

Corporate Governance Report

Last Update: July 3, 2024

Sakai Moving Service Co., Ltd.

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Stock Code: 9039

<https://www.hikkoshi-sakai.co.jp>

This report explains the corporate governance framework of Sakai Moving Service Co., Ltd. (SMS).

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

1. Basic Views

The business activities of SMS are guided by a corporate philosophy based on the company's mission statement: Constantly aim for progress of business activities while contributing to communities and society by providing services that reflect a sincere commitment to customers. SMS positions the establishment of a corporate governance framework as one of its highest priorities and is taking actions to create and maintain this framework. Corporate governance is needed as an infrastructure for the discipline of corporate activities for the purposes of fulfilling the company's social mission and responsibilities as a publicly owned company and of achieving the consistent growth and advancement of business activities.

The basic policy for corporate governance is as follows.

- (1) Protect shareholders' rights and equality.
- (2) Maintain mutually beneficial relationships with stakeholders other than shareholders (customers, suppliers, creditors, communities and society, employees, and others).
- (3) Disclose information in an appropriate manner and maintain the transparency of corporate activities.
- (4) Ensure that the Board of Directors properly performs its roles and duties in order to make decisions with transparency, fairness, speed and boldness.
- (5) Conduct constructive dialogues with shareholders.

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

[Principle 1.2 Exercise of Shareholder Rights at General Meetings of Shareholders]

[Supplementary Principle 1.2.4]

SMS will continue to examine the need for an English language translation of notices of the general meeting of shareholders based on the foreign shareholder ratio and other factors.

[Supplementary Principle 4.3.2]

There are no general evaluation standards or conditions for the selection of the company president, who is the chief executive officer. However, the president is selected properly after deliberation by the Nomination and Compensation Advisory Committee, where the majority are independent outside directors, based on discussions of results of operations and other parameters for evaluating an individual's performance, changes in the business climate, and other items by the Board of Directors, which includes independent outside directors.

[Supplementary Principle 4.3.3]

There are no general evaluation standards or conditions for the dismissal of the company president, who is the chief executive officer. If an objective decision is made that dismissal is the proper course of action because the president has violated a law, regulation, provision of the Articles of Incorporation or some other guideline

and, as a result, seriously damaged corporate value, the president may be dismissed by a resolution of the Board of Directors, which includes independent outside directors, after a thorough discussion of this matter.

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

[Principle 1.4 Cross-shareholdings]

Cooperation with real estate companies, homebuilders and many other companies is vital to achieving the continued growth of business activities. SMS purchases and holds the stock of other companies from a medium to long-term perspective concerning upcoming business activities and maintaining and strengthening relationships with companies that do business with SMS. These stock investments are monitored and managed as follows in accordance with Rules for Handling Financial Instruments.

- (i) The Board of Directors periodically receives reports concerning the current condition of cross-shareholdings. The directors verify that the purpose of holding the stock is appropriate, the benefits and risk are suitable in relation to the cost of capital, and other items. Cross-shareholdings that are not consistent with the purpose of making these investments are reduced.

If the directors decide that there is no longer any rationale for owning a particular stock, the stock is sold after taking into consideration the current stock price, the effect of the sale on the stock price and other factors.

In April 2024, the Board of Directors completed an examination of all listed stocks owned by SMS.

- (ii) When exercising the voting rights for cross-shareholdings, SMS thoroughly examines all proposals and does not support proposals by the company or one of its shareholders that SMS determines correspond to any of the following three cases: (1) an action that would be significantly detrimental to shareholder value, (2) an action that would have an extremely negative impact on results of operations for many years with no prospects for a recovery, and (3) any other proposal that SMS has serious doubts about supporting.

[Principle 1.7 Related Party Transactions]

The Board of Directors Regulations define related parties (SMS officers, group companies, major shareholders, etc.). All transactions between SMS and a related party must be approved by the Board of Directors.

[Supplementary Principle 2.4.1]

SMS has no restrictions concerning the appointment to management positions of women, nationals of countries other than Japan and people hired after working at one or more other companies. SMS recognizes the importance of maintaining a diverse workforce and selects management personnel based on their capabilities. SMS has a Diversity Promotion Office that is responsible for measures to enable many types of people to realize their full potential and achieve a proper work-life balance. Measures for ensuring that SMS is a company where women can advance and achieve their career goals are essential for strengthening the SMS brand in the moving services labor market. In SMS's moving business, men are currently 87% of all employees and women are 13%. SMS will continue to take actions to create a workplace environment where everyone regardless of gender can enjoy fulfilling jobs and careers. One issue involving these actions is that only 2.6% of people in management positions are women. To increase the number of female managers, there are training programs to give women skills for becoming store managers and other types of managers and expenditures for equipment and facilities at workplaces. The target is to raise the percentage of female management personnel to 5.0% by the fiscal year ending in March 2027.

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

SMS does not have a fund-type or contract-type defined benefit pension plan or welfare pension fund that is envisioned in the Corporate Governance Code.

[Principle 3.1 Full Disclosure]

- (i) Company Objectives (e.g., Management Philosophies), Management Strategies and Management Plans

The business activities of SMS are guided by a corporate philosophy based on the company's mission statement: Constantly aim for progress of business activities while contributing to society by providing services that reflect a sincere commitment to customers. SMS positions the establishment of a corporate governance framework as one of its highest priorities and is taking actions to create and maintain this framework. Corporate governance is needed as an infrastructure for the discipline of corporate activities for the purposes of fulfilling the company's social mission and responsibilities as a publicly owned company and of achieving the consistent growth and advancement of business activities.

Information about management strategies and management plans is provided in documents used at information meetings for results of operations and is disclosed in other ways.

(ii) Basic Views and Guidelines on Corporate Governance Based on the Principles of the Corporate Governance Code

This subject is described in "Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information, Basic Views."

(iii) Policies and Procedures in Determining the Remuneration of Senior Executives and Directors by the Board of Directors

The basic policy for the determination of remuneration for directors and the method for calculating remuneration places emphasis on the operation of business activities and the oversight of management, which are the two primary duties of the directors. This information is provided in the Securities Report. The draft prepared in accordance with the basic policy is deliberated by the Nomination and Compensation Advisory Committee, where the majority are independent outside directors, and the decision is made by the Board of Directors after receiving the report of the committee.

(iv) Policies and Procedures in the Appointment and Dismissal of the Senior Executives and the Nomination of Candidates for Directors (Excluding Directors who are Audit and Supervisory Committee Members) by the Board of Directors

Appointments and dismissals of senior executives and nominations of director candidates (excluding directors who are Audit and Supervisory Committee members) and nominations of Audit and Supervisory Committee members are conducted by performing comprehensive examinations from the standpoint of placing the right people in the right positions. For senior executives and director candidates (excluding directors who are Audit and Supervisory Committee members), the key considerations are making accurate and speedy decisions, properly managing risk, supervising how business operations are conducted, and achieving the balance needed to cover all of the functions and business units of SMS. For Audit and Supervisory Committee members, the key considerations are a knowledge of finance, accounting and legal matters, an understanding of the business activities of SMS, and a variety of perspectives about corporate management in order to achieve the proper balance of knowledge and skills for this committee.

The representative director uses opinions from various sources and information about the performance, character, knowledge and other aspects of candidates in order to select individuals who are best suited to perform the required duties. Objectivity and transparency of the procedures are ensured through deliberation by the Nomination and Compensation Advisory Committee, where the majority are outside directors.

(v) Explanations of Individual Appointments and Dismissals and Nominations with Respect to Appointments of Senior Executives and Nominations of Candidates for Directors by the Board of Directors Based on (iv) Above

SMS discloses its reasons for appointing, dismissing and nominating candidates for directors in notices of the general meeting of shareholders.

[Supplementary Principle 3.1.3]

SMS has a strong commitment to activities concerning ESG and the SDGs. As a member of the freight transportation industry, SMS's activities are closely linked to environmental problems and is taking actions concerning the reduction of CO2 emissions and other environmental measures as much as possible. More

information on our sustainability philosophy, policies, and initiatives is available on our website.

(<https://www.hikkoshi-sakai.co.jp/company/sdgs/>)

Information based on TCFD is in the “Sustainability Stance and Actions” section of the Securities Report for the fiscal year that ended in March 2024. This information can also be accessed on the SMS website at the following URL. (<https://www.hikkoshi-sakai.co.jp/>)

Investments in human resources and intellectual property have the goal of creating pleasant and productive workplace environments to enable everyone at SMS to remain in good health. SMS has been certified by an external organization as an outstanding health management company, which is recognition of the excellence of SMS’s health management activities as part of its investments in human resources.

[Supplementary Principle 4.1.1]

The Board of Directors Regulations state that the following items can be submitted to the board.

In addition, senior executives are entrusted with conducting business activities. These executives appropriately perform their duties in accordance with the company’s mission statement, basic policies and all applicable rules (Regulations for Assignment of Duties, Regulations for Decisions and others).

(i) Items prescribed by laws and regulations and the Articles of Incorporation

(ii) Important items concerning management, including matters involving the SMS Group

(iii) Other items that the Board of Directors decides are necessary

[Principle 4.9 Independence Criteria and Qualification for Independent Outside Directors]

Candidates for independent outside directors are selected by using the independence standards of the Tokyo Stock Exchange.

[Supplementary Principle 4.10.1]

Four of the 10 directors are independent outside directors and the directors include individuals with corporate management experience, attorneys and certified public accountants. SMS has a Nomination and Compensation Advisory Committee that serves as a voluntary advisory body to the Board of Directors. This committee helps ensure the proper incorporation of the input of outside directors concerning appointments, dismissals, remuneration and other important matters concerning officers. This committee also increases the independence and objectivity of the functions of the Board of Directors and helps the directors fulfill their responsibility to explain their decisions. The Nomination and Compensation Advisory Committee, which consists of two independent outside directors and one internal director, discusses matters submitted by the Board of Directors concerning nominations and remuneration concerning directors and executive officers. The results of these discussions are then submitted to the Board of Directors.

[Supplementary Principle 4.11.1]

There are currently 10 directors, including directors who are Audit and Supervisory Committee members.

SMS believes that this is the proper number of directors for reaching decisions quickly.

The composition of the Board of Directors provides expertise concerning the management and urgent issues of every business unit and has excellent balance regarding knowledge, experience, skills and other characteristics, including for outside directors (including directors who are Audit and Supervisory Committee members).

SMS plans to continue using the current size of the Board of Directors and stance regarding the board as the guidelines when selecting future director candidates.

A matrix showing the knowledge, experience, skills and other characteristics of individual directors is on the last page of the applicable report.

[Supplementary Principle 4.11.2]

Information about concurrent positions of SMS directors (including directors who are Audit and Supervisory Committee members) at other listed companies is provided in notices of the general meeting of shareholders.

[Supplementary Principle 4.11.3]

All directors (including directors who are Audit and Supervisory Committee members) complete questionnaires to perform a self-assessment, with the input of a third-party organization, in order to analyze and evaluate the effectiveness of the Board of Directors.

(i) Evaluation method

Questionnaire with the name of the director submitting responses

(ii) Questions

- a. Roles and functions of the Board of Directors
- b. Size and composition of the Board of Directors
- c. Operation of the Board of Directors
- d. Cooperation with auditing units
- e. Communication with outside directors
- f. Relationships with shareholders and investors

(iii) Responses and tabulation

A third-party organization collected the questionnaires and tabulate the responses.

(iv) Analysis and evaluation

Based on the results of this process, the Board of Directors performed an analysis and evaluation of the board's effectiveness and discussed issues and actions that should be taken.

(v) Summary of analysis and evaluation results

The analysis and evaluations performed by the Board of Directors confirmed that the board is properly performing the roles expected of the board and that the board's effectiveness is sufficient regarding the following points. These conclusions are based on the results of the questionnaire response analysis and discussions by the directors concerning the results, including items that have been improved since the analysis and evaluation performed in the previous fiscal year.

Although the Board of Directors confirmed that improvements have been made overall since the previous fiscal year regarding discussions, the board's operation and other items, more improvements will be made.

- a. The directors understand the goal for how the Board of Directors should function and perform its roles
- b. The number of outside directors is sufficient with respect to the skills, experience and knowledge required of the outside directors
- c. Agenda items are selected and meetings are held in a manner that facilitates open and thorough discussions by the directors
- d. The Board of Directors has established a suitable internal reporting system and is periodically supervising the operation of this system
- e. There are proper opportunities for outside directors to fully use their experience

The Board of Directors identified the following items that require more improvements.

- a. Review information provided by the Nomination and Compensation Advisory Committee to the Board of Directors concerning discussions by the committee and the frequency of these reports
- b. More delegation of authority for conducting business operations
- c. Hold thorough discussions about management that reflect the cost of capital and other items, the business portfolio and sustainability
- d. In the future, add directors with knowledge about capital markets, directors with management experience at other companies and female directors

(vi) Upcoming activities

The Board of Directors will use the results of this analysis and evaluation as issues to resolve regarding the board's operation during fiscal 2024. In addition, the directors will continue to discuss medium and long-term issues at board meetings.

The Board of Directors plans to continue performing self-evaluations in order to make more improvements in the board's functions.

[Supplementary Principle 4.14.2]

For the growth of corporate value, there are suitable training programs, both internal and external, that match the duties of each officer.

Outside directors receive information that they require to perform their duties properly.

[Principle 5.1 Policy on Constructive Dialogue with Shareholders]

SMS has the following policies for the framework and activities for constructive dialogues with shareholders.

- (i) The director responsible for investor relations oversees activities involving shareholder dialogues, including information meetings for results of operations, information meetings for individual investors and a broad range of other activities.
- (ii) SMS departments associated with shareholder dialogues prepare disclosure materials and share necessary information to play a role in constructive dialogues with shareholders.
- (iii) SMS uses individual meetings with shareholders as well as investor information meetings for results of operations, shareholder questionnaires and other activities in order to upgrade information that is disclosed by reflecting the opinions and requests of investors.
- (iv) As needed, feedback from shareholders at dialogues is reported to the Management Committee and Board of Directors to enable directors, senior executives and departments of SMS to utilize this information.
- (v) IR activities are restricted for a certain period prior to earnings announcements in order to temporarily stop dialogues with investors.

For the management of insider information, everyone associated with insider information is required to manage this information strictly in accordance with the Internal Information Management Regulations.

- (vi) Status and other details of dialogue with shareholders
 - a. Main respondents in dialogue with shareholders
Director in charge of IR and the person in charge of the Accounting Division, which is the department in charge of IR
 - b. Summary of shareholders with whom dialogue was held
Individual meetings with securities analysts and institutional investors as requested: 20 firms after the year-end financial results
Briefings on financial results for analysts and institutional investors and briefings for individual investors twice a year after interim and year-end financial results
 - c. Main topics of dialogue and shareholder interests
Future operating results, medium- and long-term trends, and capital policies including shareholder returns

[Measures for management that reflects the cost of capital and stock price]

The goal of SMS is to monitor the cost of capital and aim for the efficient use of capital at a level that exceeds the cost of capital.

In the fiscal year ended on March 31, 2024, ROE exceeded the cost of shareholders' equity.

SMS will continue to aim for an ROE that is higher than the cost of capital while maintaining financial soundness, including the equity ratio and other indicators, and strong earnings.

[Supplementary Principle 5.2.1]

The SMS Group has the goal of becoming a New Lifestyle Support Group. This is to be accomplished by using three businesses – electrical construction, clean services and reuse services – as a base for strengthening the core moving services business. In addition, SMS has established a management strategy that defines management goals for the purpose of adapting to changes in the business climate and explains this strategy in documents used at information meetings for results of operations.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
ai Co.,Ltd.	14,502,000	35.66
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,537,058	6.23
Michitoshi Tajima	2,308,200	5.67
Tetsuyasu Tajima	2,016,400	4.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,991,600	4.89
MISAKI ENGAGEMENT MASTER FUND	1,830,900	4.50
Sakai Moving Service Employee Stock Ownership Plan	1,422,500	3.49
Custody Bank of Japan, Ltd. (Trust Account)	870,200	2.14
THE BANK OF NEW YORK MELLON 140042	806,618	1.98
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	696,169	1.71

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

Supplementary Explanation

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3. Corporate Profile

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-end	March
Type of Business	Land cargo transportation
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

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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 and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Yes
Number of Outside Directors	4
Number of Independent Outside Directors	4

Outside Directors' Relationship with SMS (1)

Name	Attribute	Relationship with SMS*											
		a	b	c	d	e	f	g	h	i	j	k	
Yasutaka Izaki	Attorney												
Kazuhisa Tanaka	From another company												
Tomoko Nagano	Attorney												
Masaya Takahashi	Certified public accountant												

* Categories for "Relationship with SMS"

* "○" when the director presently is currently or was recently in the category;

"△" when the director was in the category in the past

* "●" when a close relative of the director presently is currently or was recently in the category;

"▲" when a close relative of the director was in the category in the past

a. Executive of SMS or its subsidiaries

b. Non-executive director or executive of a parent company of SMS

c. Executive of a subsidiary of SMS

d. A party whose major client or supplier is SMS or its executive

e. Major client or supplier of SMS or its executive

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from SMS other than remuneration as a director/Audit and Supervisory Committee member

g. Major shareholder of SMS (or an executive of the major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier of SMS (which does not correspond to d, e, or f) (only the executive himself/herself)

i. Executive of a company, between which and SMS outside directors/Audit and Supervisory Committee members are mutually appointed (only the executive himself/herself)

j. Executive of a company or organization that receives a donation from SMS (only the director himself/herself)

k. Others

Outside Directors' Relationship with SMS (2)

Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasutaka Izaki		○	-	Mr. Izaki is an attorney with extensive knowledge of corporate law and many years of experience. He is an outside director in order to utilize this knowledge as a legal professional to provide advice concerning the management of SMS. There are no special interests between Mr. Izaki and SMS or a subsidiary or with a director or Audit and Supervisory Committee member of SMS or a subsidiary. As a result, he qualifies as an independent officer because there is no risk of a conflict of interests with ordinary shareholders.
Kazuhisa Tanaka		○	Director of Clearwater OSAKA Corporation	Mr. Tanaka is an outside director in order to utilize his experience and knowledge involving management acquired through many years of involvement with the management of Hanshin Electric Railway Co.,Ltd. There are no special interests between Mr. Tanaka and SMS or a subsidiary or with a director or Audit and Supervisory Committee member of SMS or a subsidiary. As a result, he qualifies as an independent officer because there is no risk of a conflict of interests with ordinary shareholders.
Tomoko Nagano	○	○	-	Ms. Nagano is an attorney with extensive knowledge of corporate law and many years of experience as a legal advisor for many companies. She is an outside director (Audit and Supervisory Committee member) in order to utilize this knowledge as a legal professional to provide advice concerning the management of SMS. There are no special interests between Ms. Nagano and SMS or a subsidiary or with a director or Audit and Supervisory Committee member of SMS or a subsidiary. As a result, she qualifies as an independent officer because there is no risk of a conflict of interests with ordinary shareholders.

Masaya Takahashi	○	○	Outside Corporate Auditor of Toyo Machinery & Metal Co., Ltd.	Mr. Takahashi is a certified public accountant and has specialized knowledge as an accounting professional. He is an outside director (Audit and Supervisory Committee member) in order to utilize his knowledge of accounting and many years of experience for audits and other activities at SMS. There are no special interests between Mr. Takahashi and SMS or a subsidiary or with a director or Audit and Supervisory Committee member of SMS or a subsidiary. As a result, he qualifies as an independent officer because there is no risk of a conflict of interests with ordinary shareholders.
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[Audit and Supervisory Committee]

Committee Composition, and Attributes of Chairperson

	Audit and Supervisory Committee
All Committee Members	3
Full-time Members	1
Inside Directors	1
Outside Directors	2
Chairperson	Outside director

Appointment of Directors and Employees Who Assist the Audit and Supervisory Committee	None
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Reason for Adopting the Current Framework

There are no employees assigned to assist the Audit and Supervisory Committee on a full-time basis. When the committee requires assistance, individuals are provided by the associated departments as needed. If the Audit and Supervisory Committee asks for the appointment of one or more individuals solely for working with the committee, a reasonable number of individuals will be provided.

Cooperation among Audit and Supervisory Committee Members, Accounting Auditors and the Internal Audit Department

The Internal Audit Department submits audit reports to the Audit and Supervisory Committee in order to work constantly with the members of the committee. In addition, members of this committee perform audits with members of the Internal Audit Department as needed.

The Internal Audit Department, Audit and Supervisory Committee and accounting auditor hold meetings from time to time in order to exchange opinions and identify problems for the purpose of strengthening corporate governance.

[Voluntary Establishment of a Committee]

Voluntary Establishment of a Committee Corresponding to Nomination Committee or Compensation Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
All Committee Members	3	3
Full-time Members	1	1
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside director	Inside director

Supplementary Explanation

SMS has established the Nomination and Compensation Advisory Committee, whose main members are independent outside directors, as an advisory body to the Board of Directors regarding the personnel and compensation of directors, etc., in order to strengthen the independence, objectivity and accountability of the Board of Directors' functions regarding the personnel and compensation of directors, etc.

[Independent Directors/ Audit and Supervisory Committee Members]

Number of Independent Directors/Audit and Supervisory Committee Members	4
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Matters relating to Independent Directors/Audit and Supervisory Committee Members

SMS designates as independent officers all outside directors who fulfill the independent officer qualifications. The independence standards are based on the standards for independence established by the Tokyo Stock Exchange.

[Incentives]

Incentive Policies for Directors	Performance-linked stock compensation plan
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Supplementary Explanation

Information is provided in the Securities Report and also posted on the SMS website at the following URL. (<https://www.hikkoshi-sakai.co.jp>)

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Individual remuneration is not disclosed.
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Supplementary Explanation

Information is provided in the Securities Report and also posted on the SMS website at the following URL.
(<https://www.hikkoshi-sakai.co.jp>)

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

Information is provided in the Securities Report and also posted on the SMS website at the following URL.
(<https://www.hikkoshi-sakai.co.jp>)

[Supporting System for Outside Directors]

Outside directors receive support from the Administration Department as needed.

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

Internal audits, audits by the Audit and Supervisory Committee and other activities are used for constantly verifying that corporate governance is effective and business operations are conducted properly.

1. Internal audits and Audit and Supervisory Committee audits

(1) Audits by the Internal Audit Department

- 1) To confirm the effectiveness of internal controls and that business operations are conducted properly, an auditing office that is independent of organizational units conducting business operations and that is supervised directly by the company president performs business operation audits of all business units based on a plan.
- 2) Audit results are reported to the company president and reports are submitted to the Audit and Supervisory Committee and the block managers meeting.
- 3) Departments that have been audited receive audit reports along with directives and guidance concerning items that require improvements. Departments are required to submit improvement reports to enable monitoring subsequent progress.

(2) Block internal audits

To perform timely internal audits, internal audits of blocks are performed once every month in each block while cooperating with the Internal Audit Department. Audits are overseen by the block manager and include the block's accounting personnel.

(3) Audits by the Audit and Supervisory Committee

1) Members of the Audit and Supervisory Committee

- Fumiko Ota, full-time Audit and Supervisory Committee member
- Tomoko Nagano, Audit and Supervisory Committee member (outside director)
- Masaya Takahashi, Audit and Supervisory Committee member (outside director)

2) Policy for audits by the Audit and Supervisory Committee

- a. Items to be audited are classified into accounting audits and business audits and each Audit and Supervisory Committee member is given a theme for an audit.
 - b. Major audit themes place emphasis on audits of the status of the establishment and operation of the internal control system as prescribed in the Companies Act.
 - c. Audit and Supervisory Committee members attend important meetings to confirm that the performance of the directors does not create any risk of a serious financial loss. These members are also constantly monitoring activities to confirm that an internal control system has been established and is functioning effectively. These members also perform oversight concerning the legality of activities in order to prevent violations of laws, regulations and the Articles of Incorporation.
- 3) Audit and Supervisory Committee procedures (audit plans, implementation, reports, etc.)
- a. Policies and plans for audits are approved by resolutions of the Audit and Supervisory Committee, after discussions of these items, in accordance with the Audit and Supervisory Committee Regulations and at a meeting that is held after the end of the annual general meeting of shareholders.
 - b. Audits are performed in accordance with the Audit and Supervisory Committee Regulations and the standards for audits, etc. of this committee.
 - c. In accordance with the Audit and Supervisory Committee Regulations, this committee prepares reports of the committee's audits after a discussion of the report by committee members.
- 4) Meetings to exchange opinions
To ensure that corporate governance is functioning properly, as needed, the Internal Audit Department holds meetings with members of the Audit and Supervisory Committee and the accounting auditor in order to exchange opinions about problems.
- 5) Increasing the transparency of management
To be a company that people like and admire, SMS is dedicated to managing business operations in a highly transparent manner that meets the expectations of all stakeholders.

3. Reasons for Adoption of Current Corporate Governance System

SMS has an Audit and Supervisory Committee with outside directors the majority of committee members in order to ensure the objectivity and neutrality of the management oversight function. In addition, the directors who are members of this committee can also vote at meetings of the Board of Directors. This system strengthens governance and provides for the constant oversight of management.

All directors who are the Audit and Supervisory Committee members attend meetings of the Board of Directors where these members state their opinions and provide other information from a neutral and objective standpoint.

For these reasons, SMS uses the current corporate governance system based on the judgment that the system provides a framework for the oversight of corporate activities that is functioning adequately with regard to the oversight of management.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	For the convenience of shareholders, the goal for the distribution of notices of the general meeting of shareholders is to send these notices prior to the legally required minimum of two weeks before the meeting. The notice of the 47th General Meeting of Shareholders was sent on May 24, 2024.
Scheduling General Meetings of Shareholders Avoiding the Peak Day	The General Meeting of Shareholders is held on the third Saturday of June.
Allowing Electronic Exercise of Voting Rights	Shareholders can use the Internet to submit votes by using a computer or mobile phone to access the website designated by SMS. Japanese and overseas institutional investors can vote by using the electronic voting platform of ICJ. However, shareholders must register in advance to use this platform.
Participation in Electronic Voting Platform and Other Measures for Greater Ease of Voting by Institutional Investors	For the convenience of institutional shareholders, SMS posts notices of the general meeting of shareholders on the electronic voting platform of ICJ. Japanese and overseas institutional investors who have registered in advance for the use of this platform can directly view explanations of proposals and other information in order to reach voting decisions.

2. IR Activities

	Supplementary Explanations	Presentation by President
Regular Investor Briefings for Investors	SMS holds shareholder discussion meetings once every year (in Osaka) and holds information meetings for individual shareholders, information meetings for securities company personnel, and other events for investors.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	There are information meetings for results of operations twice every year and individual meetings with institutional investors, securities analysts and others.	Yes
Posting of IR Materials on Website	The SMS website has financial information, an IR calendar, stock information, an investor Q&A section and other useful information for investors. URL: https://www.hikkoshi-sakai.co.jp	
Establishment of Department and/or Manager in Charge of IR	Kengo Tada, Accounting Division	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Environmental, CSR and Other Activities	<p>SMS has numerous environmental and social activities: ISO14001 environmental system certification (Head office and Osaka office, September 1999); social welfare activities (received a Heartful Company Award); donations to the Japanese Red Cross Society; donations for disaster relief; neighborhood cleaning programs near offices; employee benefit programs; Social Insurance Manager Award; responsible truck cargo transportation business activities; purchase of low-pollution vehicles; use of safety recorders; use of driving recorders; installation of solar panels; support for sports activities; certification as an outstanding safety business; certification as an outstanding moving business company; provision of training apps for children; certification by City of Osaka as a leading company for empowering women; certification as a 2024 outstanding health management company (large company category), and other accomplishments and recognition</p>

IV. Matters Related to the Internal Control System

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

On June 18, 2016, the Board of Directors established the following basic policy for the establishment of internal control systems.

In accordance with this policy, there will be continuous improvements for the purposes of ensuring that business operations are conducted properly and of making the system of internal controls even more effective.

1. System for ensuring that directors and employees perform their duties in compliance with laws and regulations and the Articles of Incorporation

The Compliance Committee, which is chaired by the company president, oversees all compliance activities.

This committee oversees compliance activities while working with the Administration Division and the Business Operations Improvement Committee concerning the implementation of compliance programs.

SMS has a compliance manual and uses training programs and other activities to give employees guidance involving compliance. The Internal Audit Department performs audits to check compliance activities and audits to confirm compliance with laws and regulations and the Articles of Incorporation.

In addition, SMS has a hotline for consultations involving compliance and reporting improper activities. This internal reporting system also includes provisions for the protection of individuals who submit reports.

2. System for the storage and management of information about the performance of directors

SMS stores documents and other items as stipulated in the Document Handling Regulations. For the management of information, SMS has established security guidelines and a basic policy for the protection of personal information in accordance with the Internal Information Management Regulations, Personal Information Protection Management Regulations and other internal regulations.

3. Regulations and systems for the risk management concerning losses at SMS and its subsidiaries

At the SMS Group, each business unit is primarily responsible for the management of risk factors associated with its business activities and each business unit, thereby playing a role in risk management for the entire group.

The Business Operations Improvement Committee, which is chaired by an SMS senior executive, has five subcommittees (Quality Improvement, Safety and Hygiene, Technology Advancement and two others) for the management of risk factors that are significant with regard to the characteristics of the SMS Group's business operations. The company president supervises these subcommittees. Each subcommittee implements strict compliance measures and identifies risk factors involving business operations. Risk factors are then assigned priorities and actions are taken to reduce vulnerability to these risks. Reports concerning risk management activities are submitted at the regular meetings of the Management Committee (block managers meeting).

4. System for ensuring that directors of SMS and its subsidiaries perform their duties efficiently

The SMS Group establishes goals for the entire group to create a single set of goals for the group's directors and employees. There are measures to make everyone aware of these goals and to maintain a structure for conducting business operations efficiently, including measures to accomplish goals and delegate authority.

Results of these activities are quickly converted to data to permit periodic reviews of progress by the Board of Directors. Actions are taken to reduce or eliminate obstacles to increase efficiency and make other improvements. These measures increase the ability to accomplish goals and help create a framework for raising the efficiency of business operations throughout the SMS Group.

5. System for ensuring the suitability of business operations of the corporate group consisting of SMS and its subsidiaries

To ensure that all members of the SMS Group conduct business operations properly, there are activities to give everyone a sound understanding of the system of internal controls and, in accordance with the Affiliated Company Management Regulations, use meetings for periodically sharing information about performance indicators and other important items.

The Internal Audit Department performs audits and provides guidance concerning compliance. This department also submits reports concerning important matters involving compliance to the SMS Group

directors (including directors who are Audit and Supervisory Committee members). These activities ensure that business operations of the SMS Group are performed properly.

6. Item concerning directors and employees who assist the Audit and Supervisory Committee, item concerning independence of these directors and employees from other directors (excluding directors who are Audit and Supervisory Committee members), and item for ensuring the effectiveness of the instructions of the Audit and Supervisory Committee to these directors and employees
 - a. There are currently no directors or employees assigned to assist the Audit and Supervisory Committee. A reasonable number of individuals will be appointed if there is a request from this committee.
 - b. Individuals who are appointed to assist the Audit and Supervisory Committee will follow the instructions and orders of this committee. Performance evaluations, job reassignments and other actions involving these individuals require a consultation between the directors (excluding directors who are Audit and Supervisory Committee members) and these committee members in order to receive the consent of the committee members.
7. Framework for directors and employees of SMS and its subsidiaries to submit reports to the Audit and Supervisory Committee, measures to protect individuals who submit reports from negative consequences due to the submission of the report, and other measures to ensure the effectiveness of audits by the Audit and Supervisory Committee

When a director or employee of SMS or a subsidiary discovers a serious violation of laws and regulations or the Articles of Incorporation, improper behavior, or an event that may cause significant losses for the SMS Group concerning the performance of duties, this information must be reported immediately to the Audit and Supervisory Committee in accordance with laws and regulations.

A full-time Audit and Supervisory Committee member may use the following measures for acquiring information about the Board of Directors, processes used for making important decisions, and how business operations are conducted: attend block managers meetings and other meetings, view important decision-making documents and other documents concerning business operations, and receive explanations from directors (excluding directors who are Audit and Supervisory Board members) and employees as needed. In addition, Audit and Supervisory Committee members may receive explanations of accounting audits from the accounting auditor, exchange information with the Internal Audit Department and accounting auditor, and perform other activities with this department and auditor.

There can be no negative consequences for individuals who submit a report to the Audit and Supervisory Committee due to the submission of the report.

8. Procedures for prepayment of expenses or reimbursement of the expenses for performing the Audit and Supervisory Committee members' duties (limited to the performance of duties of the Audit and Supervisory Committee) and the policy concerning other expenses or debts associated with these duties

When an Audit and Supervisory Committee member asks for the prepayment or reimbursement of expenses for performing the duties of the committee, these expenses and debts will be paid promptly, except items that are not required for the performance of the applicable duties.

2. Basic Views on Eliminating Anti-Social Forces

Basic stance for eliminating anti-social forces

Since the establishment of SMS, being a company that people like and admire has always been a key element of the philosophy that guides management. SMS refuses to have any relationship whatsoever with anti-social forces as a company dedicated to maintaining social order as a member of society, to trouble-free business activities and to earning even greater public trust.

To prevent problems from happening, SMS business units are constantly cooperating extensively with each other as well as with external organizations specializing in dealing with anti-social forces. SMS also collects and monitors information concerning anti-social forces. If there is a risk of a problem involving an anti-social party, SMS responds in an organizational manner to shut out the party.

SMS has not designated a department to handle activities involving anti-social forces. However, SMS will consider taking actions for shutting out anti-social forces by taking into consideration the centralized management of information involving anti-social forces, employee training programs, measures to strengthen the current framework and other actions.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

Summary of the timely disclosure system

(1) Basic policy

Based on the slogan “fostering relationships based on sincerity,” SMS has a strong commitment to the timely and appropriate disclosure of information. This commitment is based on the belief that the accurate and speedy disclosure of information about the SMS Group to customers, shareholders, investors and all other stakeholders is directly linked to the ability to foster these relationships.

(2) Internal system

SMS has established Internal Information Management Regulations for the purpose of properly managing information concerning significant facts and performing other related activities. Furthermore, SMS has established the Information Disclosure Committee, which is chaired by the company president, to ensure the suitability, accuracy and fairness of the disclosure of information.

(3) Collection of information

Based on judgments about whether or not a matter is significant, in accordance with the Internal Information Management Regulations, the Information Disclosure Committee members of SMS departments and business units collect information and quickly pass the information on to this committee.

(4) Disclosure procedure

The Information Disclosure Committee makes decisions about disclosing information that has been collected. Decisions comply with all associated laws and regulations, including the rules of the stock exchanges where SMS stock is listed and the Financial Instruments and Exchange Act, as well as other rules and guidelines. Information designated by the timely disclosure rules is announced by using TDnet, which is the timely disclosure system provided by the Tokyo Stock Exchange. This information is also promptly posted on the SMS website.

SMS also actively uses TDnet and its website for the disclosure of information to which the timely disclosure rules do not apply but is nevertheless believed to be important and useful.

Skill matrix for directors of SMS

	Corporate management	Group governance	Knowledge of the moving industry	Finance/ accounting	Human resource/ labor	Legal affairs/ risk management	Marketing	ESG Sustainability	DX
Tetsuyasu Tajima	●	●	●				●	●	
Yoshifumi Ikura		●	●						
Michitoshi Tajima	●		●		●		●		
Mikio Yamano			●		●	●		●	●
Kenichi Iizuka			●		●				
Yasutaka Izaki					●	●			
Kazuhisa Tanaka	●			●					
Fumiko Ota			●			●		●	
Tomoko Nagano						●		●	
Masaya Takahashi				●		●			