

## Corporate Governance Report

TRANSACTION CO., Ltd.

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**TRANSACTION CO., Ltd.**  
Satoshi Ishikawa  
Chairman and Representative Director  
Contact: Corporate Planning Department +81-3-5468-9033  
Securities code: 7818  
<https://www.trans-action.co.jp.e.zy.hp.transer.com/>

The corporate governance of TRANSACTION CO., Ltd. is as described below:

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

#### **1. Basic views**

In order to fulfill its social responsibilities as a corporation, the TRANSACTION Group (the “Group”) regards enhanced corporate governance as one of its top management priorities. With the objective of pursuing long-term, sound and sustainable growth and enhanced corporate value over the medium- to long-term, the Group is committed to ensuring transparency, soundness, and compliance in management for its various stakeholders, including shareholders and customers.

#### **[Reasons for Non-compliance With the Principles of Japan’s Corporate Governance Code] Update**

[Supplementary Principle 2-4-(1) Basic views/ targets/ status for ensuring diversity, including the hiring of women, foreign nationals, and mid-career workers as managers]

For the purpose of expediting initiatives for sustainability, the Group has identified as managerial challenges 16 materiality items (key issues) to be addressed from the perspective of “business,” “the environment,” “society,” and “governance” as outlined below. As such, in seeking to disseminate its corporate philosophy, action guidelines, and corporate slogan, the Group accordingly enlists a policy that entails proactively adopting diverse human capital and values regardless of nationality, gender or creed to improve corporate activities and value, and promoting the development of human capital over the medium- to long-term, with a clear personnel evaluation system and job level-based education programs that correspond to job titles.

To ensure diversity in hiring core human capital, the Group performs evaluations not based on individual attributes but based on individual ability.

Matters regarding the hiring of women, foreign nationals, and mid-career workers as managers are as stated in “[Supplementary Principle 3-1-(3) Disclosure of initiatives related to sustainability, investment in human capital, intellectual property, etc.], (2) Investment in human capital, (i) Strategy.”

Due to some overlap between female managers and non-Japanese (foreign) managers, the Group sets the target as the percentage of female/non-Japanese managers (including employees who have become naturalized Japanese citizens) under the 4th medium-term management plan released on October 20, 2022, with a target of “35.0%” set for the fiscal year ending August 31, 2025 vs. 29.3% for the fiscal year ended August 31, 2022 (actual). It is 32.1% as of August 31, 2023. In addition, the new target for the percentage of female managers is set as 30.0% for the fiscal year ending August 31, 2025 vs. 26.4% for the fiscal year ended August 31, 2023 (actual).

Since the early days of its founding, the Group has hired new graduates, as well as mid-career workers, for business expansion and structural reinforcement, based on their experience and ability, etc., regardless of nationality and gender. Furthermore, the Group continued to actively hire diverse personnel, regardless of their nationality, gender, or whether they are new graduates or mid-career workers. For this reason, it recognizes that it does not need to implement new measures or set individual targets for hiring foreign nationals, or mid-career workers as managers. The Group will continue to actively hire diverse personnel, regardless of their nationality, gender, or whether they are new graduates or mid-career workers.

Given its history (background) and present condition, as of the time of updating this report, the Group does not set any individual “voluntary and measurable targets” for hiring “foreign nationals,” and “mid-career workers” as managers.

[Translation]

Regarding the policies on the development of human capital and an internal work environment to ensure diversity and the progress thereof, the Group continues to hire new graduates and mid-career workers, enhances job level-based training programs that correspond to job titles as well as training courses for candidates for promotion, and arranges personnel exchanges between the group companies. On top of these efforts, it works to adopt and overhaul various allowances, introduce a staggered work hours system effective from September 2022, extend the maximum period of eligibility for shortened work hours for childcare purposes for as long as a child has yet to enter the fourth grade of elementary school effective from January 2023, implement systemic changes such as doing away with the upper limit on the number of half-days of annual paid leave that may be taken and reducing annual scheduled working hours effective from September 2023, and developing a pleasant work environment for employees by changing office layouts based on various ways of working and introducing systematization and other approaches.

[Supplementary Principle 4-10-(1) Ensuring appropriate involvement and advice by independent outside directors with respect to particularly material matters such as nomination and remuneration, through the establishment of independent advisory committees]

The Board of Directors of the Company consists of five Directors who are not Audit & Supervisory Committee members and three Directors who are Audit & Supervisory Committee members, and four members (one Director who is not Audit & Supervisory Committee member and all three Directors who are Audit & Supervisory Committee members) are independent outside directors. One Director (independent outside director) who is not an Audit & Supervisory Committee member was appointed at the 37th Annual General Meeting of Shareholders held on November 29, 2023, increasing the number of directors by one. As such, four of eight of the Directors are independent outside directors.

Independent outside directors do not account for a majority of the Board of Directors. However, in order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee, an optional committee the majority of which is composed of independent outside directors. At the Remuneration Committee meetings, two Directors (independent outside directors) who are Audit & Supervisory Committee members delegated by the Board of Directors and Chairman and Representative Director engage in the deliberation and determination of remuneration for Directors who are not Audit & Supervisory Committee members; thus, appropriate involvement is ensured. The Company confirms that the Board of Directors has adopted a resolution on the policy for determining the details of individual remuneration, etc. for Directors, and that the details determined by the Remuneration Committee based on delegation by the Board of Directors are in line with the policy.

The nomination of Directors is adequately deliberated and determined at the Board of Directors meetings with the attendance of independent outside directors, who are in an independent and objective position and provide appropriate involvement and advice and exercise their voting rights.

The details of the Remuneration Committee, which is an optional advisory body to the Board of Directors, are as described in supplementary information in [Optional committees] under section “II. Business Management Organization and Other Corporate Governance Systems for Management Decision-Making, Execution, and Supervision” of this report.

**[Disclosure Based on the Principles of Japan’s Corporate Governance Code] Update**

[Supplementary Principle 1-2-(4) Creation of an environment to support the electronic exercise of voting rights and preparation of an English translation of convocation notices]

Since the Annual General Meeting of Shareholders held in November 2022, the Company has supported the electronic exercise of voting rights and participated in an electronic voting platform. It has also published an English translation of the convocation notice of the General Meeting of Shareholders (convocation notice in a narrow sense and reference materials for the Meeting) on the Company website and the Tokyo Stock Exchange website. The details are as stated in “1. Measures to energize general meetings of shareholders and facilitate the exercise of voting rights” under section III of this report.

[Principle 1-4 Strategically-held shares]

The Company’s basic policy is to hold certain shares strategically only when it judges that its business relationship or collaboration with an investee company can be strengthened through business alliance as part of its management strategy and thereby serve to increase the corporate value of the Group over the medium to long

[Translation]

term. For strategically-held shares, business performance, etc. are reviewed and reported to the Board of Directors on a periodic basis, and consistency between the purpose of the shareholdings and business transactions, and risks and costs entailed in the shareholdings are closely examined before the Board of Directors decides whether to maintain the shareholdings. When exercising voting rights, the Company makes comprehensive judgments on each proposal in order to ensure an appropriate response, with a view to improving the medium-to-long-term corporate value of the investee company as well as the corporate value of the Company and the group companies. Given its current collaborative relationships with the issuers of the existing strategically-held shares, the Company sees adequate rationality in such shareholdings.

[Principle 1-7 Transactions with related parties]

Transactions with Directors, conflict-of-interest transactions, and competing transactions must be approved by the Board of Directors in accordance with the Regulations of the Board of Directors. For transactions with related parties, individual survey sheets are distributed to Directors of the Company and directors and auditors of consolidated subsidiaries on an annual basis to check whether they have had any related parties or such transactions. The Audit & Supervisory Committee also verifies the status of each Director using a letter of confirmation on an annual basis.

Transactions with related parties are disclosed in accordance with relevant laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, or the rules established by the Tokyo Stock Exchange.

[Principle 2-6 Functioning as asset owners of corporate pension funds]

The Group does not adopt a defined benefit pension plan as its corporate pension program. The Group adopts an optional defined contribution pension plan as part of employee benefits and periodically offers opportunities to review investment products or for employees to obtain information related to asset management, in an effort to coordinate with fund management institutions by sharing information, etc.

[Principle 3-1 Sufficiency of disclosure information]

- (i) The Company's aims (management philosophy, etc.), management strategy, management plan  
The Group's corporate philosophy and the like are as stated in "2. Other matters regarding Corporate Governance Systems, etc., (1) Corporate philosophy and basic policy on timely disclosure" under section "V. Others" of this report. The management strategy and management plan are disclosed in financial statements briefing session material twice a year or in the medium-term management plan. Please refer to the Company website as well.

Corporate philosophy

<https://www.trans-action.co.jp/e.zy.hp.transer.com/company/philosophy.html>

Corporate slogan

<https://www.trans-action.co.jp/e.zy.hp.transer.com/company/ci.html>

Corporate governance

<https://www.trans-action.co.jp/e.zy.hp.transer.com/company/corporategovernance.html>

Skills matrix of Directors

<https://www.trans-action.co.jp/e.zy.hp.transer.com/company/directo-skill-matrix.html>

Sustainability (Materiality, the Company's initiatives and ESG data)

<https://www.trans-action.co.jp/e.zy.hp.transer.com/business/sustainability/>

Financial statements briefing session material

<https://www.trans-action.co.jp/e.zy.hp.transer.com/ir/presentation.html>

Medium-term management plan

<https://www.trans-action.co.jp/e.zy.hp.transer.com/ir/strategy.html>

- (ii) Basic views and policy on corporate governance  
The Group's basic views on corporate governance are as stated in "1. Basic views" under section I of this report.
- (iii) Policy and procedures for determining remuneration for top-level executives and Directors

[Translation]

The Company's policy and procedures for determining remuneration for Directors are as stated in "Disclosure of policy on determining the amount and calculation method of remuneration (details)" in "1. Organizational structures and operations, [Director remuneration]" under section II of this report.

(iv) Policy and procedures for appointing/dismissing top-level executives and nominating candidates for Directors/Audit & Supervisory Board Members

For inside Directors, regardless of age/gender/nationality, the Company nominates qualified candidates with expertise, experience and knowledge as businesspersons, which are qualities required to enhance the Group's corporate value, and who, as Directors, are capable of fulfilling the fiduciary responsibility delegated by shareholders. For outside Directors, the Company nominates qualified candidates with extensive knowledge and practical experience, who are capable of raising issues and providing advice on overall management, including growth strategy and governance enhancement, from an independent and objective point of view. Based on this policy, the Board of Directors carefully reviews and selects candidates to be submitted to the General Meeting of Shareholders as proposals. Further, in such General Meeting of Shareholders, the Audit & Supervisory Committee makes a statement on the nomination of Directors who are not Audit & Supervisory Committee members.

For dismissal, where any wrongdoing or serious violation of laws and regulations is found in the execution of duties or where the Company judges that he/she cannot fully perform his/her duties, he/she is dismissed upon a resolution of the Board of Directors after deliberation.

(v) Explanations on individual appointments/dismissals and nominations when the Board of Directors appoints/dismisses top-level executives and nominates candidates for Directors/Audit & Supervisory Board Members

The reasons for the election of all the candidates for Directors are described in the reference materials for the convocation notice of the General Meeting of Shareholders. The reasons for the election of outside Directors are also disclosed in the securities report (in Japanese only).

[Supplementary Principle 3-1-(2) Promotion of providing English language disclosures bearing in mind the ratio of foreign shareholders]

Since October 2022, summaries of financial results, summaries of quarterly financial results, financial statements briefing session material (second quarter and fiscal year), medium-term management plans, and review of the medium-term management plan have been translated into English and disclosed on the Company website. This report has been also translated into English since December 2022 and disclosed on the Company website, etc. The details are as stated in "2. IR activities" under section III of this report.

[Supplementary Principle 3-1-(3) Disclosure of initiatives related to sustainability, investment in human capital, intellectual property, etc.]

(1) Initiatives related to sustainability

The Group is committed to initiatives for the realization of a sustainable society through its business activities, under the corporate philosophy and action guidelines outlined below:

<Corporate philosophy>

To make social contributions by offering earth-conscious products through manufacturing

To make contributions to enriched lifestyles (life culture) by offering attractive products in terms of their "design," "quality," and "price"

To continue producing new creations with a cosmopolitan mind/sense and out-of-the-box thinking

<Action guidelines>

To continue to be a company that not only complies with laws but also is respected by society

To maintain a free and open corporate culture in order to continue to be a company that is in harmony with symbiosis

To realize welfare/well-being for customers, employees and shareholders, and more broadly, for society, through its corporate activities

The corporate slogan, "taking on a challenge is fun," which was coined based on our wish/desire to continue offering something of value to customers down the road without ever becoming content with the status quo but with a strong drive for new "challenges," is shared among each of our officers and employees.

[Translation]

For the purpose of expediting initiatives for sustainability, the Company has identified as managerial challenges 16 materiality items (key issues) to be addressed from the perspective of “business,” “the environment,” “society,” and “governance.”

The Group’s materiality for achieving SDGs, the Company’s initiatives and ESG data are posted on the Company website.

<https://www.trans-action.co.jp/e.zy.hp.transer.com/business/sustainability/>

(2) Investment in human capital

With the aim of continuously growing as a corporation and contributing to the enhancement of corporate value and the realization of a sustainable society, the Group continues to work on initiatives that secure and strengthen human capital, and promote diversity through the dissemination of its corporate philosophy, action guidelines and corporate slogan, with respect to its materiality of “respect for human rights,” “human capital development,” “promoting diversity,” and “work-life balance.”

(i) Strategy

The Group’s policies on the development of human capital, including diversity of human capital, and an internal work environment are as described below.

a. Policy on the development of human capital

In seeking to disseminate its corporate philosophy, action guidelines, and corporate slogan, the Group accordingly enlists a policy that entails proactively adopting diverse human capital and values regardless of nationality, gender or creed to improve corporate activities and value, and promoting the development of human capital over the medium- to long-term, with a clear personnel evaluation system and job level-based education programs that correspond to job titles.

For strengthening human capital development, the Group adopts job level-based training programs that correspond to job titles as well as training courses for candidates for promotion, and arranges personnel exchanges between the group companies, among others. In addition, for the purpose of developing next-generation management, it also provides a framework to experience what it is like to serve as a director of an operating company and opportunities to visit and participate in debates over the medium-term strategy conducted as part of an overnight program, etc. for the purpose of developing senior (manager-level) employees.

b. Policy on the development of internal work environment

In seeking to promote empowerment of its female employees, the maximum period of eligibility for shortened work hours for childcare purposes has been extended such that it may be taken for as long as a child has yet to enter the fourth grade of elementary school, effective from January 2023. The Group has been developing a pleasant internal work environment for its employees, such as introducing a staggered work hours system effective from September 2022, doing away with the upper limit on the number of half-days of annual paid leave that may be taken and reducing annual scheduled working hours effective from September 2023, in addition to changing office layouts based on various ways of working and introducing systematization, among others.

Matters taken to improve employee welfare are as described below.

• Fiscal year ended Aug. 2023

Increase in position allowances, increase in base amount for bonuses, payment of inflation allowance, allowances for non-managerial sales positions, allowances for non-managerial positions at subsidiary Kraftwerk Co., Ltd., increase in child allowances as childcare support

• Matters implemented during the fiscal year ending Aug. 2024

Payment of year-end bonuses in September 2023 and increase in monthly base salary

c. Ensuring diversity of human capital

Since the early days of its founding, the Group has hired new graduates, as well as mid-career workers, for business expansion and structural reinforcement, based on their experience and ability, etc., regardless of nationality and gender. Furthermore, the Group continued to actively hire diverse personnel, regardless of their nationality, gender, or whether they are new graduates or mid-career workers. Going forward, for the perspective of proactively incorporating diverse human capital and values the Group will continue strategic recruitment activities by considering the balance between new graduates and mid-career workers.

• Hiring of women as managers

[Translation]

Female employees accounted for 54.3% of all employees, and 26.4% of all managers at the end of August 2023. Because of its nature of business, the Group has judged it will be immensely beneficial to utilize perspectives unique to women in the management, and it will actively continue to appoint its female employees to managerial positions and work on creating an environment conducive to such ends.

- Hiring of foreign nationals as managers

Non-Japanese (foreign) employees accounted for 9.0% of all employees and 5.7% of all managers (10.3% and 9.4%, respectively, when including employees who have become naturalized Japanese citizens) at the end of August 2023. The Group hires foreign nationals and appoints them to managerial positions based on their experience and ability, etc., regardless of nationality. In addition, the Group hires foreign nationals and appoints them to managerial positions by considering strategic necessity with respect to the relevant divisions from the perspectives of outsourcing production to and importing from suppliers in China and other Asian countries.

- Hiring of mid-career workers as managers

Mid-career workers accounted for 42.0% of all employees and 55.7% of all managers at the end of August 2023. The Group will continue to hire mid-career workers and appoint them to managerial positions based on their experience and ability, etc., regardless of nationality and gender, for business expansion and structural reinforcement.

(ii) Benchmarks and targets

The Group's benchmarks, targets, and results are as described below.

Benchmarks	Fiscal year ended August 31, 2023 (actual)	Target year	Targets
Percentage of female managers (Note 1)	26.4%	Fiscal year ending Aug. 2025	30.0%
Percentage of childcare leave taken by male full-time employees (Notes 2 and 3)	50.0%	Fiscal year ending Aug. 2028	100.0%
Percentage of childcare leave taken by female full-time employees (Notes 2 and 3)	107.7%	Fiscal year ending Aug. 2025	100.0%
Wage difference between male and female full-time employees (Note 2)	79.6%	Fiscal year ending Aug. 2028	85.0%

(Notes) 1 This applies to the overall Group including the Company and its overseas consolidated subsidiaries.

2 This applies to the Company and its domestic consolidated subsidiaries, excluding overseas consolidated subsidiaries.

3 The percentage of childcare leave taken may exceed 100% because an employee who gave birth or an employee whose spouse gave birth in a past fiscal year may take childcare leave in the current fiscal year.

(3) Investment in intellectual property

The Group promotes the “improvement of products/services,” “reinforcement of price competitiveness,” and “offering of products corresponding to social trends,” as stated in its materiality issues, and offers eco-friendly products through “manufacturing things.” At the same time, it makes efforts to continue offering attractive products in terms of design, quality and price, which also respond to social trends.

<Eco-products>

Development of environmentally friendly products such as bags made of Fairtrade certified cotton and organic cotton, Eco Mark certified products, recycled material products such as recycled fabric and recycled ABS, biomass plastic and natural material products, etc., in response to “finished goods demand arising from the promotion of SDGs.”

[Translation]

<Lifestyle products>

Development of products under the concept of offering attractive products in terms of design and quality and making contributions to enriched lifestyles (life culture)

<Wellness products>

Development of products under the concept of “maintaining a clean and refreshing daily life”

The Company holds the names of brands and products acquired through the development of these products as intellectual property, such as patent rights, copyrights (design rights), and trademarks, and engages in business activities.

(4) Risks and opportunities related to climate change

Recognizing “environmental” issues as one of the key issues to be prioritized, the Group has set “environmental contribution through products” and “recycling promotion and CO2 emission reduction” as its materiality issues. Since its foundation, it has focused on the development and supply of “Eco-products” such as eco bags, tumblers, and thermos bottles. It strengthens the development and supply of eco-friendly products, not only by simply developing products made of environmentally-friendly materials or recyclable materials but also with philosophies “stop using disposable things” and “use reusable products,” and under the theme of “consider the environment from manufacturing.” These environmentally friendly products related to SDGs are disclosed as “Eco-products.”

On May 31, 2023, the Company established the Sustainability Committee as an advisory body to the Board of Directors for the purpose of strengthening initiatives for sustainability centered on addressing climate change in looking toward achieving the Group’s sustainability targets. On the same day, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter called “TCFD”). The TCFD recommendations constitute an internationally standardized framework for comparable disclosure of climate-related information and accordingly recommend that all enterprises furnish disclosure in accordance with the four recommended disclosure categories of “governance,” “strategy,” “risk management,” and “metrics and targets.”

As the Group promotes initiatives to address climate change, it will actively disclose information enlisting the TCFD recommendations as guidelines for assessing the appropriateness of its response to climate change. The content of this report has been disclosed in the securities report (in Japanese only) submitted in November 2023.

(i) Governance

a. Roles and oversight system of the Board of Directors

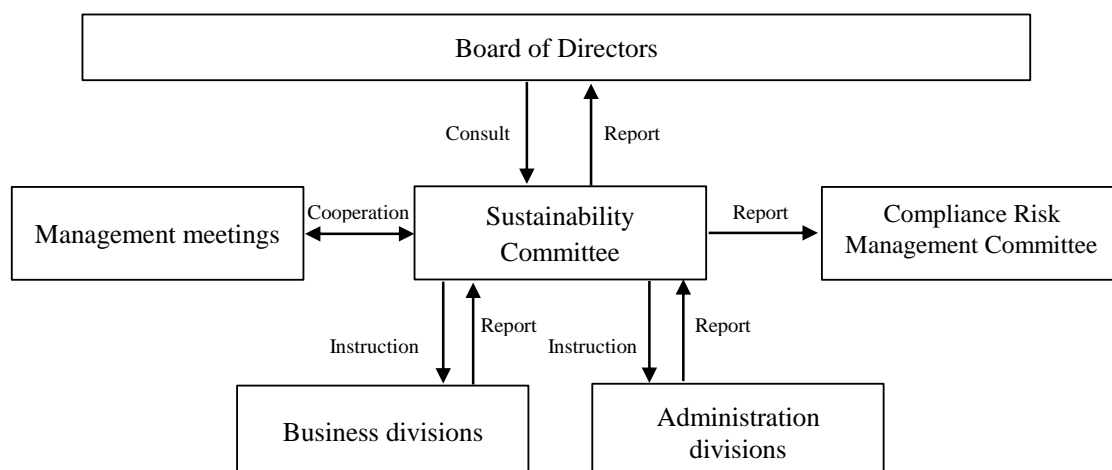
The Group makes disclosures on matters determined by the Board of Directors with respect to policy, key issues and targets related to sustainability, encompassing initiatives to address climate change risk in accordance with its framework for the TCFD recommendations, etc.

The Group has established the Sustainability Committee, which is chaired by the President and Representative Director. The committee is held twice a year for the purpose of identifying and ensuring appropriate management of material climate-related risks and opportunities. The President and Representative Director assumes ultimate responsibility for managerial decisions pertaining to environmental issues.

At its meetings, the Sustainability Committee discusses, determines, and periodically manages and monitors progress with respect to climate change-related risks and business opportunities, targets, and specific initiatives, and accordingly considers remedial actions as necessary. The Board of Directors engages in management and oversight regarding the content of reports it receives from the Sustainability Committee on the status of initiatives and progress toward achieving targets.

[Translation]

b. System for promoting sustainability



(ii) Strategy

a. Details of risks and opportunities over the short, medium, and long term

Assuming various situations that could potentially arise due to the realization of a low-carbon society or climate change, the Group conducts scenario analysis with respect to physical risks, taking into account factors that include business activities, time periods, and assets in order to ascertain the validity of strategies and the challenges involved.

In addition, the Group evaluates transition risks based on potential scenarios associated with legal developments, technological advancement, and market conditions, thereby enabling it to recognize and take action with respect to climate-related risks and opportunities affecting its business activities.

The scenario analysis is conducted enlisting a short-term time horizon extending to the year 2025, which serves as the implementation period of the 4th medium-term management plan, a medium-term time horizon extending to the year 2030, and a long-term time horizon extending to the year 2050.

Short term	Until 2025, the implementation period of the 4th medium-term management plan
Medium term	Until 2030
Long term	Until 2050

b. Description of risks and opportunities and their degree of impact on business, strategy, and financial planning

The Group conducts scenario analysis with the objectives of understanding the climate change-related risks and opportunities affecting the Group and their impacts, and considering resilience of the Group's strategy and the need for further measures based on assumptions regarding the world in the year 2030.

The Group has identified climate-related risks and opportunities aligned with the TCFD recommendations. Furthermore, the Group has identified transition risks and physical risks brought about by climate change, as well as opportunities arising from initiatives to appropriately address climate change. In addition, the Group has assessed the climate-related risks and opportunities that have been identified in terms of their potential impact on the Group and their likelihood of occurrence, and their materiality.

The following three levels of qualitative financial impact are provided in disclosing such information.

Major	Impact on the Group's business and finance is likely to be extremely significant
Moderate	Impact on the Group's business and finance is likely to be somewhat significant
Minor	Impact on the Group's business and finance is likely to be immaterial



[Translation]

c. Summary of the Group’s climate-related risks and opportunities

A summary of the Group’s climate-related risks and opportunities is as described below.

Types of climate-related risks and opportunities		Occurrence	Summary of climate-related risks and opportunities	Financial impact	
Risks	Transition risks	Government policy and regulation	Short to medium term	<ul style="list-style-type: none"> <li>• Introduction of carbon taxes and other government policies</li> <li>• Increase in energy costs due to more stringent regulation</li> <li>• Increase in energy procurement costs due to rising demand for renewable energy associated with geopolitical risks</li> </ul>	Minor
		Technology	Medium to long term	<ul style="list-style-type: none"> <li>• Increase in operational costs as a result of adapting to high-efficiency energy-saving equipment</li> <li>• Increase in energy procurement costs due to more widespread adoption of new zero-carbon energy, including hydrogen</li> <li>• Rising prices due to reduced supply of raw materials of crude oil origin such as plastic, accompanying a reduction in the volume of crude oil used</li> </ul>	Moderate
		Markets	Short to medium term	<ul style="list-style-type: none"> <li>• Increase in renewable energy procurement costs due to an increase in consumption of electricity derived from renewable energy</li> <li>• Loss of growth opportunities due to delays in responding to market changes, including an increase in demand for low-carbon products</li> <li>• Loss of growth opportunities due to delays in addressing increased risk of infectious disease caused by climate change</li> </ul>	Major

[Translation]

Types of climate-related risks and opportunities		Occurrence	Summary of climate-related risks and opportunities	Financial impact	
		Reputation	Short to medium term	<ul style="list-style-type: none"> <li>• Diminished reputation due to delays in addressing environmental issues and delays in responding to diversifying consumer behavior</li> <li>• Diminished reputation due to delays and inadequacies in addressing investor demands for disclosure of environmental information</li> <li>• Adverse effect on recruitment of those newly entering the workforce, on recruitment of career professionals, and on employee engagement due to diminished reputation in the eyes of stakeholders</li> </ul>	Minor
	Physical risks	Acute	Medium to long term	<ul style="list-style-type: none"> <li>• Loss of sales opportunities accompanying a diminishing supply of products due to incapacitated or reduced production of production site suppliers due to natural disaster caused by climate change or rising procurement costs due to the resulting need to secure alternative products</li> <li>• Loss of product sales opportunities arising from logistics route disconnected due to natural disaster caused by climate change</li> <li>• Decrease in revenue due to production facility damage, inoperability or downsizing due to natural disaster caused by climate change</li> </ul>	Major
		Chronic	Medium to long term	<ul style="list-style-type: none"> <li>• Increase in procurement costs due to destabilization of agricultural production of cotton, flax, etc. resulting from increased rainfall and changes in weather patterns</li> <li>• Increase in health-related problems among employees due to infectious disease caused by climate change</li> </ul>	Minor

[Translation]

Types of climate-related risks and opportunities		Occurrence	Summary of climate-related risks and opportunities	Financial impact
Opportunities	Resource efficiency	Medium to long term	<ul style="list-style-type: none"> <li>• Decrease in energy consumption due to enhancing energy-saving measures</li> <li>• Decrease in energy procurement costs as a result of shift to offices with substantial environmental value</li> </ul>	Minor
	Energy source	Short to long term	<ul style="list-style-type: none"> <li>• Decrease in energy procurement costs as a result of introduction of the latest high-efficiency energy equipment</li> <li>• Decrease in renewable energy procurement costs due to development of new government policy and systems related to renewable energy</li> </ul>	Moderate
	Products and services	Short to medium term	<ul style="list-style-type: none"> <li>• Increase in revenue as a result of an increase in demand for environmentally-friendly products, including products with certification mark such as products made of upcycled materials, biomass-based plastics and Fairtrade certified products, and Eco Mark certified products</li> <li>• Increase in revenue due to heightened consumer awareness accompanying mounting interest in environmentally-friendly products</li> <li>• Increase in revenue as a result of launch of products that comply with more stringent regulations</li> </ul>	Major

[Translation]

Types of climate-related risks and opportunities		Occurrence	Summary of climate-related risks and opportunities	Financial impact
	Markets	Medium to long term	<ul style="list-style-type: none"> <li>• Improvement of profitability as a result of restructuring of the business portfolio and expansion of the market for low-carbon products</li> <li>• Increase in revenue as a result of products being selected by environmentally conscious customers accompanying a shift to products with high environmental value</li> <li>• New growth opportunities obtained as a result of more stringent regulations</li> <li>• New growth opportunities obtained as a result of addressing increased risk of infectious disease caused by climate change</li> </ul>	Major
	Resilience	Medium term	<ul style="list-style-type: none"> <li>• Improvement of energy resilience as a result of promoting renewable energy and energy savings</li> </ul>	Major

(iii) Risk management

The Group regards its risk management as important initiatives for enhancing corporate value, and it has accordingly established the Sustainability Committee, and managed risk. The Sustainability Committee monitors risk, assesses the probability of that risk materializing, and evaluates the materiality of risk, and takes responsive measures, reflecting its findings in the Group’s management strategy.

Moreover, the Sustainability Committee reports risks recognized and assessed to the Compliance Risk Management Committee, which manages such risks alongside other risks.

(iv) Metrics and targets

Under the 4th medium-term management plan, the Group has set goals for renewable energy as a percentage of electricity consumption (Group-wide basis), targeting 50% by 2025 and 100% by 2050.

Having joined “Renewable Energy 100 Declaration: RE Action (Note)” in October 2021, the Group set minimum goals of having renewable energy account for 50% and 100% of its electricity consumption by 2030 and 2050, respectively. It accordingly seeks to achieve these goals ahead of the target deadline to the extent possible. The Group also moved up, by five years, the target deadline for achieving the goal of having renewable energy account for 50% of its electricity consumption, from 2030 to 2025, in the “4th Medium-term Management Plan (FY8/23 to FY8/25)” released on October 20, 2022, the following year.

Initiatives toward achieving these goals have entailed powering offices with renewable energy, installing solar panels at a Group factory operated by subsidiary Kraftwerk Co., Ltd. in August 2023, and switching over to partial use of renewable energy with respect to power consumed in factories. Going forward, the Group plans to install solar panels at the second factory to be scheduled for completion of construction in June 2024.

(Note) Renewable Energy 100 Declaration: RE Action is an initiative for promoting 100% use of renewable energy by having companies, municipalities, educational institutions, healthcare facilities, and other such organizations express their commitment and actions toward shifting to renewable energy for 100% of their electricity consumption.

- CO2 emissions, electricity consumption, and renewable energy as a percentage of electricity consumption

[Translation]

CO2 emissions of the Group (including its overseas subsidiaries) (estimated values for Scope 1 and Scope 2), electricity consumption, and renewable energy as a percentage of electricity consumption are as described below. The Group will continue to work on improving the accuracy of data calculation.

	Fiscal year ended Aug. 2022	Fiscal year ended Aug. 2023
CO2 emissions (t-CO2)	396	333
Electricity consumption (kWh)	843,215	843,502
Renewable energy as a percentage of electricity consumption	0.0%	14.6%

- (Notes) 1 CO2 emissions are calculated using the “Emission factor by electric utility operator” released by the Ministry of Environment and the Ministry of Economy, Trade and Industry, the “List of calculation methods and emission coefficients in calculations, reports and publication system” released by the Ministry of the Environment, and data released by the Ministry of Ecology and Environment of the People’s Republic of China.
- 2 Figures presented do not include CO2 emissions and electricity consumption of one retail store for which information is not available out of the five retail stores operated by the Company’s subsidiary Trade Works Co., Ltd.

[Supplementary Principle 4-1-(1) Outline of the scope of delegation to management]

The matters to be resolved by the Board of Directors of the Company include those set forth in laws and regulations or in the Articles of Incorporation, as well as the execution of important business. The criteria/standards for such decisions are stipulated in the Regulations of the Board of Directors and clearly defined in the Board of Directors Submission and Reporting Criteria as those for matters to be discussed by the Board of Directors according to their level of impact on and importance for management.

The Decision-Making/Approval Authority Regulations also set out the decision-making/approval authority for matters arising from business operations.

[Supplementary Principle 4-8 Qualification for and composition of independent outside directors]

The Board of Directors of the Company consists of five Directors who are not Audit & Supervisory Committee members and three Directors who are Audit & Supervisory Committee members. Of those eight Directors, four Directors, including one Director who is not an Audit & Supervisory Committee member and three Directors who are Audit & Supervisory Committee members, are independent outside directors who meet the criteria for independence stipulated by the Tokyo Stock Exchange, and the ratio of such outside directors is more than one-third of the total of Directors.

[Principle 4-9 Criteria for assessing the independence of independent outside directors and their qualification]

When nominating candidates for independent outside directors, the Company selects persons who meet the independence criteria specified by the Tokyo Stock Exchange.

[Supplementary Principle 4-11-(1) Views on the balance, etc. of overall knowledge/experience/abilities of the Board of Directors]

Pursuant to the Articles of Incorporation, the Company sets the number of Directors to no more than 15 (including setting the number of Directors who are not Audit & Supervisory Committee members to no more than 10 and the number of Directors who are Audit & Supervisory Committee members to no more than 5). The Board of Directors consists of eight Directors in total, four Executive Directors, one Director who is not Audit & Supervisory Committee member and three Directors who are Audit & Supervisory Committee members. The composition of the Board of Directors allows for diversity in terms of knowledge, experience, abilities, etc., and includes three women. One Director who is not Audit & Supervisory Committee member and three Directors who are Audit & Supervisory Committee members are outside Directors, who meet the independence criteria specified by the Tokyo Stock Exchange and are thus appointed as independent officers. With their varied knowledge and experience in accounting, finance, laws, corporate management, etc., they are able to perform audit and supervisory functions and offer comprehensive advice on Group management. As for Executive Directors, for the

[Translation]

purpose of promoting efficiency in group management, representative directors of the major Group subsidiaries concurrently serve as Directors of the Company.

The skills, etc. possessed by Directors of the Company are listed in the “Skills Matrix of Directors” on the Company website.

<https://www.trans-action.co.jp/e.zy.hp.transer.com/company/directo-skill-matrix.html>

[Supplementary Principle 4-11-(2) Concurrent positions of Directors and Audit & Supervisory Board Members]

Candidates for Directors and significant concurrent positions of Directors are disclosed each year in the business report, reference materials for the convocation notice of the General Meeting of Shareholders, the securities report and others.

[Supplementary Principle 4-11-(3) Implementation of analysis and evaluation of the overall effectiveness of the Board of Directors]

The Company recognizes that the Board of Directors performs its expected supervisory functions as it is composed of eight Directors, including one Director who is not Audit & Supervisory Committee member (independent outside director) and three Directors who are Audit & Supervisory Committee members (all three are independent outside directors). At the 37th Annual General Meeting of Shareholders held on November 29, 2023, one Director (independent outside director) who is not an Audit & Supervisory Committee member was appointed, increasing the number of directors by one.

For the purpose of reviewing the present state of the functions of the Board of Directors to boost its effectiveness, the Company has conducted an effectiveness evaluation of the Board of Directors every year since the fiscal year ended August 31, 2021. The following is a summary of the method and results of the effectiveness evaluation for the fiscal year ended August 31, 2023:

(1) Method of evaluation

A survey/questionnaire was issued to seven Directors who were members of the Board of Directors (including Audit & Supervisory Committee members). (The survey/questionnaire was structured with multiple questions divided into six categories. The directors answered each question based on a five-point scale and made comments freely for each question category and wrote an overall summary at the end.) The results of the evaluation were reported by the full-time Audit & Supervisory Committee member to the Board of Directors, based on the results collected and reported by an external institution. The Board of Directors then verified the findings, identified issues, and had a full discussion about a policy to make further improvements, etc.

For the record, in order to secure frank opinions and objective analysis, the collection and counting of the survey/questionnaire was outsourced to an external institution.

(2) Summary of the results

As a result, the Company confirmed that the Board of Directors is operated effectively, and that its effectiveness increased from the previous year. Evaluations with respect to each of the categories were positive across the board. Particularly high marks were assigned to overall operation of the Board of Directors, including composition of the Board of Directors and the function of the independent outside directors, and also with regard to feedback provided to the Board of Directors regarding opinions furnished through dialogue with institutional investors, etc.

Evaluation results indicated improvement over the previous year, with better marks having been assigned with respect to discussions on matters such as management strategy and the medium-term management plan. However, there were also opinions expressing the view that further enhancement is needed regarding time devoted to deliberations and information required for deliberations. Additionally, the results indicated that the issue of developing the next generation of managerial professionals remains a topic warranting further discussion.

Based on these results, the Company will pursue further enhanced effectiveness of the Board of Directors by continuously making improvements.

[Supplementary Principle 4-14-(2) Policy on training for Directors and Audit & Supervisory Board Members]

For Directors, including outside Directors, to perform their roles and duties, the Company provides and arranges opportunities for learning essential knowledge about the Company, such as its business, finances and organizations, expected roles and duties as an officer of a listed company, and knowledge about relevant laws/regulations and compliance, as well as for training, which is updated as necessary on a continual basis, at the expense of the Company. When outside Directors take office, the business lines and organizational structures

[Translation]

of the Group are explained to them, and information is provided as needed thereafter. For internally-appointed Directors, when and after they assume office, opportunities for internal training or training by outside lecturers such as lawyers are provided for them to fully understand their expected roles and duties as Directors.

[Principle 5-1 Policy on constructive dialogue with shareholders]

(1) Policy on constructive dialogue with shareholders

The Company believes that it is important to develop a system to facilitate constructive dialogue with shareholders and investors for sustainable growth and enhanced corporate value and assigns IR operations for shareholder/investor support to the Corporate Planning Department. In addition, the General Affairs Department also provides support for shareholders as a point of contact.

Enlisting a framework whereby the Corporate Planning Department and the General Affairs Department act as direct points of contact and operations are supervised by the Director in charge of the administration division, actual dialogue with shareholders and other investors is, in principle, handled by the Representative Directors, the Director in charge of the administration division, and the General Manager of Corporate Planning Department.

In order to be able to have productive/fulfilling dialogue with shareholders and investors, the Corporate Planning Department and the General Affairs Department gather information and exchange opinions on a regular basis, and cooperate in preparing disclosure materials, whose content is reviewed with Chairman and Representative Director, President and Representative Director, and a Director in charge of the administration division. They also work together to gather information and exchange opinions based on their own expertise, in connection with disclosures and explanations about the Group companies, their operations, account closings, and so on.

For shareholders and investors, the disclosure of easy-to-understand information about the Company's business, within a reasonable scope, is ensured at the General Meeting of Shareholders. Financial results briefings are held twice per year, while letters/communications to shareholders, disclosures via the Company website, interviews with institutional investors, telephone interviews, etc. are conducted so that they can deepen the understanding of the Company's management strategy and business environment. Since October 2022, summaries of financial results, financial statements briefing session material, medium-term management plans, and convocation notices in a narrow sense as well as reference materials for the General Meeting of Shareholders have been translated into English and disclosed on the Company website, etc. This report has been also translated into English and disclosed on the Company website, etc.

The outcomes of IR activities, including topics discussed in the dialogue with shareholders/investors as well as opinions, are compiled and reported to top-level executives, as needed. Additionally, the content of questions and opinions raised during financial results briefings (held subsequent to disclosure of second quarter results and annual results) and in the course of dialogue with institutional investors held subsequent disclosure of quarterly financial results are reported and shared twice a year in meetings of the Board of Directors, and actively applied to aspects of operations such as the Company's management strategy and investor relations.

In order to ensure substantial equality for shareholders and investors, the Company makes efforts to provide fair information disclosures. Material information about the Company is disclosed in a timely and impartial manner, and information control is ensured so that it is not given only to certain shareholders/investors.

(2) Dialogue with shareholders

The Company actively engages in IR activities for the purpose of facilitating constructive dialogue with its domestic and overseas shareholders, investors, analysts, etc., based on its awareness that dialogue with such shareholders, investors, analysts, etc. helps give rise to the Group's sustainable growth and further enhancement of corporate value. The Company held two financial results briefings with explanation provided by the Chairman and Representative Director for the fiscal year ended August 31, 2023, one of which was in April 2023 (second quarter, online format) and the other of which was in October 2023 (fiscal year, hybrid format). Those who attended the financial results briefings include fund managers, buy-side analysts, and sell-side analysts. In addition, following the earnings announcements for each quarter (first quarter to third quarter) and the fiscal year, the Chairman and Representative Director, President and Representative Director, Director in charge of the administration division, and General Manager of Corporate Planning Department conducted individual meetings with institutional investors (fund managers and analysts) and sell-side analysts. This involved dialogue covering a wide range of topics, including characteristics of the Group's business model, prevailing business conditions, strategies for growth going forward, effects of the external environment and associated response, and requests in relation to ESG and information disclosure.

Results of financial results briefings and dialogue on an individual basis are as described below.

Financial results briefings	Two times
Dialogue on an individual basis	90 times

[Translation]

Please refer to “III. Implementation of Measures for Shareholders and Other Stakeholders, 2. IR activities” for other implementation summary of the financial results briefings.

[Management that is conscious of cost of capital and stock prices]

The Group has formulated a three-year medium-term management plan and released it as the “TRANSACTION Group 4th Medium-term Management Plan (FY8/23 to FY8/25)” in October 2022. Under the medium-term management plan, the Group has set quantitative targets for net sales, operating profit, operating profit margin, ordinary profit, and profit attributable to owners of parent. It has also drawn up an investment plan containing an investment summary and total investment amounts. In October 2023, the Group revised the performance targets under the medium-term management plan (upwardly revised) based on the financial results for the fiscal year ended August 31, 2023, and also set and released a new target for ROE (consolidated) of 20.0% or above for the fiscal year ending August 31, 2025. The Group’s ROE was 22.3% for the fiscal year ended August 31, 2023, and the Group confirms that it has achieved return on capital that exceeds cost of capital. In addition, PBR as of August 31, 2023 was 3.5.



[Translation]

## 2. Capital structure

**Update**

Percentage of shares held by foreign investors	10% to less than 20%
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### [Major shareholders]

**Update**

Name of shareholder	Number of shares held (shares)	Ownership interest (%)
Satoshi Ishikawa	8,694,000	29.85
Custody Bank of Japan, Ltd. (Trust account)	2,628,100	9.02
Aoi Ishikawa	2,169,000	7.45
Arata Ishikawa	2,164,000	7.43
The Master Trust Bank of Japan, Ltd. (Trust account)	1,843,400	6.33
Chikako Ishikawa	864,000	2.97
Development Bank of Japan Inc.	772,400	2.65
Nippon Life Insurance Company	762,600	2.62
TRANSACTION Group Employee Shareholding Association	500,000	1.72
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	396,189	1.36

Existence of controlling shareholders (excl. parent company)	—
Existence of parent company	None

Supplementary information

## 3. Corporate attributes

Listed stock exchange and market segment	Tokyo: Prime
Fiscal year end	End of August
Type of business	Other products
Number of employees at the end of the previous fiscal year (consolidated)	500 to less than 1,000
Sales during the previous fiscal year (consolidated)	¥10 billion to less than ¥100 billion
Number of consolidated subsidiaries at the end of the previous fiscal year	Less than 10 companies

## 4. Guidelines for measures to protect minority shareholders in the event of transactions with controlling shareholders

## 5. Other particular conditions that may materially affect corporate governance

[Translation]

## **II. Business Management Organization and Other Corporate Governance Systems for Management Decision-Making, Execution, and Supervision**

### **1. Organizational structures and operations**

Organizational form	Company with an Audit & Supervisory Committee
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[Directors]

Number of Directors pursuant to the Articles of Incorporation	15
Term of Directors pursuant to the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (excluding concurrently serving as President)
Number of Directors	8
Election of outside Directors	Elected
Number of outside Directors	4
Number of outside Directors designated as independent officers	4

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yoriko Aelvoet	From another company											
Toshiro Sasaki	From another company											
Takeo Tochimoto	Certified Public Accountant											
Yumiko Matsuo	Attorney at law											

\* Categories for Relationship with the Company

\* ○ indicates that the person presently falls or has recently fallen under the category. △ indicates that the person fell under the category previously.

\* ● indicates that the person's immediate family member presently falls or has recently fallen under the category (except h to j). ▲ indicates that the person's immediate family member fell under the category (except h to j) previously.

a. An executive officer of the Company or its subsidiary

b. An executive officer or non-executive director of the parent of the Company

c. An executive officer of a fellow subsidiary of the Company

d. A person whose primary customer/supplier is the Company or who is an executive officer thereof

e. A primary customer/supplier of the Company or an executive officer thereof

f. A consultant, accounting expert or legal expert who receives significant monetary consideration or other assets from the Company, in addition to remuneration as a Director

g. A principal shareholder of the Company (if the principal shareholder is a legal entity, an executive officer of such legal entity)

h. An executive officer of the customer/supplier of the Company (which does not fall under any of d, e, or f) (the Director himself/herself only)

i. An executive officer of a company, between which and the Company outside Directors are appointed on a reciprocal basis (the Director himself/herself only)

j. An executive officer of an entity that receives a donation from the Company (the Director himself/herself only)

k. Other

## Relationship with the Company (2)

Update

Name	Member of Audit & Supervisory Committee	Independent officer	Supplementary information	Reasons for election
Yoriko Aelvoet		○	No special notes.	She is expected to contribute to the enhancement of corporate governance by providing useful advice, etc. from a professional and multifaceted perspective as well as providing her opinions on the overall management of the Company Group from an objective and independent standpoint as she possesses a high level of expertise and broad knowledge of marketing and management based on her wealth of experience, primarily in the IP and content business industry, and the importance of her knowledge has been increasing in the major businesses of the Company Group recently.
Toshiro Sasaki	○	○	No special notes.	Based on his extensive experience and knowledge as a company owner and an auditor, he is expected to contribute to ensuring the soundness and adequacy of the Company's management, by drawing on his valuable input and candid assessments of the Company's operations.
Takeo Tochimoto	○	○	No special notes.	By drawing on his extensive experience at the Bank of Japan as well as broad knowledge as a certified public accountant, he has provided a number of companies with advice and supervision on management from an independent point of view. Such wealth of experience should, in terms of diversity in corporate management, contribute to ensuring the soundness and adequacy of the Company's management.
Yumiko Matsuo	○	○	No special notes.	With her expertise and considerable practical experience as a lawyer, she has provided many companies with advice and supervision on management from an independent standpoint and thus is expected to contribute to ensuring the soundness and adequacy of the Company's management.

[Translation]

**[Audit & Supervisory Committee]**

Committee members and attributes of chairperson Update

	Total members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	Chairperson
Audit & Supervisory Committee	3	1	0	3	Outside Director

Existence of Directors and employees who assist with the duties of the Audit & Supervisory Committee when required	None
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Reasons for adopting the current system

The Audit & Supervisory Committee does not have specific employees who assist with its duties as it performs audits in coordination with the Internal Audit Office. When the Audit & Supervisory Committee needs them, certain employees are assigned upon discussion with the Committee, and such assignment must be agreed to by the Committee. The Internal Audit Office staff also provides assistance, where necessary, upon receiving directions related to matters concerning audit operations. In such cases, the employee is supervised by the Audit & Supervisory Committee and maintains his/her independence from Directors who are not Audit & Supervisory Committee members.

Cooperation between the Audit & Supervisory Committee, independent auditors, and the internal audit division

For coordination between the Audit & Supervisory Committee and the Internal Audit Office, they exchange opinions when drafting an annual internal audit plan, and reports on audit results are submitted by the Office to the Committee on a monthly basis during the fiscal year. For coordination between the Audit & Supervisory Committee and independent auditors, they exchange opinions at the time of quarterly account closing and year-end account closing and share information at the time of audits during the fiscal year to confirm financial positions, revisions to laws, etc. Furthermore, the Audit & Supervisory Committee and the Internal Audit Office are both present, if necessary, at inventory clearance at the time of account closing, and the Office makes a report on internal audits as appropriate, in an effort to ensure proactive coordination with independent auditors.

**[Optional committees]**

Establishment of optional committees equivalent to Nominating Committee or Remuneration Committee	Established
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[Translation]

Status of establishment of optional committees, committee members, and attributes of chairperson of the committee

	Optional committee equivalent to Nominating Committee	Optional committee equivalent to Remuneration Committee
Name of the committee	–	Remuneration Committee
Total members (persons)	–	3
Full-time members (persons)	–	2
Inside Directors (persons)	–	1
Outside Directors (persons)	–	2
Outside experts (persons)	–	0
Other (persons)	–	0
Chairperson	–	Inside Director

Supplementary information

[Update](#)

[Remuneration Committee]

(1) Roles and structures

In order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee as an optional advisory body to the Board of Directors. The Remuneration Committee consists of three members who are elected by the Board of Directors, and a majority of the members must be independent outside directors (Audit & Supervisory Committee members). The Chairperson is appointed by the Board of Directors.

Regarding the policy and method of determining remuneration, etc. for Directors who are not Audit & Supervisory Committee members and individual remuneration amounts, etc., in accordance with the policy for determining the details of individual remuneration, etc. for Directors adopted by the Board of Directors, Chairman and Representative Director and Directors who are Audit & Supervisory Committee members (independent outside directors), who constitute the Remuneration Committee delegated by the Board of Directors, deliberate on and decide the scope of the delegation based on the resolution of the General Meeting of Shareholders and the resolution of the Board of Directors.

(2) Activities

The Committee met five times in the fiscal year ended August 31, 2023:

- Deliberated and determined the individual remuneration, etc. for the Directors who are not Audit & Supervisory Committee members (revised in December 2022)
- Confirmed the remuneration for the directors of subsidiaries
- Confirmed the summary of stock compensation (medium-term incentives)
- Discussed the future remuneration system

The attendance of the members was as follows:

Satoshi Ishikawa (Chairman and Representative Director)	5/5 (attendance rate: 100%)
Toshiro Sasaki (Outside Director / Full-time Audit & Supervisory Committee member)	5/5 (attendance rate: 100%)
Takeo Tochimoto (Outside Director / Audit & Supervisory Committee member)	5/5 (attendance rate: 100%)

[Translation]

**[Independent officers]**

**Update**

Number of independent officers	4
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Other matters relating to independent officers

The Company has designated all four outside Directors as independent officers, as they are all qualified as independent officers.

**[Incentives]**

Implementation of measures to provide incentives to Directors	<input checked="" type="checkbox"/> Adoption of performance-linked remuneration plan <input checked="" type="checkbox"/> Other
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Supplementary information

**Update**

Please refer to “Disclosure of policy on determining the amount and calculation method of remuneration (details)” in “1. Organizational structures and operations, [Director remuneration]” under section II.

Grantees/recipients of stock options

Supplementary information

**[Director remuneration]**

Status of disclosure	<input checked="" type="checkbox"/> Individual remuneration is not disclosed
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Supplementary information

**Update**

Director remuneration in the fiscal year ended August 31, 2023

(Thousand yen)

	Total amount of remuneration	Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc. (stock compensation)	Number of Directors who are grantees/recipients (persons)
Directors who are not Audit & Supervisory Committee members	123,570	72,502	41,430	9,637	4
Directors who are Audit & Supervisory Committee members (outside Directors)	17,100	17,100	–	–	4
Total	140,670	89,602	41,430	9,637	8
(Outside Directors)	(17,100)	(17,100)	(–)	(–)	(4)

[Translation]

Existence of policy on determining the amount and calculation method of remuneration	Yes
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Disclosure of policy on determining the amount and calculation method of remuneration (details)	<a href="#">Update</a>
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At the Board of Directors meeting held on February 26, 2021, the Company adopted a resolution on the policy for determining the details of individual remuneration, etc. for Directors. The policy is as described below. Additionally, at the Board of Directors meeting held on December 6, 2023, the policy for determining the content of performance-linked remuneration was revised. The details of this revision are stated in “b. Performance-linked remuneration.”

(1) Basic policy on remuneration, etc. for Directors

The basic policy on remuneration for the Directors of the Company is to set up a remuneration system linked to shareholder returns so that it fully functions as an incentive to increase Director motivation for continuous and medium-to-long-term improvement of earnings and the achievement of sustainable improvement in the corporate value of the entire Group, in accordance with the management policy, in an environment where risk taking is allowed, and to set individual Director remuneration at a proper level in view of their respective duties.

Remuneration for Directors, except outside Directors and Directors who are Audit & Supervisory Committee members (hereinafter called “Executive Directors”), is composed of “fixed remuneration,” “performance-linked remuneration,” which is linked to short-term earnings, and “stock compensation,” which is a medium-term incentive that is provided on condition that certain targets are met. Remuneration for non-Executive Directors, outside Directors, and Directors who are Audit & Supervisory Committee members consists only of fixed remuneration, given their duties.

(2) Composition of remuneration for Executive Directors

a. Fixed remuneration

The amount is determined by comprehensively considering a Director’s rank, roles, years of experience, changes in the business environment, etc.

b. Performance-linked remuneration

For the purpose of increasing awareness regarding improving earnings on a fiscal year basis and clarifying the results and responsibilities of Directors, the amount is determined based on earnings figures. More specifically, using two figures as earnings figures, namely, the consolidated profit before income taxes and the sum of profit before income taxes of the operating companies that a Director is in charge of, and in accordance with the “standard for performance-linked remuneration” that defines the amount of remuneration corresponding to earnings figures, it is determined in proportion to the actual results for the previous fiscal year. The consolidated profit before income taxes is applied to remuneration for Representative Director and the Director in charge of the administration division of the Company. On the other hand, with respect to remuneration for Directors who concurrently serve as the representative director of an operating company, the consolidated profit before income taxes and the sum of profit before income taxes of the operating company and other operating companies that he/she is in charge of are both applied. These figures are used because they are emphasized in enhancing the Group’s profitability, and because the results and responsibilities of Directors should be clearly defined.

Content of revision resolved on December 6, 2023

For the purpose of increasing awareness regarding improving earnings on a fiscal year basis and clarifying the results and responsibilities of Directors, the amount is determined based on earnings figures. More specifically, using two figures as earnings figures, namely, the sum of profit before income taxes of all operating companies and the sum of profit before income taxes of the operating companies that a Director is concurrently serving at and is in charge of, and in accordance with the “standard for performance-linked remuneration” that defines the amount of remuneration corresponding to earnings figures, it is determined in proportion to the actual results for the previous fiscal year. In the case of the Representative Director of the Company, the sum of profit before income taxes of all operating companies is applied. In the case of Directors who are concurrently serving as the Representative Director of operating companies, the sum of profit before income taxes of all operating companies, and the sum of profit before income taxes of that operating company and the operating companies that the Director is concurrently serving at and is in charge

[Translation]

of are applied, and in the case of Directors who are concurrently serving as Director of an operating company, the sum of profit before income taxes of all operating companies, and the sum of profit before income taxes of the operating companies that the Director is concurrently serving at are applied. These figures are used because they are emphasized in enhancing the Group's profitability, and because the results and responsibilities of Directors should be clearly defined.

c. Non-monetary remuneration, etc. (stock compensation)

As an incentive to achieve targets under the medium-term management plan and increase motivation to contribute to enhancing corporate value more than before, non-monetary remuneration, etc. is provided in the form of shares with a transfer restriction (with performance conditions). When such compensation is granted, a certain performance condition is set as a condition for lifting of the transfer restriction so that it functions as an incentive to achieve targets. The amount and the number of shares to be granted are determined by considering a Director's rank, expected roles, stock price movements, etc.

The details of the stock compensation with a transfer restriction (with performance conditions) granted to Executive Directors based on the stock compensation with a transfer restriction plan adopted in accordance with the resolution of the 33rd Annual General Meeting of Shareholders held on November 28, 2019, are as follows. Regarding stock compensation for the current fiscal year, stock compensation for the period from September 2022 to November 2022 is associated with the allotment dated December 25, 2019, and stock compensation for the period from December 2022 to August 2023 is associated with the allotment dated December 28, 2022. Consolidated net income is adopted as a figure for performance conditions because the Company emphasizes the payout ratio when making a decision on dividends for shareholders.

• Resolution on allotment dated November 28, 2019 (allotment dated December 25, 2019)

(a) Transfer restriction period

From December 25, 2019 to the time of retiring from the position of director or auditor of the Company or its subsidiaries

(b) Conditions for lifting of transfer restriction

An eligible director has continuously remained in the position of Director of the Company during the period from December 25, 2019 to immediately before the conclusion of the 36th Annual General Meeting of Shareholders (FYE 2022/8), and the aggregate consolidated net income stated in the securities report of the Company for the three fiscal years from the 34th fiscal year (FYE 2020/8) to the 36th fiscal year (FYE 2022/8) amounts to ¥5.31 billion or more.

The performance condition that serves as a condition for lifting of the transfer restriction stated above has been achieved given that the aggregate consolidated net income for the 34th fiscal year (FYE 2020/8) to the 36th fiscal year (FYE 2022/8) amounts to ¥5.90 billion.

• Resolution on allotment dated December 6, 2022 (allotment dated December 28, 2022)

(a) Transfer restriction period

From December 28, 2022 to the time of retiring from the position of director or auditor of the Company or its subsidiaries

(b) Conditions for lifting of transfer restriction

An eligible director has continuously remained in the position of Director of the Company during the period from December 28, 2022 to immediately before the conclusion of the 39th Annual General Meeting of Shareholders (FYE 2025/8), and the aggregate consolidated profit stated in the securities report of the Company for the three fiscal years from the 37th fiscal year (FYE 2023/8) to the 39th fiscal year (FYE 2025/8) amounts to ¥8.23 billion or more.

d. Policy for determining the percentage of remuneration

To encourage Executive Directors to take on challenges, the structure is based on performance-linked remuneration, which is linked to short-term earnings and stock compensation with a transfer restriction as an incentive to achieve medium-term management plans, with a certain amount of fixed remuneration as a base. Considering the balance of each type of remuneration, Chairman and Representative Director and Directors (independent outside directors) who are Audit & Supervisory Committee members, who constitute the Remuneration Committee delegated by the Board of Directors (the "Remuneration Committee members"), determine the details of the individual remuneration, etc. for Directors.



- (3) Resolution of the General Meeting of Shareholders related to the determination of remuneration for Directors  
The maximum amount of remuneration for Directors who are not Audit & Supervisory Committee members was approved at ¥200 million per year (including a maximum of ¥20 million per year for outside Directors; for a total of five Directors at the time of the resolution, including one outside Director) at the 30th Annual General Meeting of Shareholders held on November 29, 2016. In addition, at the 33rd Annual General Meeting of Shareholders held on November 28, 2019, the total amount of monetary compensation claims to be issued for the grant of shares with a transfer restriction to Executive Directors was approved at up to ¥60 million per year (for a total of four Directors at the time of the resolution), separately from the foregoing maximum remuneration amount, with the total maximum number of common shares as 80,000. Employee salary for the employee who concurrently serves as a Director is not included in the maximum remuneration amount or the total amount of monetary compensation claims.

The maximum amount of remuneration for Directors who are Audit & Supervisory Committee members was approved at ¥50 million per year (for a total of three Directors at the time of the resolution, including three outside Directors) at the 30th Annual General Meeting of Shareholders held on November 29, 2016.

- (4) Process of determining the amount of remuneration, etc. for Directors

In order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee, which is composed of three members, a majority of whom are independent outside directors (Audit & Supervisory Committee member), as an optional advisory body to the Board of Directors. For individual remuneration, etc., the determination of the details is delegated to the Remuneration Committee members based on the resolution of the Board of Directors. They are authorized to determine the amount of fixed remuneration for Directors and the amount of performance-linked remuneration based on the actual results of the business that each Director is in charge of.

The Board of Directors has established the Remuneration Committee Regulations so that authority is appropriately exercised by the Remuneration Committee members. The Regulations provide that the Committee shall consist of three members, including one Representative Director, and two Directors (independent outside directors) who are Audit & Supervisory Committee members and constitute a majority, and that the Committee shall report on the execution of its duties to the Board of Directors, and so on. The Board of Directors judges that the details of individual remuneration, etc. for the current fiscal year have been adequately deliberated and determined by the Remuneration Committee based on the policy adopted by the Board of Directors, and that they are in line with the foregoing policy.

Meanwhile, for stock compensation with a transfer restriction, the number of shares to be individually allotted to Directors is resolved by the Board of Directors in view of the decision made by the Remuneration Committee.

The remuneration, etc. for Directors who are Audit & Supervisory Committee members is determined at meetings of the Audit & Supervisory Committee, within the scope of the resolution of the General Meeting of Shareholders.

The Remuneration Committee met five times in the fiscal year ended August 31, 2023, with all members in attendance. The individual remuneration, etc. for the current fiscal year for Directors who are not Audit & Supervisory Committee members was reviewed and decided on by the Remuneration Committee, based on the proxy resolution of the Board of Directors meeting held on November 29, 2022. The stock compensation (medium-term incentives) summary was also confirmed, the future remuneration system was discussed, and the remuneration for directors of subsidiaries was confirmed.

The following are the members of the Remuneration Committee:

Chairperson	Chairman and Representative Director	Satoshi Ishikawa
Member	Outside Director (Full-time Audit & Supervisory Committee member)	Toshiro Sasaki
Member	Outside Director (Audit & Supervisory Committee member)	Takeo Tochimoto

[Translation]

### [Support system for outside Directors]

The General Affairs Department provides support for outside Directors, such as giving advance notice of the Board of Directors meetings and materials, in an effort to facilitate deliberations and resolutions at the meetings as well as to ensure effective administration. Other necessary reports and communications are made, as appropriate, on a cooperative basis by full-time Audit & Supervisory Committee members and the General Affairs Department to avoid any information gap.

## 2. Matters pertaining to functions relating to business execution, auditing and supervision, nomination, and decisions regarding remuneration (outline of the current corporate governance system) Update

In order to increase transparency and objectivity related to the Group's management and further strengthen the supervisory functions of the Board of Directors and corporate governance to further enhance corporate value, the Company has adopted the structure of a company with an Audit & Supervisory Committee, establishing the Board of Directors, Audit & Supervisory Committee, and independent auditors as an entity under the Companies Act, along with the Remuneration Committee, Management Meeting, Compliance Risk Management Committee, Sustainability Committee, and Internal Audit Office.

### (1) Board of Directors

The Board of Directors consists of five Directors who are not Audit & Supervisory Committee members (one of whom is an outside Director and an independent officer) and three Directors who are Audit & Supervisory Committee members (all of whom are outside Directors and independent officers). It meets on a monthly basis, with ad-hoc meetings held as necessary, decides material management matters in accordance with laws, the Articles of Incorporation, and the Regulations of the Board of Directors, and receives reports on business execution from Directors who are not Audit & Supervisory Committee members in order to supervise their execution of duties. One Director (outside Director and independent officer) who is not an Audit & Supervisory Committee member was appointed at the 37th Annual General Meeting of Shareholders held on November 29, 2023, increasing the number of directors by one. As such, there are four outside Directors who are independent officers.

Each Director who is not Audit & Supervisory Committee member performs his/her duties properly, in compliance with laws and the Articles of Incorporation and based on resolutions of the Board of Directors, and mutually monitors the validity and conformity with laws and the Articles of Incorporation of the execution of duties by other Directors who are not Audit & Supervisory Committee members.

Directors who are Audit & Supervisory Committee members monitor the ideal state of governance and its operation status and audit and supervise the execution of duties by Directors who are not Audit & Supervisory Committee members, by attending key managerial meetings such as the Board of Directors meetings, Management Meetings, Compliance Risk Management Committee meetings, and Sustainability Committee meetings, and receiving reports from or interviewing employees or Directors who are not Audit & Supervisory Committee members.

The Board met 16 times in the fiscal year ended August 31, 2023. Composition of the Board of Directors, attendance at Board of Directors meetings, and specific matters for consideration are as described below.

#### Composition of the Board of Directors and attendance at Board of Directors meetings

Title	Name	Attendance
Chairman and Representative Director (Chairperson)	Satoshi Ishikawa	16/16 (attendance rate: 100%)
President and Representative Director	Keiichi Chiba	16/16 (attendance rate: 100%)
Director	Yoshinari Kitayama	16/16 (attendance rate: 100%)
Director	Yukiko Iguchi	16/16 (attendance rate: 100%)
Director (Full-time Audit & Supervisory Committee member)	Toshiro Sasaki	16/16 (attendance rate: 100%)

[Translation]

Director (Audit & Supervisory Committee member)	Takeo Tochimoto	16/16 (attendance rate: 100%)
Director (Audit & Supervisory Committee member)	Yumiko Matsuo	16/16 (attendance rate: 100%)
Director (Audit & Supervisory Committee member)	Ryuji Ueda	3/3 (attendance rate: 100%)

(Note) The number of meetings of the Board of Directors of which Ryuji Ueda was eligible to attend differs from that of the other Directors given that he retired at the conclusion of the 36th Annual General Meeting of Shareholders held on November 29, 2022.

Matters for consideration

- Progress on matters regarding business management of the Group
- Formulation of single-year budget and medium-term management plan
- Matters regarding capital investment
- Matters regarding sustainability
- Holdings of strategically-held shares and exercise of voting rights
- Matters regarding corporate governance and internal controls

The Board of Directors formed opinions, engaged in discussions, and adopted resolutions regarding matters such as those listed above.

## (2) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of one full-time outside Director and two outside Directors, and all three members are independent officers. The full-time outside Director serves as the Chairperson. By holding monthly regular meetings, and ad-hoc meetings as necessary, for exchanging views on audit results, etc. and cooperating with independent auditors and the Internal Audit Office, the Committee is engaged in effective auditing activities. For the purpose of facilitating these activities and reinforcing the audit and supervisory functions of the Committee, one full-time Audit & Supervisory Committee member has been appointed. Two non-full-time (part-time) members possess substantial knowledge about the fields of finance, accounting, and law through their professional background and considerable practical experience as a banker, certified public accountant, and attorney at law.

The Committee met 14 times in the fiscal year ended August 31, 2023.

Composition of the Audit & Supervisory Committee and attendance at Audit & Supervisory Committee meetings

Title	Name	Attendance
Director (Full-time Audit & Supervisory Committee member)	Toshiro Sasaki	14/14 (attendance rate: 100%)
Director (Audit & Supervisory Committee member)	Takeo Tochimoto	14/14 (attendance rate: 100%)
Director (Audit & Supervisory Committee member)	Yumiko Matsuo	14/14 (attendance rate: 100%)
Director (Audit & Supervisory Committee member)	Ryuji Ueda	3/3 (attendance rate: 100%)

(Note) The number of meetings of the Audit & Supervisory Committee of which Ryuji Ueda was eligible to attend differs from that of the other Directors given that he retired at the conclusion of the 36th Annual General Meeting of Shareholders held on November 29, 2022.

Matters for consideration

Matters for consideration include those with respect to design of and allocation of duties for audit plans, preparation and submission of audit reports, determination of content of the proposal related to the election of the independent auditor and evaluation of the independent auditor, determination of opinion on proposal

[Translation]

for election of Directors who are not Audit & Supervisory Committee members and Directors who are Audit & Supervisory Committee members (including the substitute Director who is an Audit and Supervisory Committee Member), confirmation regarding the structure and operations of internal control systems, confirmation regarding Board of Director matters to be resolved and matters to be reported, confirmation regarding audits by the Internal Audit Office, and opinion exchange with the respective Representative Directors and Directors.

(3) Internal Audit Office

As an independent department that reports directly to Chairman and Representative Director, the Internal Audit Office consists of one person. In accordance with the Internal Audit Rules, audits are categorized into business operation audits, accounting audits, and audits on efficiency and economy, compliance, and internal controls, and conducted onsite at least once a year, in principle, in the divisions of the Company and the divisions and sales offices of subsidiaries, in line with an annual audit plan that is approved by Chairman and Representative Director and reported to the Board of Directors. Audit results are reported to the Chairman and Representative Director, and subsequently reported to the Audit & Supervisory Committee. They are also reported directly to the Board of Directors by the Internal Audit Office.

(4) Independent auditors

For accounting audits, under the audit engagement agreement signed between Grant Thornton Taiyo LLC and the Company, Grant Thornton Taiyo LLC expresses its opinions on financial statements and internal controls from an independent and fair point of view.

(5) Remuneration Committee

In order to ensure the objectivity and transparency of procedures for determining remuneration for Directors who are not Audit & Supervisory Committee members, improve the supervisory functions of the Board of Directors, and further enhance the corporate governance system, the Company has established the Remuneration Committee as an optional advisory body to the Board of Directors. The Remuneration Committee consists of three members who are elected by the Board of Directors, and a majority of the members must be independent outside directors (Audit & Supervisory Committee members). The Chairperson is appointed by the Board of Directors. Regarding the policy and method of determining remuneration, etc. for Directors who are not Audit & Supervisory Committee members and individual remuneration amounts, etc., in accordance with the policy for determining the details of individual remuneration, etc. for Directors adopted by the Board of Directors, Chairman and Representative Director and Directors who are Audit & Supervisory Committee members (independent outside directors), who constitute the Remuneration Committee delegated by the Board of Directors, deliberate on and decide the scope of the delegation based on the resolution of the General Meeting of Shareholders and the resolution of the Board of Directors.

The Committee met five times in the fiscal year ended August 31, 2023. Composition of the Remuneration Committee, attendance at Remuneration Committee meetings, and specific matters for consideration are as described in “[Optional committees], Supplementary information,” “[Remuneration Committee], (2) Activities,” and “[Director remuneration], (4) Process of determining the amount of remuneration, etc. for Directors.”

(6) Management Meeting

Composed of the Company’s Directors (full-time) and full-time Audit & Supervisory Committee members, presidents of subsidiaries, and heads of departments/offices of the Group companies, the Management Meeting is held on a monthly basis primarily to confirm the budget status regarding the execution of material matters related to the Group’s management and to report on and review the Group’s business operations, for the purpose of sharing managerial information and boosting efficiency in business execution.

The Meeting was held 14 times in the fiscal year ended August 31, 2023.

(7) Compliance Risk Management Committee

Chaired by Chairman and Representative Director of the Company and composed of Directors (full-time) who are not Audit & Supervisory Committee members of the Company, as well as full-time Audit & Supervisory Committee members, presidents/directors/auditors of subsidiaries, and heads of departments/offices of the Company, the Compliance Risk Management Committee meets four times per year, with ad-hoc meetings held as necessary. The Committee makes efforts to ensure the management of compliance risks in the Group’s business activities and secure continuous and stable business growth and

[Translation]

eliminate and alleviate conflict-of-interest factors among stakeholders, in compliance with laws/ordinances/the Articles of Incorporation/basic policy on developing internal control systems/internal rules/other rules required in society in general.

The Committee met four times in the fiscal year ended August 31, 2023. At its regular meeting held every three months, the Committee confirmed key risks along with associated measures and their implementation, taking into account the Group's status since the previous meeting, and evaluated key risks. In addition, the Committee also confirmed implementation of compliance risk management processes within the Group and discussed associated measures.

(8) Sustainability Committee

On May 31, 2023, the Sustainability Committee was established as an advisory body to the Board of Directors for the purpose of strengthening initiatives for sustainability in looking toward achieving the Group's sustainability targets. The Committee is chaired by the President and Representative Director and is composed of Directors who are not Audit & Supervisory Committee members of the Company (full-time), as well as a full-time Audit & Supervisory Committee member, and officers and employees of the Group who have been appointed by the Chairperson as the Committee members. It meets at least twice a year, in principle, with ad-hoc meetings held as necessary. In seeking to promote the Group's initiatives for sustainability, the Committee formulates and promotes policies, plans, and targets related to sustainability, gathers, analyzes, and evaluates information, and reports the initiatives to the Board of Directors.

The Sustainability Committee met one time during the current fiscal year, with all five members in attendance. During the meeting the Sustainability Committee's purpose, activity policy, etc. were confirmed, and the Committee discussed about issues on disclosures aligned with recommendations of the TCFD endorsed by the Company as well as matters for future discussion.

Composition of Sustainability Committee

Title	Name
Chairman and Representative Director	Satoshi Ishikawa
President and Representative Director (Chairperson)	Keiichi Chiba
Director	Yoshinari Kitayama
Director	Yukiko Iguchi
Director (Full-time Audit & Supervisory Committee member)	Toshiro Sasaki

**3. Reasons for adopting the current corporate governance system**

The Company has adopted the current system because it believes that it can strengthen supervisory functions over the Board of Directors/Directors and corporate governance, by establishing the Audit & Supervisory Committee and granting voting rights at the Board of Directors meetings to Directors who are Audit & Supervisory Committee members, and that it can ensure transparency, soundness, and compliance with laws in management and achieve further enhanced corporate value through mutual coordination between the bodies, including the Audit & Supervisory Committee.

[Translation]

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

#### **1. Measures to energize general meetings of shareholders and facilitate the exercise of voting rights**

**Update**

		Supplementary information
<input checked="" type="checkbox"/>	Early distribution of convocation notice of the General Meeting of Shareholders	The convocation notice of the General Meeting of Shareholders is mailed three weeks prior to the date of the Meeting and disclosed on the Company website and the Tokyo Stock Exchange website from the day when it is mailed. The convocation notice of the 37th Annual General Meeting of Shareholders dated November 29, 2023 was mailed on November 7 and posted on the Company website and the Tokyo Stock Exchange website on the same day.
<input checked="" type="checkbox"/>	Exercise of voting rights by electronic means	In order to improve convenience for shareholders, the Company supports the exercise of voting rights by electronic means such as websites and platforms for voting designated by the Company.
<input checked="" type="checkbox"/>	Measures for participation in electronic voting platforms and other improvement of the voting environment for institutional investors	The Company participates in an electronic voting platform operated by ICJ, Inc.
<input checked="" type="checkbox"/>	Providing convocation notices in English (summary)	The convocation notice in a narrow sense and reference materials for the Meeting are translated into English and posted on the websites of the Company, the Tokyo Stock Exchange, etc. together with the Japanese version.
<input checked="" type="checkbox"/>	Others	The Company makes efforts to energize the General Meetings of Shareholders, by presenting business reports using projectors/slides and voice-over narration, etc. at the Meetings.

#### **2. IR activities**

**Update**

		Supplementary information	Explanation by Representative
<input checked="" type="checkbox"/>	Holding Regular Investor Briefings for Analysts and Institutional Investors	<p>&lt;Investor briefing summary&gt;</p> <p>Dates Twice a year (April (second quarter) and October (fiscal year)), including online format</p> <p>Speaker Chairman and Representative Director</p> <p>Content (1) Summary of financial results and forecast of business performance (2) Future management strategy (3) Business description and business model, etc.</p> <p>Participants Institutional investors (fund managers, analysts), sell-side analysts, media representatives, etc.</p>	Yes

		Supplementary information
☑	Posting IR materials on website	<p>&lt;IR information&gt;  <a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/ir/">https://www.trans-action.co.jp.e.zy.hp.transer.com/ir/</a></p> <p>Account closing information, summaries of financial results, quarterly financial results, financial statements briefing session material, medium-term management plans, securities reports, quarterly reports, convocation notices of the General Meeting of Shareholders, notices of resolutions, letters/communications to shareholders, financial highlights, status of dividends, shareholder benefit plans, IR calendars, timely disclosure materials, PR information, etc. are posted. Summaries of financial results, convocation notices in a narrow sense and reference materials for the General Meeting of Shareholders, financial statements briefing session material, and medium-term management plans are also published in English. This report has been also translated into English and disclosed on the Company website, etc.</p> <p>&lt;Sustainability&gt;  <a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/">https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/</a></p> <ul style="list-style-type: none"> <li>• Materiality (key issues) and the Company's initiatives  <a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/materiality.html">https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/materiality.html</a></li> <li>• ESG data  <a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/esg-data.html">https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/esg-data.html</a></li> </ul> <p>&lt;Corporate governance&gt;  <a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/company/corporategovernance.html">https://www.trans-action.co.jp.e.zy.hp.transer.com/company/corporategovernance.html</a></p> <p style="padding-left: 40px;">Basic views on and system for corporate governance                      Corporate governance reports</p> <p>&lt;Skills matrix of Directors&gt;  <a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/company/directo-skill-matrix.html">https://www.trans-action.co.jp.e.zy.hp.transer.com/company/directo-skill-matrix.html</a></p>
☑	Establishment of department and/or manager in charge of IR	<p>&lt;Officer in charge of IR&gt;                      Director Yoshinari Kitayama</p> <p>&lt;Department in charge of IR&gt;                      Corporate Planning Department</p> <p>&lt;Contact for IR administrations&gt;                      General Manager of Corporate Planning Department                      Masaru Sugaya</p>

3. Measures to ensure due respect for stakeholders

Update

		Supplementary information
☑	Establishing provisions concerning due respect for stakeholders in internal rules, etc.	<p>The Company adheres to the following as its action guidelines: “to continue to be a company that not only complies with laws but also is respected by society,” “to maintain a free and open corporate culture to continue to be a company in harmony with symbiosis,” and “to realize welfare/well-being for customers, employees and shareholders, and more broadly, for society, through its corporate activities.”</p> <p>Due respect for stakeholders is also set forth in the “Basic Compliance Policy,” “Materiality for Achieving SDGs,” and others.</p>
☑	Implementation of environmental conservation activities, CSR activities, etc.	<p>For the purpose of expediting initiatives for sustainability, the Company has identified as managerial challenges 16 materiality items (key issues) to be addressed from the perspective of “business,” “the environment,” “society,” and “governance.”</p> <p>Please refer to the following for initiatives for sustainability, including materiality, the relationship between SDGs and the operations of the Company and ESG data.</p> <p><a href="https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/">https://www.trans-action.co.jp.e.zy.hp.transer.com/business/sustainability/</a></p> <ul style="list-style-type: none"> <li>• One of the Group’s corporate philosophies is “to make social contributions by offering earth-conscious products through manufacturing,” and the Group is committed to the conservation of the earth’s environment through its business. Since its foundation, it has operated its business through “manufacturing (things),” with a focus on the development and supply of “Eco-products.” It strengthens the development and supply of eco-friendly products, not only by simply developing products made of environmentally-friendly materials or recyclable materials but also with philosophies “stop using disposable things” and “use reusable products,” and under the theme of “consider the environment from manufacturing.”</li> <li>• In October 2021 the Group participated in “Renewable Energy 100 Declaration: RE Action” and set a minimum goal of having renewable energy account for 50% of the Group-wide electricity consumption by 2030 and 100% by 2050. The Group moved up, by five years, the target deadline for achieving the goal of having renewable energy account for 50% by 2025, in the “4th Medium-term Management Plan (FY8/23 to FY8/25)” released on October 20, 2022.</li> <li>• On May 31, 2023, the Sustainability Committee was established as an advisory body to the Board of Directors for the purpose of strengthening initiatives for sustainability in looking toward achieving the Group’s sustainability targets. On the same day, we expressed our support for the recommendations of the TCFD. The Group will actively disclose information enlisting the TCFD recommendations as guidelines for assessing the appropriateness of its response to climate change.</li> </ul>
☑	Formulation of policy on information provision to stakeholders	<p>Regarding information disclosure to stakeholders, with the provision on “timely and fair disclosure of corporate information to customers/suppliers, employees and shareholders in pursuit of transparent management” set forth in the “Basic Compliance Policy,” the Company performs timely, appropriate, and fair information disclosure.</p>



#### **IV. Matters related to Internal Control Systems, etc.**

##### **1. Basic views on internal control systems and progress of system development**

Internal control is a process to be carried out by everyone in a company in order to achieve its four goals: effectiveness and efficiency in business operations, credibility of financial statements, compliance with laws related to business activities, and asset safeguarding. Based on such recognition, regarding the development of systems, etc. for ensuring proper business operations, the Company has set down the “Basic Policy on Building Internal Control Systems,” as outlined below:

- (1) System to ensure that the execution of duties by directors/employees of the Company and its subsidiaries conforms to laws and the Articles of Incorporation
  - (i) The Group companies have clearly defined job authority and duties/responsibilities for sound check and balance functions to interact between and within organizations.
  - (ii) The Group has established the “Basic Compliance Policy” as a basic policy on compliance and a code of conduct for directors and employees and ensures to communicate that compliance with laws is the basis of all corporate activities.
  - (iii) The Group has established and operates the Compliance Risk Management Committee to review material matters, etc. related to Group-wide compliance and provides directors and employees with compliance training, as needed, in an effort to foster compliance awareness.
  - (iv) The Group has established the “Compliance Consultation Desk” (contact: General Affairs Department) as a whistle-blowing system to detect and correct compliance issues early through a self-purification process and the “Compliance Helpline,” for which the legal counsel of the Company serves as a point of contact.
- (2) System for the storage and management of information relating to the execution of duties by Directors of the Company  
The Board of Directors meeting minutes, approval requests, and other information relating to the execution of duties by Directors are properly managed and stored in accordance with the “Document Management Rules.” Directors and Audit & Supervisory Committee members may view this information at any time.
- (3) Rules on the management of risk of loss to the Company and its subsidiaries and other systems
  - (i) The Group has established the “Risk Management Rules,” which stipulate the management of and response to various risks arising from the execution of business to ensure the security of management and pursue enhanced corporate value.
  - (ii) In the event of a contingency (unforeseen situation) that causes a grave impact on management and business operations, a special task force, etc. will respond to the crisis in accordance with the “Crisis Management Rules.”
- (4) System to ensure efficient execution of duties by directors of the Company and its subsidiaries
  - (i) In accordance with the “Regulations of the Board of Directors,” regular Board meetings are held on a monthly basis, with ad-hoc Board meetings held as necessary. As a body that receives reports and reviews management plans and measures of the Group companies, their progress, and material matters in business operations, the Management Meeting is held on a monthly basis, with Directors (full-time), full-time Audit & Supervisory Committee members, presidents of subsidiaries, and heads of departments/offices of the Group companies in attendance.
  - (ii) The Group companies formulate a medium-term management plan and annual budget plan for each year based on their own business environments and clarify their own targets to achieve/challenges.
- (5) System to ensure proper business operations in the corporate group consisting of the Company and its subsidiaries
  - (i) In accordance with the “Subsidiary Management Rules,” the Company makes efforts to ensure proper and efficient business operations and make improvements across the Group and provides appropriate guidance and supervision as the parent company.
  - (ii) With the General Affairs Department controlling group-wide compliance management and the Corporate Planning Department controlling risk management, the Group takes appropriate measures at the Group companies in connection with these operations and provides necessary guidance and support to them.

[Translation]

- (iii) Internal Audit Office conducts internal audits of the Group companies in accordance with the “Internal Audit Rules” and promptly submits a report on such results to Chairman and Director. Reporting channels to the Board of Directors and to the Audit & Supervisory Committee are secured as well.
- (6) Matters regarding employees who assist with the duties of the Audit & Supervisory Committee of the Company when required and matters regarding the independence of such employees from Directors of the Company  
When the Audit & Supervisory Committee needs employees to assist with its duties, the Company assigns staff to provide such assistance upon discussion with the Committee, and such assignment must be agreed to by the Committee. For the present, Internal Audit Office staff shall provide assistance, where necessary, upon receiving directions related to matters concerning audit operations from the Audit & Supervisory Committee. When following the directions of the Audit & Supervisory Committee, the Internal Audit Office staff member is supervised by the Audit & Supervisory Committee and thus maintains his/her independence from Directors (excluding those who are Audit & Supervisory Committee members).
- (7) System for directors/employees of the Company and its subsidiaries to report to the Audit & Supervisory Committee and systems for other reporting to the Audit & Supervisory Committee
  - (i) Audit & Supervisory Committee members attend key managerial meetings such as the Board of Directors meetings and Management Meetings to receive reports on decisions (matters to be determined) and matters of concern to the Group.
  - (ii) If an event that causes a grave impact on the Group companies occurs or might occur, any illegal or fraudulent act by officers/employees is found, or any other matters for which the Audit & Supervisory Committee require reporting take place, directors and employees shall promptly report such details to the Audit & Supervisory Committee.
  - (iii) The Group prohibits a person who makes a report to the Audit & Supervisory Committee from being treated disadvantageously on account of the report.
- (8) If an Audit & Supervisory Committee member makes a request to the Company for an up-front payment of an expense under Article 399-2, Paragraph 4 of the Companies Act for the execution of his/her duties, the Company promptly processes such expense or debt, except when the expense or debt incurred in connection with the request is deemed not necessary for the execution of duties by the Audit & Supervisory member.
- (9) Other systems to ensure effective execution of audits by the Audit & Supervisory Committee of the Company
  - (i) Directors and employees of the Group companies deepen their understanding of the Audit & Supervisory Committee audits and make efforts to develop the auditing environment in order to ensure the effectiveness of the audits.
  - (ii) The Audit & Supervisory Committee exchanges views with (respective) Representative Directors of the Company on a periodic basis and ensures close coordination with independent auditors and the Internal Audit Office, in an effort to communicate appropriately and carry out effective audit operations.

## **2. Basic views towards the elimination of antisocial forces and progress of related efforts**

Upholding the “exclusion of antisocial forces” as its basic policy in the “Basic Compliance Policy,” the Group firmly excludes antisocial forces that threaten public order and safety. In line with this policy, the Group assigns staff in charge of legal affairs to the General Affairs Department of the Company, who conduct an antisocial-force check on customers/suppliers/outsourcing service providers (contractors)/vendors for administration divisions, to make sure to prevent any transactions with antisocial forces.

Furthermore, the Company has joined Tokubouren (association of special violence prevention measures) and built systems for close cooperation with authorities/parties concerned, including the police.

[Translation]

## V. Others

### 1. Adoption of defense against takeover bids

Adoption of defense against takeover bids	None
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Supplementary information
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### 2. Other matters regarding Corporate Governance Systems, etc. Update

<Overview of timely disclosure system>

The Company's structure regarding the timely disclosure of Company information is as follows:

#### (1) Corporate philosophy and basic policy on timely disclosure

As a fables manufacturer, the Group conducts consistent business operations from planning/design to production (contract-based production)/product quality management/distribution, in the manufacturing of "Eco-products," "Lifestyle products," and "Wellness products." The Group's business lines such as environmentally friendly Eco-products (SDGs products), Lifestyle products that support "tangible goods consumption" originating from intangible goods consumption, and Wellness products associated with the reduction of health risks are closely linked to the economy, society, environment, and human health due to their nature. To fulfill its social responsibilities, the Company believes that it must earn the confidence of the public at large, including a variety of stakeholders such as customers, shareholders, and investors.

Based on this recognition, the Company upholds the following as its corporate philosophy:

- To make social contributions by offering earth-conscious products through manufacturing
- To make contributions to enriched lifestyles (life culture) by offering attractive products in terms of their "design," "quality," and "price"
- To continue producing new creations with a cosmopolitan mind/sense and out-of-the-box thinking

The Group's social roles are not only fully understood by officers/employees, but constantly shared and disseminated through occasions such as welcoming ceremonies, internal training courses, and meetings.

Under the corporate slogan, "taking on a challenge is fun," the Group's officers and employees are working together to maximize corporate value by making social contributions through manufacturing and toward building a responsible company.

The Group has the "Basic Compliance Policy," which is a code of conduct for companies, officers, and employees to adhere to in order to engage in corporate activities, and has set out the "timely and fair disclosure of corporate information to customers/suppliers, employees, shareholders, etc. in pursuit of transparent management" as a policy on information disclosure to stakeholders. In accordance with the Policy, the Group is fully aware that the disclosure of timely and appropriate company information to investors is fundamental to healthy securities markets and strives to enhance internal systems for making appropriate disclosure of prompt, accurate and fair company information, always from an investor's point of view. In this way, the Group is sincerely committed to timely and appropriate disclosure of company information for investors.

#### (2) Company structure regarding timely disclosure

In its internal system for timely disclosure, with Chairman and Representative Director as a chief officer, the Director in charge of the Corporate Planning Department as an information management officer, and the Corporate Planning Department as a controlling division for information management, the Company has adopted procedures for "information collection," "analysis and judgment," "reporting/disclosure," and "education," as outlined below:

##### (i) Information collection

In order to promptly and exhaustively collect information of different types/features dispersed in the Group's divisions (departments/offices of the Company and subsidiaries), the head of each department/office of the Company and the president and the head of department/office of each subsidiary are appointed as information management officers. In addition, the information management officer

[Translation]

makes a report to the controlling division for information management on information judged as requiring review for disclosure, in accordance with the Timely Disclosure Rules and relevant laws/regulations. In addition, the controlling division for information management, through subsidiary management operations, attends meetings held at each subsidiary as an observer, as necessary, in an effort to improve the accuracy and freshness of the information about subsidiaries.

(ii) Analysis and judgment

The information collected from the divisions of the Company and subsidiaries by the controlling division for information management is reported by the information management officer to the chief officer. The chief officer and the information management officer then have discussions on whether the information constitutes a material fact under the Timely Disclosure Rules or relevant laws/regulations, or needs to be voluntarily disclosed for investor convenience, in order to ensure the timeliness, legitimacy, and accuracy of disclosure.

After the foregoing discussions, the chief officer makes a decision on timely disclosure: its necessity, details, timing, and method.

(iii) Procedures for reporting/disclosure

Based on the decision on disclosure by the chief officer, the information management officer conducts disclosure of timely information through the financial instruments exchange and publishes the disclosed information on the website or by the determined method.

(iv) Education

Company information management and in-company education about timely disclosure are conducted by the head of the controlling division for information management based on the instructions of the information management officer.

For in-company education/training, the corporate philosophy and the Insider Trading Management Rules are posted on the intranet, and educational training courses are held for officers/employees of the Group, including subsidiaries, to ensure the communication of rules on the management of various information, the prevention of leakage and unauthorized use, and the systems/procedures for timely disclosure.

(3) Monitoring related to timely disclosure

At the Company, business operations are monitored through internal audits by the Internal Audit Office. Internal Audit Office audits the timely disclosure of company information to see if the information is disclosed in a timely, lawful, and accurate manner in accordance with the Timely Disclosure Rules, relevant laws/regulations, and the Insider Trading Management Rules, from the point of view of business operations and compliance auditing.

The results of internal audits are reported to Chairman and Representative Director in the form of an audit report and notified to the head of the Corporate Planning Department, which is an audited division. The Board of Directors and the Audit & Supervisory Committee also receive the report.

The head of the audited division prepares a response to the findings, etc. listed in the audit report, by the method specified in the Internal Audit Rules, and submits it to an audit manager, who compiles the submitted responses and reports them to Chairman and Representative Director.

In addition, the audit manager checks the response(s) to the findings, etc. in a timely manner, and summarizes and reports such results to Chairman and Representative Director.

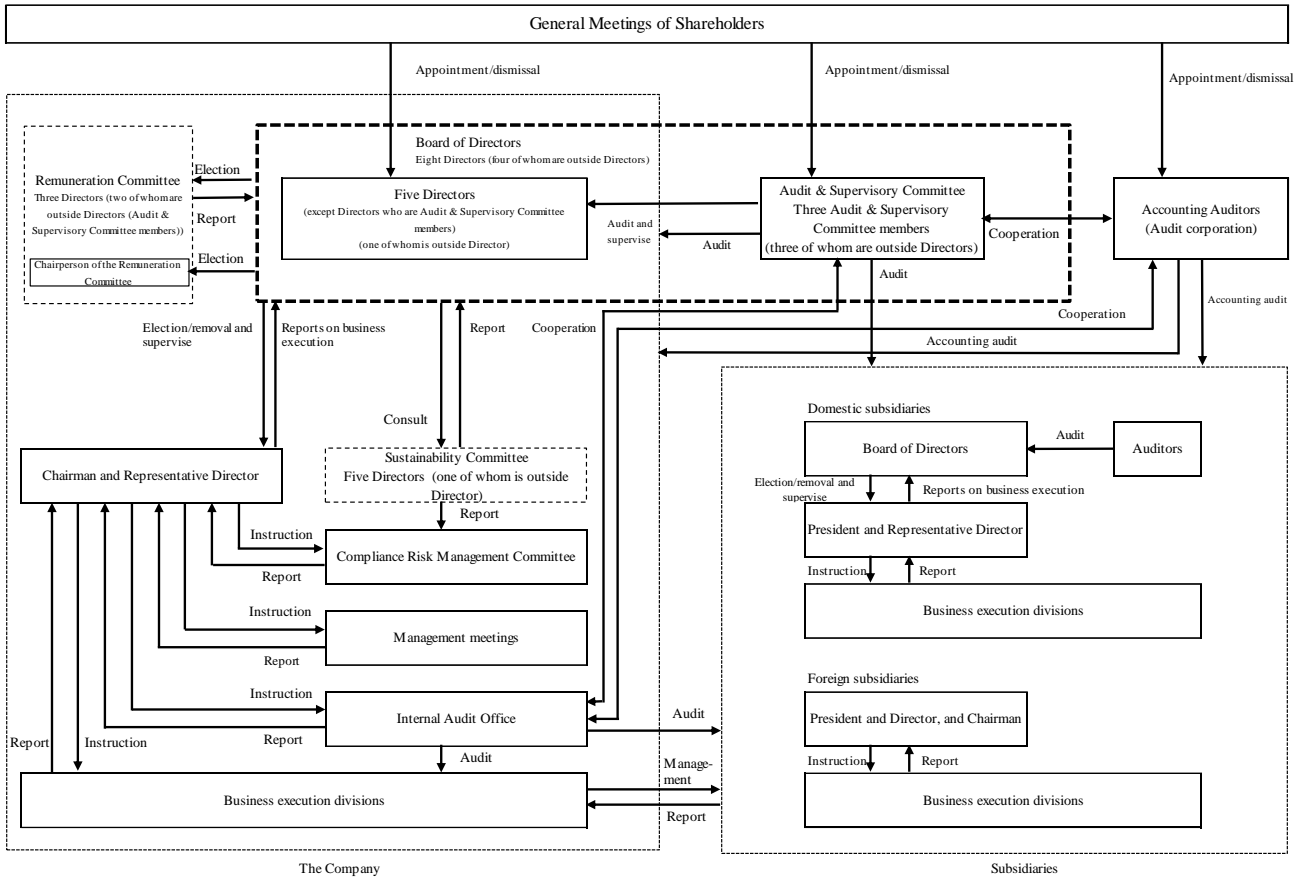
(4) Handling of information for timely disclosure and insider trading management

The Company has the Insider Trading Management Rules, which set out the handling of material facts, to ensure the prevention of insider trading. Regarding material facts for timely disclosure, the Group ensures information management and strictly prohibits their unauthorized use. If the relevant fact is deemed to constitute an undisclosed material fact, the trading of the Company's shares, etc. is prohibited until the fact is made public.

[Translation]

[Figure: Corporate Governance System]

Update



[Translation]

[Overview of Timely Disclosure System]

### Company Information Disclosure Flow

