prescribed by laws and regulations, and other important management matters, and supervises the status of business execution.

(4) In order to ensure fairness, transparency, and objectiveness in the decision-making process to determine nomination and compensation, etc. of directors, etc. at the board of directors, as well as to strengthen accountability, the company establishes an optional Nomination and Compensation Committee comprised of multiple independent outside directors. The committee reports the results of its deliberation on the nomination and compensation, etc. of directors, etc. to the board of directors.

(5) The board of directors shall use technology-based information systems for rapid and accurate access to business information.

#### **5. Systems to Ensure Appropriate Business Management for the Corporate Group, Consisting of the Company and its Subsidiaries**

The company's general affairs department is responsible for overseeing the business operations of affiliated companies according to the Affiliated Company Management Rules. Further, the internal audit office conducts regular audits of affiliated companies according to the Internal Audit Rules.

#### **6. Matters Related to Directors and Employees Requested to Assist the Audit and Supervisory Committee in the Execution of its Duties ("Assistants"); Matters Related to Directors Independence Who Supervise the Said Directors and Employees (Excluding Directors who are Audit and Supervisory Committee Members); Matters Related to Ensuring Practicability of Instructions to Assistants As Per Directors and Employees Requirement.**

(1) The company does not have directors or employees assigned to assist members of the Audit and Supervisory Committee in their duties. However, the company may appoint or assign directors or employees when it is necessary.

(2) The appointment or transfer of directors or employees assisting members of the Audit and Supervisory Committee requires approval by the Audit and Supervisory Committee.

(3) Directors and employees assigned to assist in the duties of the Audit and Supervisory Committee shall be considered as under the authority of the committee, and directors (excluding directors who are members of the Audit and Supervisory Committee) shall not have the authority to direct the said directors or employees. Evaluations of these directors or

employees shall reflect the opinions of Audit and Supervisory Committee members.

7. System for Directors (Excluding Directors who are Members of the Audit and Supervisory Committee) and Employees to Report to the Audit and Supervisory Committee, Other Systems Related to Reporting to the Audit and Supervisory Committee

(1) Members of the Audit and Supervisory Committee attend meetings of the board of directors, as well as important meetings such as those of the Executive Management Meeting, and receive reports related to matters of importance to the company, matters that may have a negative impact on the company.

(2) Directors who are members of the Audit and Supervisory Committee shall receive reports as necessary from the Corporate Planning Department and the Internal Audit Office.

(3) Directors and employees report important matters discussed at the board of director meetings and other important meetings, the status of internal audits, and other important matters deemed necessary to the Audit and Supervisory Committee.

(4) Directors and employees shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

8. System for Directors, Members of Audit and Supervisory Committee, Employees of Company Subsidiaries, and Persons Receiving Reports from Such Individuals to Report to the Audit and Supervisory Committee; Other Systems Related to Reporting to the Audit and Supervisory Committee

Directors, members of Audit and Supervisory Committee and employees of company subsidiaries shall report promptly to the Audit and Supervisory Committee upon discovery of important matters having a material impact on subsidiary management or business performance or significant violations of laws, regulations, or articles of incorporation that may cause significant damage to the company. Directors, members of Audit and Supervisory Committee and employees of company subsidiaries shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

9. System to Ensure Individuals Reporting to the Audit and Supervisory Committee are not Subjected to Disadvantageous Treatment

The company's Internal Reporting Rules provide that individuals who submit reports shall not be subjected to any manner of disadvantageous treatment. This rule applies likewise to individuals who provide reports to the Audit and Supervisory Committee as described in the paragraph above.

10. Policy on Matters Regarding Expense Prepayments, Redemptions, Other Expenses, or Disposition of Debt Resulting from the Execution of Duties by Members of the Company's Audit and Supervisory Committee

When a member of the Audit and Supervisory Committee requests that the company prepay expenses, the company shall promptly pay such expenses or debt to the said member after a discussion with the relevant department, except where such expenses or debt is proven unnecessary to the execution of duties by the Audit and Supervisory Committee.

11. Other Systems to Ensure Internal Audits by Members of the Audit and Supervisory Committee are Performed Effectively

Members of the Audit and Supervisory Committee hold regular conferences with the representative director and president to ensure communication and exchange opinions. Further, members of the Audit and Supervisor Committee share information and exchange opinions with financial statement auditors and the Internal Audit Office as necessary for ongoing substantive improvements in audits.

12. Systems to Ensure Reliability of Financial Reporting

The company recognizes the close interconnection among the four objectives of internal control system from the standpoint of financial reporting reliability: operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations related to business activities, and asset maintenance. Accordingly, company management works to establish, evaluate, and continuously improve internal controls related to financial reporting through enacting internal control systems and reporting of overall audits by internal auditors, etc.

## **2. Philosophy and Systems for Dealing with Anti-Social Forces**

The company rejects and eliminates relationships with anti-social forces and their organizations that may threaten social order and safety. Further, directors and employees constantly remain vigilant of anti-social forces. The company establishes a system whereby the total organization can promptly handle situations in keeping with the Rules for Response to Anti-Social Forces and the Manual for Response to Anti-Social Forces when a case arises.

## V. Other Matters

### 1. Anti-Takeover Measures

Anti-Takeover Measures

None

Supplementary Explanation

The company has not adopted anti-takeover measures at present; however, this topic merits further investigation in the future.

### 2. Other Matters Related to Corporate Governance

The company's diagrams of corporate governance structure and timely disclosure administrative procedures is attached for reference.



