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Axial Retailing Inc.

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Securities code: 8255

<https://www.axial-r.com/>

The status of corporate governance of Axial Retailing Inc. (hereinafter referred to as the “Company”) is described below.

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

1. Basic Views

Our basic approach to corporate governance is to speed up decision-making, ensure transparency and fairness, and clarify the system of responsibilities. We are also committed to compliance with laws, regulations and social norms, and to maintaining corporate ethics.

The most important management issue is to ensure that local customers continue to visit the Group's stores on a recurring basis. Our full-time directors work to accurately assess the actual situation on the sales floor on a daily basis, creating a lean and flat business management organization that can quickly respond to changes in our customers' needs.

Our basic disclosure policy is to provide shareholders, investors and other stakeholders with accurate information in a fair and timely manner. In addition to the disclosure items required by laws and regulations, we proactively disclose information that we consider useful for understanding our Group. This information is published on our website and in various publicly available media.

The Group has adopted a holding company structure in order to centralize the management and supervision of the entire corporate group, expedite the decision-making process for the entire group, and increase management efficiency. The capital structure is centered on the Company, which is a pure holding company, with each affiliated company under its control.

Accordingly, operations related to the management and administration of the entire Group are concentrated in the Company.

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

All principles are implemented.

Disclosure Based on each Principle of the Corporate Governance Code **Updated**

Principle 1.4 Cross-Shareholdings

The Company has established the following policy with respect to cross-shareholdings and the criteria for exercising voting rights related to cross- shareholdings. The Board of Directors receives and reviews quarterly reports from the relevant departments on the status of shareholdings by individual issue. Please refer to the Securities Report for details of the Company's policy on shareholdings, the method of reviewing the appropriateness of shareholdings, details of the Board's review, etc. on the appropriateness of shareholdings of individual issues and information on individual issues.

(Policy on cross-shareholdings and criteria for exercising voting rights)

1. Policy on cross-shareholdings

1.1. When acquiring cross-shareholdings, the Company will carefully and rationally consider the purpose of holding such shares, taking into account the need to maintain business relationships and create synergies in the management of the Company from the perspective of increasing corporate value in the medium to long term. The Company will not acquire shares merely as a stable shareholder.

1.2. In holding cross-shareholdings, the Company will, from time to time, obtain information about the issuing company and seek to determine the economic rationale for holding such shares, taking into account the Company's capital cost and other factors, including an assessment of the tangible and intangible benefits and risks associated with holding such shares. If it is

determined that the purpose of holding cross-shareholdings is not met, the Company will consider disposing of them.

2. Criteria for exercising voting rights pertaining to cross-shareholdings

2.1. In principle, the Company votes on all proposals from the perspective of exercising its rights as a shareholder.

2.2. The Company will decide whether to approve or disapprove of the proposals presented, taking into consideration whether the proposals are consistent with the Company's holding purposes and the impact of the proposals on the Company's management.

2.3. If there is a possibility of a conflict of interest in exercising voting rights, the Company shall seek advice from an external third party and take appropriate measures.

Principle 1.7. Related Party Transactions

The Company's Board of Directors will discuss and approve any related party transactions. If any such director is a special interested party at any meeting of the Board, that director shall be excluded from the quorum. In order to properly identify related party transactions, the relevant departments periodically investigate changes in the scope of related parties and monitor related party transactions to ensure that they do not harm the Company or the common interests of shareholders. If there are transactions with related parties and the terms and conditions of such transactions exceed the standards set forth in accounting standards, etc., such transactions will be disclosed in the Notice of the General Meeting of Shareholders and the Securities Report.

Supplementary Principle 2.4.1. Ensuring Diversity, Including Active Participation of Women

The Group has traditionally placed emphasis on hiring people based on their skills, performance, and aptitude, regardless of gender, age, nationality, or other factors. We aim to increase the number of women, non-Japanese, and mid-career hires in management positions as our core human resources, and are striving to create a work environment that is easy to work in and conducive to career development. In the future, we aim to increase the ratio of female departmental management at the level of chief or higher to over 30%. With regard to human resources development policies and maintaining an internal environment that ensures diversity, our basic policy is to provide opportunities irrespective of gender, age, nationality, etc. in all educational programs, including in-house training, external seminars, and overseas study tours. We expect to see more effective educational outcomes by combining education with task implementation, based on an education and training system built on the premise of realizing our management philosophy.

Principle 2.6. Roles of Corporate Pension Funds as Asset Owners

The Group's retirement benefit plans include funded defined benefit plans (defined benefit pension plans established by the Group) and multi-employer plans (defined benefit pension plans established by several employers). Given the importance of pension funds, multiple departments (Human Resources and Finance) work together to monitor the situation to ensure stability.

For the funded defined benefit plans, pension trusts are established with a number of major trustees, and the responsible personnel within the Group receive investment status reports from each trustee from time to time and set the investment policy after consultation.

For multi-employer plans, the Company receives periodic reports from the corporate pension fund on the details of the meetings of delegates elected from multiple participating companies, as well as on the financial results and financial position of the fund. The fund confirms that it limits its policy assets to low-risk assets in order to secure the expected return without taking investment risk.

The status of the pension plan assets is described in the Securities Report. There are no material conflicts of interest between the beneficiaries of the corporate pension plan and the Company.

Principle 3.1. Full Disclosure

The information is disclosed in the Securities Report.

Supplementary Principle 3.1.3. Full Disclosure

Our Group seriously considers what our supermarkets, as infrastructure for local communities, can do to realize a sustainable society. We are implementing various initiatives categorized as "products and services that meet customer needs," "contribution to local communities," "solutions to environmental issues," "a pleasant and rewarding workplace," and "partnership," in line with the concept of the SDGs. The details of these activities are summarized in the CSR REPORT published each fiscal year and posted on our website (<https://www.harashinnarus.jp/company/csr/>). *Japanese version only

Assessment of the impact of climate change-related risks and profit opportunities on the company's business activities, earnings, etc., is incorporated into our existing environmental management system, and the Environmental Committee conducts periodic reviews based on the results of data. We are also working to identify current metrics on identified priority issues. Investments and expenses for environmental preservation activities and their effects are quantified and published in the CSR REPORT as environmental accounting. We intend to expand the quantity and quality of disclosure with reference to

TCFD.

Supplementary Principle 4.1.1. Roles and Responsibilities of the Board of Directors

The Group has implemented an executive officer system at the Company and its major subsidiaries. This is intended to clarify the roles of management decision-making and business execution, to realize prompt and flexible management strategies for the overall Group's business execution system, and to strengthen the corporate governance system by clarifying responsibilities. Executive officers are appointed by resolution of the Board of Directors for a term of one year. Directors are responsible for management decisions, supervision of business execution, and decision-making by the Board of Directors concerning the entire corporate group centering on the Company, while executive officers are responsible for operations executed in accordance with resolutions of the Board of Directors. A summary of this information is disclosed in the Securities Report. The decisions of the Board of Directors are stipulated in the Regulations of the Board of Directors, and the execution of duties and scope of responsibilities of each executive officer are stipulated in the Regulations of the Board of Directors.

Principle 4.9. Independence Standards and Qualification for Independent Directors

In selecting independent outside directors, the Company endeavors to select candidates who, in addition to meeting the criteria set forth by the Tokyo Stock Exchange, are expected to contribute to the Board of Directors. The criteria for determining the independence of outside directors and the reasons for selecting independent outside directors are described in the Securities Report.

Supplementary Principle 4.10.1. Use of Optional Approach

The Company has established a Nomination Committee and a Compensation Committee on a voluntary basis. The Board of Directors considers and decides on nominations and remuneration with the appropriate involvement, advice, and reports from both committees. The Nomination Committee consists of two independent outside directors, one outside auditor and one inside director, with a half of the members being independent outside directors. The Compensation Committee consists of two independent outside directors, one outside auditor and one inside director, with the half of the members being independent outside directors. The membership of each committee is described in the Securities Report.

Supplementary Principle 4.11.1. Preconditions for the effectiveness of the Board of Directors and Audit & Supervisory Board

The Group has a holding company structure in which each operating company is under the control and management of the Company, which is the holding company, and each operating company conducts its own business activities. While respecting the uniqueness of the management of each operating company, the Company will monitor the business execution of each operating company in a consolidated manner. For this reason, the Company has adopted the appointment of outside directors and a "company with audit board" structure to ensure the effectiveness of the corporate governance system of the entire Group. Our Board of Directors is composed of directors who are capable of grasping the overall business situation of each Group company, verifying the appropriateness of business execution by each Group company, and making unified decisions on the fundamental aspects of the entire Group for the purpose of overall optimization of the Group. Based on the above, executive directors are appointed from those responsible for the management of each operating company who have acquired knowledge and experience at major operating companies and are well versed in management, as well as those who are capable of managing and controlling the entire group. In addition, the Company appoints outside directors who are experts with considerable knowledge and diverse experience in corporate management with a fair and neutral point of view.

The Company has established criteria for the selection of candidates for its Board of Directors, the details of which are disclosed in the Corporate Governance Report. The skills matrix of the Company's executive officers is also disclosed in the Corporate Governance section of the Company's website.

Supplementary Principle 4.11.2. Preconditions for the effectiveness of the Board of Directors and Audit & Supervisory Board

In the event that an executive officer of the Company serves as an executive officer of another company, the approval of the Board of Directors is required for directors and the approval of the Audit & Supervisory Board is required for auditors. In the deliberation process, the possibility of any conflict with the performance of a person's duties and responsibilities as an officer of the Company will be discussed and, upon confirmation that there is no conflict, that person will be approved to serve concurrently as an officer of another company. Although some of our directors and auditors concurrently serve as executive officers of other companies, none of these positions interfere with the performance of their duties as executive officers of the Company. The status of concurrent positions held by executive officers is disclosed in the Securities Report.

Supplementary Principle 4.11.3. Prerequisites for ensuring the effectiveness of the Board of Directors and Audit & Supervisory Board

The Company verifies the effectiveness of the Board of Directors through monitoring by outside directors and outside auditors. In addition, the effectiveness of the Board of Directors as a whole is evaluated and analyzed by distributing a survey to

directors and corporate auditors and then summarizing the results at a meeting of the Board of Directors. Details are disclosed in the Corporate Governance section of the Company's website.

Supplementary Principle 4.14.2. Director and Auditor Training

We recognize that it is important for the sustainable development of our company and the fulfillment of our social responsibilities that our managers and employees acquire the necessary knowledge and understanding to act appropriately and fulfill their responsibilities. Based on this recognition, we proactively provide in-house and external training opportunities at our expense on corporate management fundamentals that executives should know, as well as on matters specific to our business.

Principle 5.1. Policy for Constructive Dialogue with Shareholders

The Company responds to requests for dialogue from shareholders, investors, and the press as follows:

- Visits to our company upon request
- Receiving visitors to our company
- Domestic and international telephone interviews
- Inspection of stores and distribution centers

We have established a basic policy for disclosure which can be found on the Corporate Governance page of the Company's website to ensure that it is well known to the public.

Other

The Company's status regarding all the principles of the Corporate Governance Code, including the principles that require disclosure of certain matters under the Corporate Governance Code, is posted on the Company's website (<https://www.axial-r.com/ir/cg/>) as "Our Approach to the Corporate Governance Code".

Measures to achieve management conscious of cost of capital and stock price- English disclosure available

Details are disclosed in the Company's presentation materials which are posted on its website in the Financial Information section (<https://www.axial-r.com/ir/financial/>).

2. Capital Structure **Updated**

Foreign Shareholding Ratio	10% to less than 20%
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Status of Major Shareholders **Updated**

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,853,900	8.19
Daishi Hokuetsu Bank, Ltd.	1,001,440	4.42
New Sunlife Co., Ltd.	884,682	3.90
The Shoko Chukin Bank, Ltd.	728,157	3.21
Kazuhiko Hara	699,748	3.09
Nobuhiro Hara	688,567	3.04
Takeyuki Ueki	682,486	3.01
Hara Kazuhiko Asset Management Co., Ltd.	554,300	2.44
Custody Bank of Japan, Ltd. (Trust Account)	502,200	2.21
Axial Group Employees' Stockholding	431,225	1.90

Controlling Shareholder, if applicable (excluding Parent Companies)	None
Parent Company, if applicable	None

1. Status as of March 31, 2024.
2. Shareholding ratios are calculated excluding treasury stock and rounded down to two decimal places.
3. In addition to the above, the Company owns 754,904 shares of treasury stock.
4. The number of shares held by Mr. Kazuhiko Hara was the number of shares beneficially held at the end of the previous fiscal year, including the number of shares held by Hara Kazuhiko Asset Management Co. Ltd., an asset management company for Mr. Kazuhiko Hara and his relatives. The number of shares held by that company is not included at the end of the current fiscal year because Mr. Kazuhiko Hara no longer has any ownership interest in Hara Kazuhiko Asset Management Co., Ltd.
5. The number of shares held by Mr. Nobuhiro Hara was the number of shares beneficially held at the end of the previous fiscal year, including the number of shares held by Nobuhiro Hara Office Co., Ltd., an asset management company for Mr. Nobuhiro Hara and his relatives. Hara Nobuhiro Office Co., Ltd. subsequently sold its holdings of the Company's shares which are therefore not included at the end of the current fiscal year.
6. The number of shares held by Mr. Takeyuki Ueki includes 350,000 shares held by Ueki Asset Management Co., Ltd, the asset management company of Mr. Ueki and his relatives.

3. Corporate Attributes

Listed Stock Exchange and Market Section	Prime Market
Fiscal Year-End	March 31
Business Sector	Retail Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit & Supervisory Board
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Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors Updated	9

Election of Outside Directors	Elected
Number of Outside Directors Updated	3
Number of Independent Directors Updated	3

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Koichi Niihara	Academic											
Asako Kikuno	Other											
Juntaro Tsuru	From another company											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

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

Outside Directors' Relationship with the Company (2)

Name	Independent Director	Supplementary Explanation	Reasons for Appointment
Koichi Niihara	○	None	Mr. Koichi Niihara is a Professor Emeritus with a wealth of experience and a broad perspective from his long career in leadership positions as a researcher in highly specialized fields in Japan and overseas, and has personal connections with various researchers closely related to the Group's business. He performs his role as an outside director by commenting as necessary from an objective viewpoint close to that of an ordinary consumer. Considering his experiences and aptitudes, we expect him to oversee the Company's management from a perspective independent from its corporate executives and to implement new technologies and improve existing operations in these days of increasing progress and speed of technological innovation in the future. Mr. Niihara has never been involved in company management other than as an Outside Officer, but has experience in corporate management as a trustee of general incorporated associations and public interest incorporated foundations, and for the reasons stated above, we have appointed him as an outside director and designated him as an

			independent director.
Asako Kikuno	○	None	Ms. Asako Kikuno works as a freelance announcer, she is active in various organizations for the development of local communities and society. Utilizing the knowledge gained from these experiences, she also participates in activities aimed at realizing a society where the development of local communities and diversity are emphasized. Considering her experience and aptitude, we expect her to oversee the Company's management from a perspective independent from its corporate executives and to contribute to the Group's aim of contributing to and coexisting with local communities in the future. Ms. Kikuno has never been involved in company management other than as an Outside Officer, but has experience in corporate management as a Trustee of various organizations, and for the reasons stated above, we have appointed her as an outside director and designated her as an independent director.
Juntaro Tsuru	○	None	Mr. Juntaro Tsuru is currently engaged with various organizations in Japan for community and social development. He has long been involved with central government agencies mainly in construction administration. He has high ethical standards and considerable knowledge, and has been working with many people for the development of the country from a broad perspective. Considering his experience and aptitude, we expect him to overseeing the Company's management from a perspective independent from its corporate executives and to contribute to improve the Company's governance system and address the problems facing society and the global environment in the future. In addition, Mr. Tsuru has experience in corporate management as a Representative Director and as a Trustee of various organizations, and for the reasons stated above, we have appointed him as an outside director and designated him as an independent director.

Voluntary Establishment of Committees corresponding to Nomination Committee or Compensation Committee

Established

Status of Voluntarily Established Committees, Committee Members, and Chairpersons **Updated**

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee corresponding to Nomination Committee	Nomination Committee	4	0	1	3	0	1	Inside Director
Voluntarily Established Committee corresponding to Compensation Committee	Compensation Committee	4	0	1	3	0	1	Inside Director

Supplementary Explanation **Updated**

The Company has established a Nomination Committee and a Compensation Committee for the purpose of preventing representative directors from making arbitrary decisions and to ensure fair corporate governance.

(Nomination Committee)

The Nomination Committee advises and reports on the appointment or dismissal of members of senior management of the Group as a whole. As of the date of submission of this report, the Committee consists of three outside directors, one outside auditor, and one inside director other than the representative director.

The selection criteria for the candidates for directors and auditors are as follows:

<Criteria for the Nomination of Candidates for Director and Auditor>

Candidates for director and auditor of the Company shall be selected by the Nomination Committee subject to resolution approved by the Board of Directors, based on the following nomination policy.

1. Nomination Policy

1.1. A person who can appropriately perform his/her duties as a director or auditor in response to the trust placed in him/her by shareholders.

1.2. A person of good character with considerable knowledge, experience, and achievements, regardless of individual attributes such as gender and nationality, who can be expected to contribute to the Company's sustainable growth and enhancement of corporate value in accordance with the Company's management philosophy.

1.3. A person who does not fall under the grounds for disqualification stipulated in 1-2.

1.4. An outside director or outside auditor must meet the criteria for independence separately stipulated in addition to the requirements stipulated in Article 2, Item 15 of the Companies Act.

2. Grounds for Disqualification

2.1. A person who is recognized as being associated with antisocial forces.

2.2. A person who falls under the grounds for disqualification stipulated in Article 331, Paragraph 1 of the Companies Act.

2.3. A person who is recognized as violating laws and regulations in his/her duties or in private matters.

2.4. A person who has a special interest that affects his/her performance of the duties of a director or auditor.

(Compensation Committee)

The Compensation Committee deliberates and reports on the allocation of individual bonuses to directors and corporate auditors of the Group as a whole. As of the date of submission of this report, the Committee consists of two outside directors, one outside auditor, and one inside director other than the representative director.

(Other)

<Limitations on Qualifications of Directors and Auditors>

The Company's Articles of Incorporation do not contain any specific provisions regarding limitations on the qualifications of directors and auditors.

<Requirements for Resolutions on the Election and Dismissal of Directors and Auditors>

The Company's Articles of Incorporation stipulate the following resolutions for the election of directors:

- A resolution to elect directors shall be adopted by a majority of the voting rights of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders entitled to exercise their voting rights are present.
- The election of directors shall not be by cumulative voting.

There are no special provisions in the Articles of Incorporation regarding resolutions for the dismissal of directors.

The Company's Articles of Incorporation stipulate the following resolutions for the election of auditors:

- A resolution to elect auditors shall be adopted by a majority of the voting rights of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders entitled to exercise their voting rights are present.
- The election of auditors shall not be by cumulative voting.

There are no special provisions in the Articles of Incorporation regarding resolutions for the dismissal of auditors.

Auditors

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

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

(Cooperation between corporate auditors and accounting auditors)

Audit report meetings are held after the completion of quarterly and year-end audits, at which the accounting auditors provide the corporate auditors with a summary of the audits conducted and detailed reports on the results of the audits. In addition, during the fiscal year, the corporate auditors and the accounting auditors exchange opinions and questions with each other as necessary to share information that contributes to the effectiveness of audits by corporate auditors and to monitor and verify the appropriateness of accounting audits.

(Cooperation between corporate auditors and internal audit department)

The full-time auditors hold a regular monthly meeting with the internal audit department to exchange opinions and advice with each other on the status of audit implementation, audit findings, and the status of improvement of issues raised, in an effort to enhance the effectiveness and efficiency of audits. In addition, both parties work together to conduct joint audits when necessary.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	0

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Junichi Yako	From another company										△			
Yoshihito Saito	From another company										△			

*Categories for "Relationship with the Company".

("○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Executive or non-executive director of the Company's parent company
- d. Audit & Supervisory Board member of the Company's parent company
- e. Executive of a fellow subsidiary
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client of the Company or an executive thereof
- h. Consultant, accounting expert, or legal expert who receives a large amount of cash or other assets from the Company in addition to remunerations a director or Audit & Supervisory Board Members
- i. Major shareholder of the Company (or an executor of said corporation if the shareholder is a corporation)
- j. Executive of a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- k. Executive of another company with whom there is a relationship of mutual appointment with the Company (applies to the person him/herself only)
- l. Executive of a company or organization that receives a donation from the Company (applies to the person him/herself only)
- m. Other

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

Name	Independent Audit & Supervisory Board Member	Supplementary Explanation	Reasons for Appointment
Junichi Yako		<p>Mr. Yako is from a financial institution with which we do business. However, the transactions between the financial institution and the Company are normal transactions as with other financial institutions. He does not fall under the "Criteria for Independence of Outside Directors and Outside Auditors" established by the Company in addition to the "Independence Criteria" established by the Tokyo Stock Exchange, and there is no risk that his independence will be affected.</p>	<p>Mr. Yako has long worked for a leading regional bank in a region area where our Group operates, and became familiar with the management of various companies. He has served as a director of the bank, and his experience managing a financial institution has given him a high ethical standard and a good awareness of compliance policies. Under the company structure of the Group, each company develops its business independently. As such, it is crucial that decision-making and business execution are audited to ensure consistency with Group policies and philosophies, even in business development over a broad area. Since assuming his role as auditor, Mr. Yako has performed his duties appropriately as auditor of Harashin Co., Ltd. while also coordinating the overall execution of duties by each auditor in his role as chairman of the Audit & Supervisory Board. As an outside auditor, he has conducted audits appropriately, with a priority on perspectives that consider compliance issues and our stakeholders. Based on this experience, we have determined that he is capable of appropriately performing his duties as an auditor and have therefore selected him as an outside auditor.</p>
Yoshihito Saito		<p>Mr. Saito is from a financial institution with which we do business. However, the transactions between the financial institution and the Company are normal transactions as with other financial institutions. He does not fall under the "Criteria for Independence of Outside Directors and Outside Auditors" established by the Company in addition to the "Independence Criteria" established by the Tokyo Stock Exchange, and there is no risk that his independence will be affected.</p>	<p>Mr. Saito has long worked for a leading regional bank in a region where our Group operates, and became familiar with the management of various companies. His experience managing a financial institution has given him a high ethical standard and a good awareness of compliance policies. He also served as representative director of the bank and played a leading role in the local economy in various situations. Under the holding company structure of the Group, each company develops its business independently. As such, it is crucial that decision-making and business execution are audited to ensure consistency with Group policies and philosophies, even in business development over a broad area. As an outside auditor he has performed his duties appropriately and his experience has enabled him to develop perspectives based on the importance of compliance policy in management and in accordance with stakeholders. Based on this experience, we have determined that he is capable of appropriately performing his duties as an auditor and have therefore selected him as an outside auditor.</p>

Independent Directors Updated

Number of Independent Directors and Auditors

3

Other Matters Concerning Independent Directors

The Company's "Criteria for Independence of Outside Directors and Outside Auditors" are as follows:
(Criteria for Independence of Outside Directors)

The Company considers Outside Directors or Outside Audit & Supervisory Board Members (referred to herein collectively as

“Outside Officers”) to be independent when it is determined that none of the following items apply.

1. An executive (*1) of the Company or its affiliates (referred to herein collectively as “the Group” (*2)).
2. A major shareholder (*3) of the Company, or if the major shareholder is a corporation, a director, Audit & Supervisory Board member, accounting advisor, executive officer, or other employee of the corporate entity concerned or its affiliates.
3. An executive of a company or its affiliates in which the Company is a major shareholder.
4. A person for whom the Group is a major client (*4) or an executive of an affiliated company thereof.
5. A person who is a major client of the Group (*5) or an executive of an affiliated company thereof.
6. A person who has received a large amount of donation or subsidy (*6) from the Group, or an executive of a corporation or organization which has received a large donation or subsidy from the Group.
7. An executive of a company or its affiliates which has director(s) on loan from the Company (full-time or part-time).
8. An executive of a major financial institution or other large creditor (hereinafter referred to collectively as “large creditor” (*7) who is a lender to the Company, or if the major creditor is a corporation, an executive of the creditor or its affiliates
9. A certified public accountant or tax accountant who is an accounting auditor or accounting advisor for the Group, or a tax accountant, or person who is an executive of an audit corporation or accounting corporation for the Group.
10. A lawyer, certified public accountant, tax accountant, or other consultant who has received a large sum of money or other property benefits from the Group in addition to executive remuneration (*6).
11. An executive of a legal corporation, audit corporation, accounting corporation, or other consulting firm who has received a large sum of money or other property benefits from the Group.
12. A person to whom the first item above has applied, even if it was only once in the past.
13. A person to whom items 2 to 11 above have applied in the past three years.
14. A spouse or a relative within the second degree of kinship of a significant person who executes business (*8) who falls under items 1 to 13 above.
15. Notwithstanding the provisions in items 1 to 14 above, any other person who is recognized as being in special circumstances whereby a conflict of interest with the Company could arise.

<Annotations>

- *1. An executive is an executive director, executive officer, or other officer managing the business of a corporation, as stipulated in Article 2, Paragraph 3, Item 6 of the Regulations for Enforcement of the Companies Act, and does not include outside directors and outside Audit & Supervisory Board Members.
- *2. An affiliate or affiliated company refers to a company that is the relevant company’s parent company, subsidiary company, affiliated company, as well as a company of which the relevant company is an affiliated company, as stipulated in Article 2, Paragraph 3, Item 25 of the Rules of Corporate Accounting.
- *3. A major shareholder refers to a shareholder who hold 10% or more of the voting rights, which include voting rights held both directly and indirectly.
- *4. A person for whom the Group is a major client refers to a person who has provided products or services to the Group with a transaction value exceeding 2% of the Company’s annual consolidated sales in the most recent fiscal year.
- *5. A person who is a major client of the Group refers to a person who has received products or services from the Group with a transaction value exceeding 2% of the Company’s annual consolidated sales in the most recent fiscal year.
- *6. A large amount refers to the amount that exceeds 10 million yen per year for individuals, or 2% of annual consolidated sales in the case of a corporation on average in the past three fiscal years.
- *7. A large creditor refers to a creditor whose loans to the Group exceed 10% of its consolidated total assets at the end of the most recent fiscal year.
- *8. A significant person who executes business refers to an executive director, executive officer, and other officers who execute business of a corporation.

Incentives

Implementation Status of Incentive Measures for Directors

Introduction of Performance-linked Remuneration Scheme

Supplementary Explanation

The Group is a holding company structure centered on the Company. Therefore, we consider consolidated business performance as the basis for determining the amount of remuneration, and the total amount of directors’ bonuses for the entire Group is linked to business performance, which is approximately 8.5% of profit attributable to owners of the parent.

Persons Eligible for Stock Options	N/A
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Supplementary Explanation

N/A

Remuneration for Directors

Status of Disclosure of Individual Directors' Remuneration	No Disclosure for any Directors
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Supplementary Explanation

There are no persons whose total consolidated remuneration exceeds 100 million yen.

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

1. Policy for determining the amount of remuneration for directors and auditors of the Company and the method for calculating the amount of remuneration

1.1. Matters relating to the policy for determining the amount of remuneration for directors and auditors of the Company and the method for calculating the amount of remuneration

1.1.1. Details of the policy for determining the amount of remuneration for directors and auditors of the Company and the method for calculating the amount of remuneration

The Company has established remuneration regulations as the basic policy for determining remuneration of its board members. Remuneration consists of performance- linked remuneration (bonuses paid once a year after the end of the fiscal year) and non-performance-based remuneration (base remuneration paid as a fixed monthly amount). In addition, remuneration for the Company's board members shall be in monetary terms, and no non-monetary remuneration is expected.

1.1.2. The Articles of Incorporation stipulate that remuneration of board members shall be determined by a resolution of the General Meeting of Shareholders. The individual remuneration for each fiscal year for directors and auditors is determined by a resolution of the Board of Directors and by consultation with corporate auditors respectively, within the maximum amounts of remuneration determined by the General Meeting of Shareholders.

In addition, the Board of Directors consults with the Compensation Committee, a voluntary in-house body, before determining remuneration of the Company's board members, and receives the Compensation Committee's deliberations and reports.

1.2. Matters relating to cases where performance-linked remuneration is included in the remuneration of the Company's board members

1.2.1. Details of the policy for determining the ratio of performance-linked and non-performance-linked remuneration

There are no special provisions regarding the percentage of such payment

1.2.2. Indicators related to performance- linked remuneration, reasons for selecting such indicators, and method of determining the amount of such performance- linked remuneration

Performance- linked bonuses for directors and auditors are paid in accordance with consolidated business results, given that the capital structure of the Group is centered on the Company as a holding company. The total amount of bonuses paid to directors and auditors of the Group as a whole is determined based on approximately 8.5% of profit attributable to owners of the parent, taking into consideration the maximum amount of compensation determined by the General Meeting of Shareholders and the performance level of the Group.

1.3. Policy for determining the amount of remuneration for each director and auditor of the Company and the method for calculating the amount of remuneration

The basic remuneration other than performance- linked remuneration for each director and auditor is calculated in accordance with the Remuneration Regulations for Directors and Auditors, based on a fixed number based on the status of their position, responsibilities, etc. The basic amount of performance- linked bonus for each director and auditor is calculated by allocating "the total amount of bonuses to directors and auditors of the Group, which is calculated as approximately 8.5% of profit attributable to owners of the parent," in accordance with the Regulations on Directors' Remuneration. The basis for the

calculation of the allocation as stipulated in the Remuneration Regulations for Directors and Corporate Auditors includes base remuneration, coefficients based on the size and performance of the company in which they serve, coefficients based on their current position, and others.

1.4. Matters relating to the policy for determining the details of remuneration, etc., for each individual director

1.4.1. Details of the policy for determining remuneration, etc., for each individual director

With regard to both base remuneration and performance-linked remuneration, the Company will first discuss with the representative director the appropriateness of the individual base amount calculated in accordance with the policy for each position, and determine a rough draft of the amount to be paid to each individual director. The draft is then submitted to the Compensation Committee for consultation. The Compensation Committee discusses the contents of the draft proposal, adjusts the amount added or subtracted by the Compensation Committee, and reports back to the Board of Directors.

1.4.2. Method of determining the details of remuneration for each individual director

Details of the individual director's remuneration for each fiscal year is determined by resolution of the Board of Directors. On April 9, 2002, the Board of Directors adopted a resolution regarding the policy on the details of remuneration for individual board members for the current fiscal year.

1.4.3. Reasons why the Board of Directors has determined that each board member's remuneration for the current fiscal year is consistent with this policy

In order to ensure that the incentive objectives of the remuneration system which sets performance-linked remuneration for directors are reflected in a balanced manner, the Board of Directors expects that the percentage of directors' bonuses as performance-linked remuneration will exceed the percentage of base remuneration if the target consolidated performance is achieved. The Board of Directors has confirmed that the policy for determining remuneration and the details of remuneration determined for each individual director for the current fiscal year are consistent with the Board's policy and that the report from the Compensation Committee has been respected. Therefore, the Company has determined that the decision is in line with the policy.

1.5 Remuneration for directors and corporate auditors in cases of companies other than companies with a nomination committee

The remuneration for directors and auditors is determined by resolution of the General Meeting of Shareholders in the Articles of Incorporation. The maximum amount of remuneration is an annual amount that includes directors' bonuses and excludes directors' salaries as employees. The details are as follows:

· Amount for directors: 500 million yen (Resolution of the 56th Annual General Meeting of Shareholders held on June 28, 2007)

· Amount for auditors: 100 million yen (resolution of the 73th Annual General Meeting of Shareholders held on June 20, 2024)

1.6. Matters relating to delegation of authority to determine the details of individual remuneration for directors

The Board of Directors of the Company determines the details of remuneration for each individual director, and no directors or other third parties have been delegated by the Board of Directors to determine such matters. To ensure that its decisions are properly exercised, the Board of Directors consults with the voluntary Compensation Committee established within the Company and receives its deliberations and report. The composition of the Compensation Committee members is as described in the Securities Report.

2. Total amount of remuneration, etc., by category of directors and type of remuneration, and number of board members covered

2.1 The total amount of remuneration, etc., by category of directors and type of remuneration, and number of board members covered is as stated in the Securities Report.

2.2. Name of each director, classification of director, total amount of remuneration as director of the Company and amount of consolidated remuneration by type

Not disclosed since there are no persons whose total amount of consolidated remuneration is 100 million yen or more.

2.3. Significant employee salaries of board member concurrently serving as employees

No employee salaries are paid to directors who also serve as employees.

2.4. Target and result of indicators related to performance-linked remuneration in the most recent fiscal year

· Indicators related to performance-linked remuneration: Consolidated net income

· Target: 7,000 million yen

· Result: 7,442 million yen

3. Name of the person who has the authority to determine the amount of remuneration, etc. of the Company's directors, the method of calculation thereof, the nature of such authority, and the scope of such discretion

The Board of Directors of the Company determines the details of remuneration for each individual director and no directors or other third parties have been delegated by the Board of Directors to determine such matters. To ensure that its decisions are properly exercised, the Board of Directors consults with the voluntary Compensation Committee established within the Company and receives its deliberations and report. The details of the report are included in the Securities Report.

Support System for Outside Directors (Outside Audit and Supervisory Board Members)

With regard to support for outside directors, the General Affairs Department serves as the secretariat of the Board of Directors and compiles information. With regard to support for outside auditors, the Board of Directors shall, at the request of and in consultation with the auditors, appoint an employee who is independent from the directors to serve as the secretariat for the auditors and assist them in their duties. Board meeting materials are compiled by the General Affairs Department and distributed prior to the meeting date. In addition to the directors and auditors, executive officers and other responsible persons attend the meetings of the Board of Directors to explain agenda items and answer questions from each director and auditor, as appropriate.

Status of Persons who Retired from the Position of Representative Director, President, etc.

Information on Persons Holding Advisory Positions after Retiring from the Position of Representative Director, President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions (Full/part time, with/without remuneration, etc.)	Date of retirement from former position	Term of office
N/A					

Number of Persons Holding Advisory Positions After Retiring from the position of Representative Director, President, etc.

0

Other Related Matters

N/A

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

The Group's corporate governance structure is described in the Securities Report.

(Matters relating to the functions of business execution)

The Group has adopted a holding company structure and has established an Audit & Supervisory Board, appointed outside directors, and introduced an executive officer system. In addition, the Group Management Committee (composed of full-time directors and other nominated directors from each operating company) has been established to make decisions on the Group's management policies and to manage and control the Group as a whole and to communicate with each other, and decisions on daily operations are made through active discussion. Each operating company executes its operations based on the policies decided by the Group Management Committee, and proactively delegates the authority necessary to carry out day-to-day operations to department heads and store managers.

Full-time corporate auditors monitor the directors' performance of their duties, not limited to the head office, but also in extensive cooperation with the persons in charge of each department from the perspective of how the company's policies are implemented at each operating company. Furthermore, the Audit & Supervisory Board, which includes part-time corporate auditors, meets monthly to analyze management figures, review the minutes of Board of Directors meetings and the approval process, and hear from the responsible executives.

(Matters Related to Audit and Supervisory Functions, etc.)

<Internal Audit>

The Company, as a holding company, has established a Business Audit Office to conduct internal audits of the Group from a standpoint independent of each operating company. In addition, we cooperate with the Business Audit Offices established at each major operating company to improve the quality and ensure the effectiveness of internal audits.

<Management structure of the internal control system>

Regarding the management and operation of internal control over financial reporting, the Company's Internal Control Management Office is responsible for analyzing, examining, reviewing and improving the current status of the Group's internal control. In addition, the Internal Control Improvement Committee, which is composed of personnel selected from each Group

company, reports on and evaluates the situation.

<Management structure of the Management Policy>

The TQM Promotion Department manages the progress of TQM (Total Quality Management) activities related to management for the entire Group to determine the degree to which management policies are being realized. The Company also strives to raise employee awareness of compliance and corporate ethics in accordance with the Ethics and Compliance Management Regulations through education and awareness-raising activities.

< Internal Environmental Audit>

The Group's operating companies, Harashin Co., Ltd., Narus Co., Ltd., Harashin Narus Operation Service Ltd. and Axial Label Inc. have obtained ISO 14001 certification for all of their facilities in operation at the time of the certification assessments. In addition to monitoring by the Internal Environmental Audit Committee which consists of internally appointed members of the Environmental Audit Committee, we strive to maintain and preserve quality control of our environmental activities, compliance with laws and regulations, and the execution of business operations. We also continue to undergo periodic audits by external certification bodies.

<Management Structure of the Compliance Function>

The Company has established and operates an internal reporting system to provide a point of contact for the collection of information from a wide range of internal and external parties. The President takes necessary measures on problematic issues based on the deliberations and reports of the Compliance Committee, which is composed of personnel selected from each Group company.

< Risk Management Structure>

Regarding potential risks related to overall management, the Risk Management Committee, which is composed of personnel selected from each Group company, identifies issues and considers countermeasures.

<Other>

Regarding product quality control, the departments in charge of each Group company conduct surveys on the status of maintenance and management, ensure compliance with laws and regulations regarding product origin, ingredients, and additive labeling, and manage overall product quality assurance, including sell-by dates and traceability.

Regarding labor management, each Group company holds monthly labor-management council meetings consisting of union leaders and directors, where they openly discuss and share information on a wide range of management issues.

(Matters Related to Nomination)

Regarding matters involving the appointment or dismissal of senior management, even though the Company has an Audit & Supervisory Board, in order to ensure fairness in personnel evaluations within the Group, a Nomination Committee has been established on a voluntary basis. The Nomination Committee selects candidates for Group directors and auditors in accordance with the selection criteria set forth in the Bylaws for the nomination of directors and auditors and in accordance with the recommendation criteria set forth in the Executive Officer Regulations for the nomination of executive officers.

(Matters Related to Compensation)

The Company is a pure holding company, and the actual business is conducted by each operating company. Therefore, from the point of view of ensuring fairness of evaluation within our group, a Compensation Committee has been established on a voluntary basis even though the Company has an Audit & Supervisory Board. The Compensation Committee evaluates all senior management of the Group in accordance with the internal regulations and reports to the Board of Directors on the amount of compensation.

(Other)

<Matters Related to the Limited Liability Agreement>

In order to ensure that outside directors and outside auditors can fully perform their expected roles, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation stipulate that it may enter into an agreement with outside directors and outside auditors that limits their liability for damages under Article 423, Paragraph 1 of the Companies Act (limited liability agreement). The summary is as follows:

- Persons Covered by the Agreement: All Outside Directors and Outside Auditors
- Limitation of Liability for Damages Under the Agreement: Minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act
- Cases in which limitation of liability is allowed: The liability of outside directors and outside auditors shall be limited to cases where they have performed their duties in good faith and without gross negligence.

< Indemnification agreements>

The Company has not entered into any indemnification agreements as stipulated in Article 430-2, Paragraph 1 of the Companies Act with its officers, etc., as stipulated in Article 423, Paragraph 1 of the Companies Act, and there are no applicable matters.

<Matters related to executive officers' liability insurance policies>

The Company has concluded an executive officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The summary is as follows:

- Scope of insured persons: All directors, auditors and executive officers of the Company and its subsidiaries
- Actual premium borne by the insured: For directors and auditors of the Company, the Company pays 90% of the premiums and each officer pays 10%, while for other executive officers, the companies where they hold office pay the full amount of the premiums.
- Summary of covered accidents: Damages incurred by an insured person as a result of a claim for damages arising out of acts committed in the course of their duties as an officer of the company.

<Measures to ensure that appropriate execution of duties by Executive Officers is not compromised>

The reduced payment ratio (the ratio of insurance claims paid by the insurance company to the amount of damages incurred by the insured party minus the insurance company's deductible) is set at 95%, which means that the full amount of compensation and other payments is not covered by the policy.

< Matters concerning the system of resolutions of the Board of Directors by Special Directors >

The Company does not provide for the matters stipulated in Article 373, paragraph 1 of the Companies Act (Resolutions of the Board of Directors by Special Directors).

<Matters concerning basic policy for persons responsible for decisions on financial and business policies>

The Company has not introduced any countermeasures against large-scale acquisitions of its shares (so-called "takeover defense measures"). Therefore, there are no applicable matters regarding a basic policy for persons responsible for decisions on the financial and business policies of a stock company (so-called "basic policy regarding control of a company") (matters listed in Article 118, Paragraph 3 of the Ordinance for Enforcement of the Companies Act).

3. Reasons for Adoption of the Current Corporate Governance System Updated

The Group has adopted a pure holding company structure. Each affiliated company ("operating company") under the management and control of the Company conducts its business on a wide scale, exercising its own autonomy, independence, and uniqueness in accordance with the unified policies of the Group. For this reason, the Company has adopted an Audit & Supervisory Board format so that each board member can exercise his/her authority independently and full-time corporate auditors can exercise their supervisory functions on a daily basis in order to ensure the effectiveness of the corporate governance system for the entire Group by monitoring the business execution of each operating company. In addition, the Company appoints outside directors to ensure that independent oversight functions in decision-making in the execution of business.

As of the date of this report, there are 9 directors and 4 auditors. 3 of the directors are outside directors (one of whom is a woman) and 2 of the auditors are outside auditors. Furthermore, in May 2007 the Company introduced an executive officer system to clarify the roles of management decision-making and business execution, to realize prompt and flexible management strategies for the entire Group's business execution system, and to strengthen the corporate governance system by clarifying responsibilities. The term of office is one year and, as of the date of the Annual Securities Report, it consists of nine members (two of whom are also on the Board of Directors) appointed by resolution of the Board of Directors. The Directors are responsible for management decisions, supervision of the execution of business and decision-making of the Board of Directors for the entire Group centered on the Company, while the Executive Officers are responsible for operations carried out in accordance with the resolutions of the Board of Directors. Moreover, the Company has established voluntary organizations and various committees to supplement, maintain, and strengthen its corporate governance structure.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Notification of the General Meeting of Shareholders	Notice of the General Meeting of Shareholders is posted at least three weeks before the date of the shareholders' meeting.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The date of the General Meeting of Shareholders is set to avoid days when there is a concentration of General Meetings and expected congestion at the venue.
Electronic Exercise of Voting Rights	Voting rights may be exercised by accessing the voting website from a personal computer or smartphone.
Participation in Electronic Voting Platform and Other Initiatives to make it easier for Institutional Investors to Exercise Voting	The Company participates in an electronic voting platform.

Rights	
Provision of Convocation Notice in English (Summary)	The Notice of the General Meeting of Shareholders is posted on the Company's website and the website of the Tokyo Stock Exchange. It is also provided on the voting platform.
Other	The Notice of the General Meeting of Shareholders is posted in advance of the legally required date. It is also made widely available for public inspection prior to the General Meeting of Shareholders on the Company's website and on the website of the Tokyo Stock Exchange.

2. IR Activities Updated

	Supplementary Explanation	Explanation by a representative
Preparation and Publication of Disclosure Policies	<p>(Disclosure Policy)</p> <p>1. Basic Policy To help shareholders, investors and all other stakeholders understand and properly evaluate the Company, the Company will strive to provide timely information based on transparency, fairness and continuity. In addition to disclosing information in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules of the Tokyo Stock Exchange, we also strive to disclose information that we believe will be useful for understanding our company in a timely and proactive manner.</p> <p>2. Method of Information Disclosure Information subject to the Timely Disclosure Rules will be disclosed through the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange and will also be promptly posted on the Company's website. In addition, even with respect to information that is not subject to the Timely Disclosure Rules, we will endeavor to communicate such information accurately and fairly to investors by distributing materials or posting the information on our website based on the intent of the Timely Disclosure Rules.</p> <p>3. Forward-Looking Statements Forward-looking statements contained in the Company's release are based on information currently available to the Company as of the date of the release and certain assumptions that the Company believes to be reasonable. Actual results may differ materially due to known and unknown risks, uncertainties, and various other factors.</p> <p>4. Quiet Period In order to prevent important corporate information from being leaked and to ensure fairness, the Company in principle observes a quiet period from two weeks prior to the closing date of each quarter until the date of the announcement of financial results. During this period, we refrain from answering questions about the financial results or commenting on related information. However, this does not apply to material facts which the Company believes may have a significant impact on investors' investment decisions, even during this period.</p>	
Regular Investor Briefings for Individual Investors	Company information meetings are held each fiscal year.	Yes
Regular Investor Briefings for Analysts and	Each fiscal year, after the announcement of second-	Yes

Institutional Investors	quarter and year-end financial results, we hold company briefings to explain the financial results and the company's initiatives. We also hold small meetings and visit institutional investors.	
Regular Investor Briefings for Overseas Investors		No
Online Disclosure of IR Information	<p>IR Information is available on our website (https://www.axial-r.com/). The materials posted are as follows:</p> <ul style="list-style-type: none"> · Securities Report · Summary of Consolidated Financial Results (for each quarter and for the fiscal year) · Financial Information (for the 2nd quarter and for the fiscal year) · IR Presentation Materials (for the 2nd quarter and for the fiscal year) · Annual Report in Japanese (for the 2nd quarter and for the fiscal year) · Integrated Report (for the fiscal year) · Annual Report in English (for the fiscal year) · CSR Report (for the fiscal year) 	
Establishment of IR Department and Person in Charge	<ul style="list-style-type: none"> · Department in charge of IR: Corporate Planning Department · Director in charge of IR: Bungo Yamagishi, Vice President and Director, CFO 	
Other	N/A	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Internal Rules Stipulating Respect the Position of Stakeholders	We have established Ethics and Compliance Management Regulations and ensure that all employees act in a manner that respects the position of our stakeholders. In addition, we distribute a document entitled "Our Promises in Business Transactions," which outlines the promises made in relation to transactions between our group and our business partners, in an effort to ensure that fair and equitable relationships are maintained.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company's subsidiaries, Harashin Co., Ltd. and Narus Co., Ltd. have obtained ISO 14001 certification for all of their facilities in operation at the time of the certification assessments. The Internal Environmental Audit Committee, which consists of internally appointed members of the Environmental Audit Committee, monitors environmental preservation activities, compliance with laws and regulations, and the execution of business operations, as well as maintaining and ensuring the quality control of environmental activities. In addition, we continue to undergo periodic audits by external certification bodies. These activities are managed and expanded through the establishment of a dedicated department, the Environmental and CSR Office. We also publish an annual report and CSR report each fiscal year to provide information on our Group's activities.
Formulation of Policies for Providing Information to Stakeholders	Our basic policy is to disclose accurate information to our shareholders, investors, and other stakeholders in a fair and timely manner. In addition to disclosures required by laws, regulations, and rules, we also actively disclose information that we believe is useful for understanding our company. Such information is disclosed in various publicly available media and on the Company's website.
Other	In order to ensure an objective assessment of the Company's creditworthiness,

we use a private rating agency to review our credit rating each fiscal year. The most recent rating is A (stable).

IV. Matters Concerning Internal Control Systems

1. Basic Views on Internal Control Systems and Status of Development

(Basic Policies on Internal Control Systems and Status of Development)

Pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100 of the Regulations for the Enforcement of the Companies Act, the Company has established the following systems to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems stipulated by Ministry of Justice ordinances as necessary to ensure the appropriateness of operations of the Company and its Group companies..

1. Systems to ensure that directors execute their duties in compliance with laws and regulations and the Articles of Incorporation

As a holding company, the Company shall establish a code of ethics to be observed by directors and employees of the group of companies consisting of the Company and its subsidiaries from the perspective of managing and overseeing the entire group of companies, and shall establish a code of conduct to ensure compliance with laws and regulations, etc. The Board of Directors shall consist of directors, including outside directors, and shall deliberate, decide, and report on important matters concerning the Company and its subsidiaries in accordance with the Board of Directors Regulations and other internal regulations, as well as supervise the execution of duties by the directors of the Company. In the execution of their duties, the directors of the Company shall develop and maintain a system of internal controls to ensure the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with laws and regulations governing business activities, and the safeguarding of assets. In order to evaluate the effectiveness of the system, the Internal Audit Office has been established to continuously monitor the overall execution of duties. Directors and employees of the Company shall sever all relationships with antisocial forces. They shall not be involved in any activities that are problematic in light of ethics and compliance. These are stipulated in the Ethics and Compliance Management Regulations, and we will ensure that all employees are fully aware of them.

2. Systems for storing and managing information in relation to the execution of the duties by the Company's directors
Approval documents, minutes, and other documents related to the decision-making process in the execution of duties by directors of the Company shall be properly stored in accordance with document management regulations. Any material information that requires disclosure by law shall be promptly disclosed. In addition, the Company shall establish regulations for the prevention of insider trading, regulations for the protection of personal information, regulations for information security, and other regulations to ensure thorough information management.

3. Rules and other systems for managing the risk of loss

The Company shall establish a Risk Management Committee to regularly assess and review potential management risks and take necessary actions. The Company shall examine the management of each category of loss, and stipulate the management of applicable loss risks in internal regulations and manuals, etc. In addition, the Company shall establish a communication system and action manuals to ensure that all officers and employees act appropriately in the event of unforeseen circumstances.

4. Systems to ensure that directors execute their duties efficiently

The Board of Directors shall establish an executive officer system for the purpose of clarifying the roles of management decision-making and business execution, realizing prompt and flexible management strategies, clarifying responsibilities and strengthening the corporate governance system, and shall clarify the duties and authority of appointed executive officers in the Regulations on Administrative Authority. In order to speed up the decision-making process regarding the execution of duties for the entire Group, the Company's directors and designated persons shall hold group management meetings to discuss and make decisions on policies for the execution of duties and other important matters.

5. Systems to ensure that employees execute their duties in compliance with laws and regulations and the Articles of Incorporation

The Company shall establish a Compliance Committee to discuss compliance matters and a TQM Promotion Department to maintain, improve, and raise awareness of social responsibility and legal compliance. The Company shall provide education to enable employees to make their own judgments and act accordingly based on the concept of Total Quality Management (TQM) activities in the day-to-day execution of duties. The Company shall establish internal and external whistleblowing contact points, establish a system for timely reporting and consultation, and protect the rights of whistleblowers.

6. Systems to ensure appropriate operations of the corporate group comprised of the Company and its subsidiaries

6.1. Systems for reporting to the Company on matters related to the execution of the duties by directors, etc., of a subsidiary

The subsidiaries shall hold joint meetings of the Board of Directors of the subsidiaries at the Company with the directors of the Company and others in attendance to deliberate, decide, and report on important matters. The system of reporting and decision-making concerning the business execution of the entire corporate group centering on the Company is stipulated in the Regulations for Management of Affiliated Companies, and subsidiaries shall report to the Company on applicable matters and seek approval of the necessary meeting bodies.

6.2. Rules and other systems for managing the risk of loss of a subsidiary company

The Risk Management Committee established by the Company shall also appoint members from the Company's subsidiaries to share awareness of possible management risks from the perspective of the entire group.

In addition, the internal rules and manuals, etc., established by the Company shall be applied mutatis mutandis to manage the risk of loss and to respond to unforeseen circumstances.

6.3. Systems to ensure that directors, etc. of subsidiaries execute their duties efficiently

The Company shall adopt a holding company structure to ensure that each subsidiary can manage its businesses promptly and efficiently in accordance with its business characteristics. Subsidiaries shall establish management committees and appoint executive officers as necessary to improve the efficiency of the execution of duties. Subsidiaries shall report to the Group Management Committee on matters that require reporting to the Company.

6.4. Systems to ensure that directors and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation

The Compliance Committee, organized by the Company, shall also appoint members from subsidiaries to share information and deliberate from the perspective of the entire corporate group.

Total Quality Management (TQM) activities related to the day-to-day execution of duties shall be carried out by the group as a whole in accordance with the Group's management philosophy. The whistleblower contact point established by the Company shall be shared by the Group, and a system for timely reporting and consultation shall be established, and the rights of whistleblowers shall be protected. The appointment of directors and key employees of subsidiaries shall be subject to the approval of the Board of Directors of the Company.

6.5. Other systems to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

The Company, as a holding company, shall establish an Internal Audit Office, which is dedicated to conducting internal audits of the entire Group and audits the appropriateness of business operations from a standpoint independent of its subsidiaries.

Internal control over financial reporting shall be evaluated and reviewed by the Internal Control Improvement Committee, and the Internal Control Management Office shall take the lead in maintaining and upgrading internal control.

7. Requests by the auditors of the company that an employee(s) be appointed to assist them with their duties

In the event that the Company's auditors request the appointment of an employee to assist with their duties, the Board of Directors, upon consultation with the auditors, shall designate an employee as it deems necessary to assist the auditors of the Company in their duties.

8. Independence of the employee in item 7 from the directors of the Company

Employees designated to assist the Company's auditors in the performance of their duties shall, during the period in which they are to assist, act under the direction and authority of the Company's auditors and shall not, in the performance of their duties, be subject to the direction or authority or restrictions of the Company's directors or any person other than the Company's auditors.

In addition, personnel transfers, evaluations, rewards and punishments, and all other matters relating to such employees shall be decided on the basis of discussions by the Audit & Supervisory Board, and independence from the Company's directors and other persons other than the Company's Corporate Auditors shall be ensured.

9. Ensuring the effectiveness of instructions given by an auditor of the company to the employee set forth in item 7

Employees designated to assist the Company's auditors in the performance of their duties shall report to the Company's auditors all matters of which they become aware in the course of their duties under the direction of the Company's auditors and shall not, without the consent of the Company's auditors, communicate such matters to anyone other than the Company's auditors.

10. Systems for reporting to the Company's auditors

10.1. Systems for directors and employees to report to the auditors of the Company

The Company's auditors shall attend meetings of the Board of Directors, the Management Committee and other meetings deemed important in the course of the Company's business, in order to keep abreast of the decision-making process and the performance of duties in the course of the Company's business, and to inspect the minutes of the meetings, approval documents, contracts and other important documents related to the business. Whenever an event occurs that is deemed important in the course of conducting business, the Company's directors and employees shall promptly report the details of the event to the auditors. In addition, they shall be required to provide reports when requested by the auditors. Reports and consultations made to the internal and external whistleblowing hotlines shall also be reported to the auditors.

10.2. Systems for directors, etc. and employees of subsidiaries or persons who receive reports from them to report to the auditors of the Company

The directors of the Company's subsidiaries shall report monthly on the status of monthly financial results to the Company's auditors in detail. In addition, directors and employees of the Company's subsidiaries, or persons who receive reports from them, must promptly report to the Company's auditors the details of any event deemed important that occurs in the course of business execution. Moreover, they shall be obligated to provide reports when requested to do so by the Company's auditors.

11. Systems for ensuring that persons who make a report under item 10 are not subjected to unfavorable treatment for making the report

The Company and its subsidiaries shall protect the personal information of any person who makes a report as described in Item

10 and shall not treat such person unfavorably because of the report.

12. Procedures for advance payment or reimbursement of expenses incurred in the execution of duties by the Company's auditors and other policies related to the processing of expenses or obligations that arise with regard to execution of the duties
If an auditor of the Company makes a request to the Company for advance payment or reimbursement of expenses incurred in the execution of his/her duties, the Company shall promptly comply with such request unless it proves that the requested expenses or liabilities are not necessary for the performance of the auditor's duties.

13. Other systems to ensure that audits by the auditors of the Company are performed effectively

The Company's auditors shall have the authority to independently form their own opinions as to whether the execution of duties by the Company's directors is lawful and in compliance with laws and regulations and the Articles of Incorporation, without being constrained by any other person.

To ensure this independence and authority, the authority of the Company's auditors shall be clarified in the Regulations for Audits and the Regulations of the Audit & Supervisory Board. In addition, the Company's auditors shall conduct audits in cooperation with the Internal Audit Office, accounting auditor, and other parties deemed necessary in accordance with the established audit plan to ensure the effectiveness of the audit.

Also, the Company's auditors shall independently consider the use of outside experts when deemed necessary in conducting audits.

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

The Group places importance on a fair and neutral position in its business activities, and has widely declared its intention to eliminate anti-social forces in a pledge to its business partners.

In addition, the Ethics and Compliance Management Regulations stipulate that there is to be no relationship with anti-social forces, and the company has announced these regulations and informed all officers and employees of the Group. The Environmental CSR Office plays a central role in conducting educational activities based on these regulations, and the Company invites outside lecturers and holds study sessions for executives.

Furthermore, the Company has established an in-house Compliance Committee to discuss compliance-related matters on a monthly basis, and to make internal notification of necessary matters and considerations as needed.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items

N/A

2. Other Matters Concerning the Corporate Governance System

The Company has established an Internal Control Management Office for the purpose of developing and strengthening internal controls in response to the Internal Control Reporting System. It continuously investigates and proposes improvements regarding internal controls. Matters discussed and decided by the Internal Control Improvement Committee regarding these activities are incorporated into the business execution structure.

END