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Open Up Group Inc.

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Stock Code: 2154

The following sets forth the corporate governance of the Company.

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

1. Basic Views

(1) Basic Views on Corporate Governance

The Group believes that the mission of corporate management is to improve corporate value in a sustainable and stable manner based on the Purpose of "Opening up individual potential through rewarding work," and will promote efficient management enabling profitability while ensuring sound management.

In addition, in order to maintain management transparency through the accurate and timely disclosure of management information and to form a good relationship with our stakeholders, including shareholders, investors, business partners, employees, local communities and the broader society, etc., the Group will position the strengthening of corporate governance systems as one of the most important management issues and strive to improve the same, thereby conducting corporate activities with full awareness of our social responsibility

The Group adopts a holding company structure to ensure that the holding company supervises the proper execution of business by the operating companies, and flexibly designs meeting bodies and reporting lines in response to business expansion and changes in the business environment to ensure that labor and human rights issues, which are important to the human resource services industry, are fully controlled. The Group also ensures transparency and objectivity in management through the Board of Directors, the Audit and Supervisory Committee, and other structures.

(2) Corporate Governance System

The Company has shifted to a company with an audit and supervisory committee at the Ordinary General Meeting of Shareholders held on September 26, 2023, to further enhance corporate governance by strengthening the supervisory function of the Board of Directors and further improving the monitoring system.

The majority of the Board of Directors of the Company are outside directors for the purpose of receiving appropriate advice and proposals from an objective outside perspective and strengthening the supervisory function of the Board of Directors. In addition, an outside director serves as the chairperson of the Nominating Committee and the Compensation Committee, which are advisory bodies to the Board of Directors, to ensure the appropriateness and transparency of the selection and remuneration of directors.

The Company has established a meeting of independent officers, whose members are independent outside directors, in order to exchange information and share awareness, thereby invigorating discussions at meetings of the Board of Directors.

The Company monitors the status of the Group's compliance with laws and regulations by establishing compliance meetings at operating companies and making the results of such meetings a reporting item for the Board of Directors.

The Company has established a Sustainability Committee for the overall management and deliberation of opportunities and risks for the realization of a sustainable society that takes into account human rights, environmental issues, and coexistence with society.

The Company has established an Internal Control Committee to identify and control risks related to financial reporting in the Group, and to deliberate on the evaluation of the effectiveness of the Group's operations related to financial reporting.

[Reasons for not implementing the respective principles of the corporate governance code]

The Company has a policy of implementing all the principles of the corporate governance code.

[Disclosure based on each principle of the corporate governance code] Updated

■ Strategic Shareholdings [Principle 1-4, Supplementary Principles 1-4 (1) and 1-4 (2)]

To achieve sustainable growth and enhance social and economic value, the Company will hold shares for strategic holdings only when it is rational to do so as part of its management strategy, such as through business alliances.

The Board of Directors will examine the medium- to long-term economic rationality of individual policy holdings, disclose the results of such examinations, and endeavor to reduce the number of shares held for policy purposes when it considers that there is no need to continue to hold the shares.

With respect to the exercise of voting rights for policy shareholdings, the Board of Directors will determine whether to approve or disapprove each proposal after examining each proposal after individually assessing whether it will enhance the value of the Company in question or potentially impair its corporate value.

■ Related Party Transactions [Principle 1-7]

In accordance with the Companies Act, in its the Company "Board Rules" stipulates that the Board of Directors must resolve matters concerning party transactions involving the Company's officers and officers of important subsidiaries, to avoid harming the Company's interests.

In addition, the Company conducts annual surveys of the Company's officers and those of its key subsidiaries to identify any transactions that qualify as related party transactions.

The Company manages related party transactions by monitoring the terms and conditions, assessing the appropriateness of the methods used to establish those terms, and ensuring the independence of the companies involved. These details are reviewed during the Board of Directors meetings. In the event of such transactions, the Company discloses relevant information in accordance with applicable laws and regulations.

■ Ensuring Diversity within the Company [Supplemental Principle 2-4(1)]

As a group operating in the human resources service industry, we recognize that the diversity of "every individual who works with us" is key to value creation. Fostering a culture where diverse individuals respect and understand one another enhances motivation and performance, which leads to improved services for our client companies and, ultimately, increases corporate value. In line with this philosophy, the Group has implemented the "principle of equal pay for equal work" in the "Code of Ethics on Society, Human Rights, and the Environment," which prohibits all forms of discrimination based on gender, nationality, age, disability, and other factors. Employment conditions and compensation are not influenced by gender, nationality, or other attributes. The "Code of Ethics on Society, Human Rights, and the Environment" reflects the Group's commitment to promoting diversity and inclusion, intending to provide decent work (worthwhile and humane work) and work-life balance for all individuals.

With regard to the promotion of mid-career hires to management positions, as of the end of June 2024, the ratio of mid-career hires to management positions in Japan was 93.8% (94.1% in the previous year), and the Company has already made proactive efforts and will continue to do so in the future.

Regarding the promotion of women's participation in the workplace, the Company is committed to creating an environment where female employees can fully demonstrate their abilities and take on active roles, acknowledging the societal challenges posed by life events such as childbirth and childcare, which significantly affect women's career development. Specifically, in addition to providing maternity leave, childcare leave, and a system for shorter working hours for childcare, the Company encourages both men and women to take childcare and nursing care leave, and considers these factors when making work assignments. Open Up With Inc., a group company of the Company, has been awarded the "second star" (second tier level) of the "Eruboshi Certification" from the Kanagawa Labor Bureau.

As of the end of June 2024, the percentage of female employees at domestic group companies was 28.2% (26.9% in the previous year), the percentage of female managers was 12.6% (10.9% in the previous year), and the percentage of female directors at the holding company was 30%. While the percentage of female employees has been steadily increasing year by year, the Company recognizes that there is still significant room for improvement in increasing the proportion of female managers.

When hiring non-Japanese employees, the Company follows strict criteria, including verifying whether they have a valid work visa before and after starting work. At the same time, the Company offers support such as Japanese language education and lifestyle assistance for employees who meet these criteria and ensures that personnel and evaluation systems are applied equitably. Notably, many non-Japanese engineers have been recognized with annual awards for technical achievements. Regarding the promotion of foreign employees to management positions, most are technical employees working at client companies, and since relatively few pursue management roles as part of their career path, the Company has yet to set specific targets in this area.

As of the end of June 2024, the percentage of non-Japanese employees at domestic group companies was 2.2% (down from 2.7% the previous year).

■ Roles of Corporate Pension Funds as Asset Owners [Principle 2-6]

The Company and its significant subsidiaries have not adopted a corporate pension plan and have adopted a corporate defined contribution pension plan to support the asset formation of employees.

■ Matters Related to Transparency and Fairness in Corporate Decision-making and Information Disclosure [Principle 3-1, Supplementary Principles 4-2 (1), 4-3 (3) and 4-11 (1), Principle 5-2]

(1) Purpose (Corporate Philosophy)

For more information about the Company's Purpose, please refer to "Purpose" section of our website (<https://www.openupgroup.co.jp/>).

(2) Management Strategy, Management Plan

In addition to aiming for profitability and business growth that exceeds the cost of capital, the Company intends to review its business portfolio from time to time and promote business development, including through mergers and acquisitions, in order to ensure financial soundness and business sustainability.

Amid changes in the social environment surrounding employment, the Company has recognized the limitations of its traditional job-matching business model in achieving long-term, sustainable growth. Consequently, from the fiscal year ending June 2025, the Company has decided to focus on a model that emphasizes supporting engineers by working closely alongside them. For further details, the medium-term management policy is available on the website (<https://www.openupgroup.co.jp/>).

Information on our efforts to implement management strategies that are mindful of capital costs and stock prices (English version available, updated: October 15, 2024) is available in our financial results briefing materials and on our website under "The Open Up Group in Numbers" (<https://www.openupgroup.co.jp/ir-data/>).

Financial Results Briefing Materials (P8):

https://ssl4.eir-parts.net/doc/2154/ir_material_for_fiscal_ym26/161625/00.pdf

Financial Results Briefing Materials (English) (P8):

https://ssl4.eir-parts.net/doc/2154/ir_material_for_fiscal_ym31/161750/00.pdf

(3) Basic Views and Policy on Corporate Governance

Please refer to "1.1 Basic Views" in this report.

(4) Policy and Procedures for Determining Directors' Remuneration

Remuneration for Directors is examined by the Compensation Committee (appointed by resolution of the Board of Directors), which is composed of a majority of outside Directors. This ensures the transparency and objectivity of the remuneration system as a whole, including both the level of remuneration and decision making process. Also, the Company has introduced stock-based compensation in addition to cash-based compensation to link the performance of a single fiscal year to the improvement of corporate value over the medium- to long-term. For more information, please refer to "II [Board Director Compensation] Details of Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in this report.

(5) Appointment and Dismissal of Top Management, including the Chief Executive Officer; and Nomination Policies and Procedures for Candidates for Directors

<Nomination of Candidates for Directors>

Candidates for directors will be selected based on the policy outlined below, with the majority of candidates chosen by resolution of the Board of Directors being external directors. The Nominating Committee shall deliberate on the candidates and report its findings to the Board of Directors, which will then review and resolve the report's contents before submitting it to the General Meeting of Shareholders.

•Executive Directors

(a) Must have sufficient experience and expertise to understand the Group's purpose and contribute to the Group's sustainable growth and medium- to long-term enhancement of corporate value;

(b) Must possess excellent character, insight, appropriate ethical values, and good mental and physical health; and

(c) Must have no conflicts of interest or business relationships that could affect the Director's duties.

•Outside Directors

- (a) Must meet the requirements outlined in (a) to (c) above;
- (b) Must have extensive experience and high-level insight into their respective fields of expertise;
- (c) Must be able to secure sufficient time to fulfill their duties as a director of the Company; and
- (d) Must possess the ability to provide independent advice and recommendations to ensure the appropriateness and soundness of the Board of Directors' decision-making.

• Representative Director

- (a) Must have the ability to establish medium- to long-term management policies that align with the Group's purpose and support the Group's growth;
- (b) Must demonstrate leadership and the ability to achieve results in line with medium- to long-term management policies; and
- (c) Must be capable of engaging with all stakeholders in good faith and fostering harmony.

<Dismissal of Top Management, including the Chief Executive Officer (Representative Director)>

In the event that a member of the top management, including the Chief Executive Officer (Representative Director), falls under the dismissal criteria outlined below and is deemed unsuitable, the Nominating Committee will thoroughly review, deliberate, and report on the matter, with the Board of Directors making the final decision. Additionally, the Nominating Committee will consider the education and training of potential successors for the Chief Executive Officer (Representative Director), including possibly selecting candidates from outside the Company.

- (a) If there is a violation of laws, the Articles of Incorporation, or other regulations of the Group, leading to significant losses or operational obstacles for the Group;
- (b) If significant obstacles to the execution of duties arise;
- (c) If the Company's performance in terms of medium-term management indicators, such as operating profit margin, total profit, and growth rate, falls significantly below industry standards with no prospect of recovery; or
- (d) If it becomes clear that the individual no longer meets the requirements for appointment due to changes in the external environment or company performance.

(6) Explanation regarding the Appointment and Dismissal of Top Management and the Appointment and Nomination of candidates for Directors

The Company discloses the reasons for the individual nominations of candidates for Directors in the reference materials to the Notice of Convocation of the General Meeting of Shareholders. Details can be found on the Company's website (<https://www.openupgroup.co.jp/>).

■ Initiatives for Sustainability [Supplementary Principle 3-1(3)]

The Company has formulated the "Code of Ethics on Society, Human Rights, and the Environment" as its approach to sustainability, and aims to achieve sustainable growth of the Group and realization of a sustainable society by promoting solutions to social issues through its business. In addition, from the perspective of emphasizing transparency and proactive information disclosure, the Company has established an "Sustainability" section on our website (<https://www.openupgroup.co.jp/>), where the Company discloses specific initiatives and non-financial information.

The Company has also established a Sustainability Committee to oversee and deliberate on opportunities and risks for realizing a sustainable society that takes into account human rights, environmental issues, and coexistence with society. In addition, the Company will strive to proactively disclose information and improve transparency regarding risks and opportunities related to climate change based on TCFD or an equivalent framework.

The Company is also working on the development of a comfortable working environment so that a diverse range of human resources can play an active role. The Company strictly manages and supervises working environment at compliance meetings, etc., to understand the prevention of health hazards caused by long working hours and unsafe working environments. The Company conducts safety and health education and training for our employees to improve the working environment and prevent occupational accidents. In addition, the Group shares information on the status of guidance from the Labor Bureau and the Labor Standards Inspection Office, and strives to maintain a comfortable work environment that takes into consideration occupational health and safety and mental health by properly identifying and promoting issues that need to be addressed, reductions in working hours, and other legal initiatives.

■ Scope of Delegation to Management [Supplementary Principle 4-1(1)]

In addition to those stipulated by laws and regulations and the Company's Articles of Incorporation, the Board of Directors has established "Board Rules" that stipulate items to be resolved by the Board of Directors, including management policies and plans, the election and dismissal of the heads of business execution divisions (including the presidents of operating companies), the establishment, revision and abolition of important organizations and systems, and other important management decisions.

In addition, the Board of Directors regularly receives reports on business execution from each executive director and reports from internal control and other internal committees and meetings, and supervises the execution of business.

With respect to decision-making authority on matters delegated by the Board of Directors, the Company has established the scope of delegation to the Executive Committee and other business execution bodies, the Representative Director as the Chief Executive Officer, and other personnel in accordance with the scale, importance and risks of each matter, as stipulated the Company's "Organizational Authority Regulations" and "Organizational Authority Standards Table" separately stipulated, and delegates authority appropriately.

■ Independence Criteria and Qualifications of Independent Outside Directors [Principle 4-9]

In accordance with the requirements of outside Directors stipulated in the Companies Act and the requirements of the Tokyo Stock Exchange's standards for independence, the Company has appointed persons other than those who have been its executive directors or executive officers as independent outside directors and who do not possibly have any conflicts of interest with ordinary shareholders. In addition, for the purpose of enhancing transparency and soundness in management decision-making, including advice and checks from an independent standpoint, the Company has invited persons with abundant experience and broad knowledge in their respective fields of expertise.

■ Establishment of Advisory Committees [Principle 4-10(1)]

The Company has established the Nominating Committee and the Compensation Committee as advisory bodies to the Board of Directors. For details, please refer to the "Supplemental Explanation" column of "Voluntary Establishment of Committee Corresponding to Nominating Committee or Compensation Committee" in "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in Section II of this report.

■ Stance on the Balance of Knowledge, Experience and Ability, Diversity and Size of the Board of Directors as a Whole [Supplemental Principle 4-11(1)]

In order to achieve sustainable growth and enhance corporate value over the medium to long term, the Company takes into consideration the balance of knowledge, experience and ability of Directors, as well as diversity in terms of gender and other factors, and selects Directors through the Nominating Committee, a majority of whom are outside directors, and recommends them to the Board of Directors.

A matrix listing the main skills, careers, and specialties of each Director is disclosed on our website and in the Integrated report.

Please see the Company's website: <https://www.openupgroup.co.jp/>

Currently, the Board of Directors consists of ten Directors, including three executive directors, four outside directors who are not members of the Audit and Supervisory Committee (including two female directors), and three directors who are members of the Audit and Supervisory Committee (including one female director).

■ Status of Concurrent Positions of Directors and Corporate Auditors [Supplementary Principle 4-11(2)]

The Company considers the number of concurrent positions held by Directors and Corporate Auditors to be within a reasonable range after verifying the number of concurrent positions as well as from the perspective of transactions involving conflicts of interest, and believes that it is possible to allocate sufficient time and effort to the duties of the Company's Directors and Corporate Auditors. The status of important concurrent positions held by these Directors and Corporate Auditors and their candidates is disclosed annually in the reference documents of the Notice of Convocation of the General Meeting of Shareholders and the disclosure documents of the Annual Securities Report. Please see the Company's website: <https://www.openupgroup.co.jp/>

■ Analyzing and evaluating the effectiveness of Board of Directors [Principle 4-11, Supplement Principle 4-11(3)]

The Company conducts an evaluation of the effectiveness of the Board of Directors once a year, with the fiscal year as the dividing line, in order to verify and improve whether the functions expected of the Board of Directors are being properly fulfilled. A summary of the analysis and evaluation of the effectiveness of the Board of Directors for the fiscal year ended June 30, 2024 is as follows.

[Methods and processes for analysis and evaluation]

The Company assessed the effectiveness of the Board of Directors in the following processes.

- Persons subject to evaluation: All Directors (total of ten)
- Evaluation method: In-house registered questionnaire (question selection and opinion entry method) is conducted, and the results are tabulated and analyzed, and then evaluated by the Board of Directors.
- Evaluation items (major items):
 - (1) Items related to the composition of the Board of Directors
 - (2) Matters concerning the operation of the Board of Directors
 - (3) Matters concerning the agenda of the Board of Directors
 - (4) Items related to the system that supports the Board of Directors
 - (5) Matters concerning remuneration and nomination

[Summary of Analysis and Evaluation Results]

(1) Results of effectiveness assessment

In our assessment of the effectiveness of the Board of Directors for this fiscal year, we confirmed that the Board of Directors as a whole is effective in terms of size, composition, operation, etc., in ensuring an appropriate management supervision function and that there is an atmosphere where people, including outside directors, can speak freely and have lively discussions..

(2) Progress in addressing issues identified in the evaluation of the effectiveness of the Board of Directors in the previous fiscal year (ended June 30, 2023) and actions taken

• Deepening of discussions on sustainability issues

The Company has initiated regular reporting on sustainability activities at Board of Directors meetings. More detailed information on the Company's sustainability initiatives was shared and discussed compared to prior sessions. The Company remains committed to advancing these efforts as ongoing vital priorities.

• Further enhancement of Board of Directors meeting operations and increased opportunities for independent officers to exchange information and opinions

The Company has developed an annual schedule outlining resolution items and proposals for opinion exchange meetings. Furthermore, by organizing meetings for independent officers, the Company facilitates the advance exchange of views on agenda items, incorporating these inputs to optimize Board operations.

• Appropriate involvement and supervision of succession and executive development plans

The Company continues to engage in discussions at the Nominating Committee and other relevant forums, focusing on refining the criteria and processes for selecting executives and managing succession planning.

(3) Issues identified in the effectiveness assessment of the Board of Directors for this fiscal year (ended June 30, 2024) and actions taken

• Monitoring and deepening of discussions on medium- to long-term strategies

The Company will regularly monitor progress toward achieving the medium- to long-term strategies (OP30) and further enhance strategic discussions to ensure alignment with long-term goals.

• Risk management and compliance to strengthen group governance

The Company will further strengthen governance and compliance by enhancing the sharing and discussion of significant business risks and company-wide compliance management at Board of Directors meetings and the Audit and Supervisory Committee.

• Appropriate involvement and supervision of succession/management executive development plans

Recognizing the importance of human resources strategies for improving corporate value over the medium- to long-term, the Company's Nominating Committee will continue to evaluate the appropriateness of internal development plans as well as the selection and dismissal processes.

The Company will continue to improve the functions of the Board of Directors in the future based on the findings of the Board of Directors' effectiveness assessment and the comments made by officers during the discussion.

■ Training for Directors and Corporate Auditors [Supplementary Principle 4-14 (2)]

The Company will provide training to Directors and Corporate Auditors on the Companies Act and other related laws and regulations, management strategies, financial analysis, etc. as necessary. In addition, the Company provides outside officers with explanations of the Group's business conditions and visits to major business sites.

■ Policy on Constructive Dialogue with Shareholders [Principle 5-1]

In order to promote constructive dialogue with shareholders and investors, the Company has appointed a director in charge and established the IR Department as a dedicated department which conducts IR activities in cooperation with the Finance & Accounting Department, the General Affairs & Legal Affairs Department and other related departments.

As a means of dialogue other than individual meetings, the Company holds financial results briefings for analysts and investors four (4) times a year after the announcement of financial results, as well as company information sessions using conferences of securities companies in Japan and overseas. In addition, the Company holds company information sessions for individual investors. The opinions and concerns of shareholders identified through dialogue with shareholders are collected as appropriate, and the information is disseminated and shared through feedback to the Board of Directors and relevant departments.

The period prior to the announcement of financial results is designated as a silent period to limit dialogue and interviews with investors. In addition, the Company has established internal rules for the prevention of insider trading to ensure the thorough management of insider information.

2. Capital Structure

Foreign shareholding ratio

20% or more and less than 30%

[Status of Major Shareholders] Updated

Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,889,600	11.36
Hayao Nakayama	8,378,000	9.63
Custody Bank of Japan, Ltd. (Trust Account)	6,488,305	7.45
Amuse Capital, Inc.	6,240,000	7.17
Kokoro Co.,Ltd	5,785,256	6.65
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/ C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	4,445,500	5.11
Daio Sato	2,848,278	3.27
Yoshiko Sato	2,749,054	3.16
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK INTERNATIONAL GMBH, LUXEMBOURG BRANCH ON BEHALF OF ITS CLIENTS : CLIENT OMNI OM25	1,394,737	1.60
FCP SEXTANT AUTOUR DU MONDE	1,250,000	1.44

Controlling shareholder (excluding parent company)

Parent company

Not adopted

Supplementary explanation Updated

The number of shares held by Custody Bank of Japan, Ltd. (Trust Account) includes the Company's 221,705 shares held as a performance-linked stock compensation plan for directors and executive officers of the Company's subsidiaries.

The shareholding percentage is calculated excluding treasury stock (4,741,919 shares). The number of such treasury stock does not include the Company's shares (221,705 shares) held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the performance-linked stock compensation plan for directors and executive officers of the Company's subsidiaries.

3. Corporate Attributes

Listed exchange and market division	Tokyo Stock Exchange, Prime Market
Fiscal year-end	June
Industry type	Service industry
Number of employees as of the end of the previous fiscal year (consolidated)	1,000 or more
Net sales as of the end of the previous fiscal year (consolidated)	From 100 billion yen to less than 1 trillion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	From 10 companies to less than 50 companies

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

5. Other Special Circumstances which may have Material Impact on Corporate Governance

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

1. Organizational Composition and Operation

Organizational Form	Company with an Audit and Supervisory Committee
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[Board Directors]

Maximum Number of Board Directors in Articles of Incorporation	16
Term of Board Directors stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairperson (except when concurrently serving as President)
Number of Board Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	7
Number of Outside Directors appointed as Independent Officers	7

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k		
Mari Oshima	Scholar													
Tomoko Kawakami	Scholar													
Arata Shimizu	From other company													
Yoichi Wada	From other company													
Rieko Zamma	From other company													
Shintaro Takahashi	From other company													
Hiroaki Rokugawa	Lawyer													

* Choices for relationships with the Company

* If the person is "current/recent," then it is marked "○" and if he/she is "past," it is "△"

* If the person's close family member falls under "Present/Recent" then it is marked "●"

and if he/she falls under "Past" it is "▲"

- a Executive officer of listed company or its subsidiary
- b Executive officer or non-executive officer of parent company of listed company
- c Executive officer at fellow subsidiary of listed company
- d A person who trades mainly with listed company or his/her executive officer
- e Main business partner or executive officer of listed company
- f Consultants, accounting professionals, and legal professionals who receive large amounts of money and other property from listed companies in addition to officer's compensation
- g Major shareholders of listed company (in cases where said major shareholders are corporations, the executive officers of said corporations)
- h Executive officer (individual persons only) of business partners of listed company (persons who do not fall under any of d, e, or f)
- i Executive officer (individual persons only) who have mutual relationships with outside officer
- j Executive officer (individual persons only) of companies to which listed companies donate funds
- k Other

Relationship with the Company (2)

Updated

Name	Audit and Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Mari Oshima		○	---	Mari Oshima has a wealth of experience and a high degree of academic background, mainly in digital, cyber security, technology, and science and technology education, and she is capable of providing advice and

				recommendations from a professional perspective to the Company's Board of Directors in its decision-making. In addition, as she satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has nominated her as an independent officer.
Tomoko Kawakami		○	---	Tomoko Kawakami has a wealth of experience and a strong degree of academic background, mainly in the fields of business administration and marketing, and she is capable of providing advice and recommendations from a professional perspective to the Company's Board of Directors in its decision-making. In addition, as she satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has nominated her as an independent officer.
Arata Shimizu		○	---	Arata Shimizu has a wealth of experience in numerous consulting engagements and possesses a broad range of insight as a corporate manager, and he is capable of providing advice and recommendations to ensure objectivity to the Company's Board of Directors in its decision-making. In addition, as he satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has nominated him as an independent officer.
Yoichi Wada		○	---	Yoichi Wada has a wealth of experience and broad insight as a manager across different industries and business sectors, and he is capable of continuing to provide advice and recommendations to ensure objectivity to the Company's Board of Directors in its decision-making. In addition, as he satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has nominated him as an independent officer.
Rieko Zamma	○	○	---	Rieko Zamma has a wealth of experience as a manager in different industries and possesses a high degree of academic background, and she is capable of providing supervision and advice to directors on the execution of their duties from an objective and neutral standpoint, particularly in the area of sustainability. In addition, as she satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has nominated her as an independent officer.
Shintaro Takahashi	○	○	---	Shintaro Takahashi has a wealth of experience as a manager in different industries and possesses a high degree of academic knowledge, and he is capable of providing supervision and advice to directors on the execution of their duties from an objective and neutral standpoint, particularly for group governance. In addition, as he satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has

				nominated him as an independent officer.
Hiroaki Rokugawa	○	○	---	Hiroaki Rokugawa has a wealth of experience as a lawyer and a high level of insight based on his wide range of knowledge and information, and he is capable of providing supervision and advice to directors on the execution of their duties from an objective and neutral standpoint, particularly with respect to compliance. In addition, as he satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has nominated him as an independent officer.

[Audit and Supervisory Committee]

Composition of Members, and Attributes of the Chairperson

	All Committee members	Full-time members	Inside Director	Outside Director	Chairperson
Audit and Supervisory Committee	3	0	0	3	Outside Director
Existence of directors and employees to assist the Audit and Supervisory Committee	Yes				

Independence of such Directors and Employees from Executive Directors

If the staff of the Audit and Supervisory Committee receive a direction from the Audit and Supervisory Committee to perform their duties, they will not be subject to the instruction or orders of the other directors and employees with respect to such direction. In advance of issuance, transfer, evaluation, and disciplinary action to the staffs, the Audit and Supervisory Committee's consent must be obtained.

Cooperation among Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Department

In addition to responding to visits from the accounting auditors and providing audit reviews, the Audit and Supervisory Committee actively exchanges opinions and information, including holding opinion exchange meetings as necessary, to enhance its audit and supervision.

With respect to cooperation with the Internal Audit Department, the Audit and Supervisory Committee reports the results of operational audits by the Internal Audit Department and exchanges opinions and information to ensure the effectiveness and enhancement of audits.

The General Manager of the Internal Audit Department reports the results of internal audits to the Audit and Supervisory Committee regularly (monthly) and exchanges opinions.

In addition, the General Manager of the Internal Audit Department meets with the Accounting Auditor regularly (quarterly) to exchange information on the status of audits and to promote cooperation.

[Voluntary Committee]

Voluntary Establishment of committee Corresponding to Nominating Committee or Compensation Committee	Yes
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Establishment of Voluntary Committees, Composition of Members, and Attributes of the Chairperson

	Committee's name	All Committee members	Full-time members	Inside Director	Outside Director	Outside experts	Others	Chairperson
Voluntary committee corresponding to	Nominating Committee	6	0	2	4	0	0	Outside Director

the Nominating Committee									
Voluntary committee corresponding to the Compensation Committee	Compensation Committee	6	0	2	4	0	0	Outside Director	

Supplementary explanation Updated

Although the Company is not a company with committees as stipulated in the Companies Act, it has established a Compensation Committee and a Nominating Committee to ensure management transparency and objectivity.

The members of both committees are appointed by resolution of the Board of Directors, and a majority of the members are outside directors from the perspective of ensuring objectivity in the decision-making process.

The composition and activities of the Nominating Committee and Compensation Committee are as follows

<Nominating Committee>

Composition:

Chairman: Yoichi Wada

Members: Mari Oshima, Tomoko Kawakami, Arata Shimizu, Yutaka Nishida, and Daio Sato

Role:

Nominates candidates for directors to be appointed at the General Meeting of Shareholders and recommends them to the Board of Directors.

Number of times meetings were held:

Three times

Matters to be considered:

Appointment and dismissal criteria and process regarding nomination of directors, succession planning for CEO, etc.

<Compensation Committee>

Composition:

Chairman: Arata Shimizu

Members: Mari Oshima, Tomoko Kawakami, Yoichi Wada, Yutaka Nishida, and Daio Sato

Role:

Determines policies for determining the remuneration of the Company's directors (excluding Audit and Supervisory Committee members), and reports to the Board of Directors after reviewing the type and amount of remuneration for each individual based on such policies.

Number of times meetings were held:

Four times

Matters to be considered:

Policies for determining the content of remuneration, etc., for directors and evaluation of proposed remuneration for directors

[Independent Officers]

Number of Independent Officers	7
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Other matters concerning independent officers

All seven outside directors satisfy the qualifications for independent officers, and all of them are submitted to the Tokyo Stock Exchange as independent officers.

[Incentive]

Incentives Policies for Directors	Introduction of a performance-linked remuneration scheme and a stock option plan, etc.
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Supplementary Explanation of Applicable Items

The Company has introduced a performance-linked compensation system. The details of this system are as described in the "Details of Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in the "Directors Remuneration" section of this report.

Recipients of Stock Options	Inside Directors, Employees, Directors and Employees of Subsidiaries and Others
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Supplementary Explanation of Applicable Items

The Company has introduced a stock option plan to motivate employees to improve performance.

[Director's Remuneration]

Disclosure of Individual Directors' Remuneration

Updated

Only certain items are disclosed individually.

Supplementary Explanation of Applicable Items

Updated

The total amount of remuneration by type (fixed remuneration, performance-linked remuneration, and restricted stock remuneration) classified into Directors, Corporate Auditors, and outside officers for the fiscal year ended June 30, 2023 is as follows.

Officer Category/Number of People/Total Rewards/Fixed Remuneration/Performance-linked Remuneration/Restricted Stock Remuneration
Directors (excluding Audit and Supervisory Committee members and outside directors)/5 people/JPY 266 mn/JPY 122 mn/JPY 82 mn/JPY 61 mn
Corporate Auditors (excluding Audit and Supervisory Committee members and outside corporate auditors)/1 person/JPY 1 mn/JPY 1 mn / - / -
Outside Officers/11 people/JPY 63 mn/JPY 63 mn/ - / -

The total amount of consolidated remuneration, etc. for each officer is as follows.

Name/Total Amount of Consolidated Remuneration, etc./Officer Classification/Company Classification/ Base Salary/Performance-linked Remuneration/Restricted Stock Remuneration
Yutaka Nishida/JPY 96 mn/Director/Filing company/JPY 46 mn/JPY 25 mn/JPY 25 mn
Daio Sato/JPY 79 mn/Director/Filing company/JPY 36 mn/JPY 23 mn/JPY 20 mn
Hiroshi Sato/JPY 54 mn/Director/Filing company/JPY 30 mn/JPY 11 mn/JPY 13 mn

Policy on Determining Remuneration Amounts and Calculation Methods

Yes

Updated

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Matters Pertaining to the Policy for Determining the Amount of Remuneration, etc. for Officers or the Method of Calculating Such Amount.

a. Policies for Determining Remuneration, etc. for Officers

In accordance with the resolution of the 20th Ordinary General Meeting of Shareholders held on September 25, 2024, the Company has introduced a medium- to long-term performance-linked stock remuneration plan based on the achievement of performance targets. The Board of Directors meeting held on the same day also resolved to revise the policy for determining the remuneration, etc., of directors. The following is a summary of the remuneration, etc., of the Company's officers.

Basic Policy on Remuneration, etc.

In determining the remuneration of the Company's directors (excluding directors who are members of the Audit and Supervisory Committee), the following points will be considered.

- Remuneration must be reasonable to fulfill accountability and responsibility for results to shareholders and other stakeholders.
- Remuneration must be sufficient to provide an incentive to complete the management policy, improve corporate performance, and enhance shareholder value.
- Remuneration must encourage not only short-term results but also medium- and long-term improvements in corporate and shareholder value.
- Remuneration must be at a level that is competitive with the level of remuneration at other companies of similar size and in the same industry in Japan and must be at a level that contributes to the recruitment of talented human resources.
- In determining individual remuneration, the Company shall verify the appropriateness of the level of remuneration for the Company's directors by referring to the level of remuneration for officers of companies of similar size and in the same industry in Japan as a benchmark.

Policy for Determining Composition of Remuneration and Calculation Method (Executive director)

It consists of base salary, bonuses, and stock-based remuneration.

Base Salary

The base salary (monetary remuneration) for executive directors will be determined for each year of their term of office and will be paid in monthly installments. The amount for each director will be determined by position in consideration of the nature of such director's duties and responsibilities, etc., at a level appropriate to such director's responsibilities.

Bonuses

The bonuses for a single fiscal year (monetary remuneration) will be short-term performance-linked remuneration intended to provide short-term incentives for achieving annual targets, and from the perspective of achieving the targets, the bonuses will be paid in conjunction with the rate of achievement of the target for operating income, which is the Company's consolidated performance index, as a standard evaluation index for all eligible directors. The amount of individual bonuses is designed to fluctuate from 0 to 200% depending on the rate of achievement of performance targets, with the rate of payment at the time of target achievement set at 100%.

Restricted Stock Remuneration

The purpose of the restricted stock remuneration is to provide an incentive to improve the Group's medium- to long-term performance and corporate value while promoting a shared awareness of the Group's interests with shareholders. The remuneration is designed to be allocated each fiscal year, provided that the individual has continuously held the position of director or other specified role within the Company from the start of the restricted transfer period until the date of the first ordinary general meeting of shareholders following the commencement of the restricted transfer period. This is subject to the 30-year restricted transfer period provisions and the conditions for the Company's acquisition of shares without consideration (including malus clauses).

Medium- to Long-Term Performance-Linked Stock Remuneration

The medium- to long-term performance-linked stock remuneration plan is designed to enhance mid-term incentives for improving the Group's medium- to long-term business performance and corporate value while promoting sustained growth in both corporate and shareholder value. The evaluation period covers three fiscal years, during which stock allocations are determined based on achieving specific performance targets. Stock is allocated after the evaluation period, provided the individual has continuously held the position of director or other specified roles throughout the service period.

To meet these objectives, the remuneration plan assesses financial metrics such as the Compound Annual Growth Rate (CAGR) of consolidated operating profit, alongside non-financial indicators like the achievement rate of the OPI (Open Up Purpose Index—a proprietary index developed by the Company to measure progress toward its purpose) and internal employee engagement levels. The number of shares allocated is directly linked to these performance indicators.

The individual allocation of medium- to long-term performance-linked stock remuneration is calculated by multiplying the standard number of shares assigned to each position by the payout ratio, determined by the performance indicators' achievement level and the service provision rate during the evaluation period. The Board of Directors decides the specific calculation method for each payout year.

(Outside director (excluding directors who are members of the Audit and Supervisory Committee))

As outside directors are independent from the execution of business operations, they will receive only base salary (monetary remuneration), which will be determined for each year of their term of office and will be paid in monthly installments. The amount for each director will be determined by position in consideration of the nature of such director's duties and responsibilities, etc., at a level appropriate to such director's responsibilities.

(Directors who are members of the Audit and Supervisory Committee)

As directors who are members of the Audit and Supervisory Committee are independent from the execution of business operations, they will receive only base salary (monetary remuneration), which will be determined for each year of their term of office and will be paid in monthly installments. The amount for each director will be determined by position in consideration of the nature of such director's duties and responsibilities, etc., at a level appropriate to such director's responsibilities.

b. Procedures for Determining Remuneration, etc. for Directors

The Compensation Committee, whose members are appointed by a resolution of the Board of Directors and the majority of whom are outside directors (excluding directors who are members of the Audit and Supervisory Committee), examines the remuneration of directors (excluding directors who are members of the Audit and Supervisory Committee) and submits a report to the Board of Directors, thereby ensuring the transparency and objectivity of the entire remuneration system, including the level of remuneration and the process of determining the remuneration. For this reason, in determining base salary, bonuses, and stock remuneration, the Compensation Committee first examines and prepares a report to the Board of Directors on each director's remuneration details. The Board of Directors then adopts a resolution on remuneration based on the report.

The Compensation Committee considers the policy for determining the payment ratio of each type of remuneration so that the payment ratio does not fluctuate significantly from fiscal year to fiscal year, and the ratio is generally 30% to 40% for base salary, 10% to 20% for bonuses, 15% to 20% for restricted stock remuneration, and 30% to 40% for medium- to long-term performance-linked stock remuneration.

Remuneration for directors who are members of the Audit and Supervisory Committee will be determined through discussions among the directors who are members of the Audit and Supervisory Committee.

In the event that the Board of Directors adopts a resolution to make subsequent adjustments to the financial statements due to material accounting errors or fraud, or if the Board of Directors determines that a director has materially breached the engagement agreement with the Company during the director's term of office, the Compensation Committee will deliberate whether to require forfeiture of all or part of the rights to receive bonuses and stock remuneration (malus) or return of all or part of the bonuses and stock remuneration already paid (clawback) and report the results of such deliberations to the Board of Directors.

c. Resolution on the Amount of Remuneration, Etc. for Officers

The amount of remuneration for directors of the Company (excluding directors who are members of the Audit and Supervisory Committee) was set at no more than 600 million yen per year (including no more than 100 million yen per year for outside directors) at the 19th Ordinary General Meeting of Shareholders held on September 26, 2023.

The introduction of the restricted stock remuneration plan was approved at the 14th Ordinary General Meeting of Shareholders held on September 21, 2018, to provide incentives for directors (excluding outside directors) to hold long-term stable shares of the Company's shares and for the Group's corporate value to enhance continuously, and to promote further value sharing with shareholders. Remuneration under this plan shall be paid as restricted stock remuneration to the eligible directors at no more than 600 million yen separate from the regular remuneration as mentioned above. The total amount of such remuneration was set at no more than 400 million yen per year, and the total number of restricted stocks allocated to eligible directors will be up to 300,000 shares, as resolved at the 19th Ordinary General Meeting of Shareholders held on September 26, 2023.

The medium- to long-term performance-linked stock remuneration was introduced at the 20th Ordinary General Meeting of Shareholders held on September 25, 2024. This plan aims to strengthen medium-term incentives for improving the Group's medium- to long-term corporate performance and corporate value and to foster continuous improvement of corporate and shareholder value. Under this plan, remuneration will be paid to eligible directors as a medium- to long-term performance-linked stock remuneration, etc., in addition to the monetary compensation and restricted stock remuneration previously outlined. The total number of shares under this plan is set at a maximum of 350,000 per evaluation period, with a total remuneration amount capped at 1 billion yen or less per evaluation period, with the evaluation period spanning three years.

The amount of remuneration for directors who are members of the Audit and Supervisory Committee is set at no more than 100 million yen per year at the 19th Ordinary General Meeting of Shareholders held on September 26, 2023.

Remuneration, etc., for directors shall be paid within the maximum amount of remuneration, etc., in the resolution adopted at the General Meeting of Shareholders as mentioned above.

[Supporting system of outside directors]

The Legal and General Affairs Department, which serve as the Secretariat of the Board of Directors, sends the agenda and materials related to the previous month's performance and business reports to all officers, including outside directors, in advance, to facilitate discussions at the Board of Directors meetings.

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

(1) Basic Views on Corporate Governance

In order to promote management with an emphasis on improving corporate value for a diverse range of stakeholders (shareholders and investors, employees, business partners, etc.), the Company is striving to develop the internal control system that focuses on the following matters.

- Ensuring management transparency and objectivity

- Swift decision-making and efficient business operations
- Appropriate disclosure in a timely manner

(2) Company Organizations

a Directors and Board of Directors

1. The Board of Directors is composed of the following ten directors, including seven outside directors. The Board of Directors meetings are chaired by the representative director (Chairman and CEO). Attendance at Board of Directors meetings for the fiscal year ending June 30, 2024 was as follows.

Representative Director, Chairman and CEO Yutaka Nishida 17/17 times

Representative Director, President and COO Daio Sato 17/17 times

Director, CFO Hiroshi Sato 17/17 times

Outside Director Mari Oshima 17/17 times (Note 1)

Outside Director Tomoko Kawakami 17/17 times

Outside Director Arata Shimizu 16/17 times

Outside Director Yoichi Wada 17/17 times

Outside Director (Audit and Supervisory Committee Member) Rieko Zanma 16/17 times

Outside Director (Audit and Supervisory Committee Member) Shintaro Takahashi 13/13 times (Note 2)

Outside Director (Audit and Supervisory Committee Member) Hiroaki Rokugawa 17/17 times

(Note 1) Her legal name is Mari Yamamoto.

(Note 2) As Shintaro Takahashi was appointed at the 19th Ordinary General Meeting of Shareholders held on September 26, 2023, the number of meetings of the Board of Directors held and the number of times attended after the date are shown.

2. In principle, the Board meets once a month on a regular basis and holds extraordinary meetings as necessary.

3. The Board of Directors, in accordance with the Rules of the Board of Directors, makes resolutions on fundamental policies concerning the management of the Company, matters concerning the execution of important business operations, matters authorized by resolution of the General Meeting of Shareholders, and other matters stipulated by the laws and regulations and the Articles of Incorporation, as well as supervising the execution of duties by the directors.

To facilitate free and constructive discussions, the Board of Directors holds meetings to exchange opinions on various topics.

<Main agenda items for the fiscal year ended June 2024>

• Management strategy

Progress was discussed on the medium-term management plan, M&A policies, overseas expansion strategies, business strategy, personnel policy, IR strategy, and sustainability-related policies.

• Investment projects

Several significant transactions were reviewed, including the transfer of shares in Absolute Recruitment Limited and three other companies, the transfer of shares in BeNEXT Partners Inc., the acquisition of shares in Open Up Construction Co., Ltd. and Open Up Technology Co., Ltd., an absorption-type company split involving Neplus Inc.'s network equipment rental and sales business, the acquisition of shares in Ophiuchus Invesco Co., Ltd., which has IR Inc. under its umbrella, and a capital and business alliance with Ban Vien Corporation.

• Governance and compliance

Topics were covered such as governance systems (including transitioning to a company with an Audit and Supervisory Committee), evaluation of the effectiveness of the Board of Directors, director and executive officer appointments, executive remuneration, internal rules, financial reporting, the general meeting of shareholders, compliance matters, Directors and Officers (D&O) liability insurance, and reports on internal audit activities.

b Audit and Supervisory Committee and its members

1. The Company is a company with an audit and supervisory committee.

2. The Company's Audit and Supervisory Committee is composed of three members, including three outside directors, and the names of the members are as described in "a. Directors and Board of Directors 1." above.. In principle, it meets once a month on a regular basis.

3. Each member of the Audit and Supervisory Committee audits the execution of duties by directors based on the audit policies, audit plans, and division of duties decided by the Audit and Supervisory Committee.

c Nominating Committee, Compensation Committee

1. Although the Company is not a company with committees as stipulated in the Companies Act, the Company has established the Compensation Committee and the Nominating Committee to ensure management transparency and objectivity.

2. The composition and activities of the Nominating Committee and Compensation Committee are as follows

<Nominating Committee>

Composition:

Chairman: Yoichi Wada

Members: Mari Oshima, Tomoko Kawakami, Arata Shimizu, Yutaka Nishida, and Daio Sato

Role:

Nominates candidates for directors to be appointed at the General Meeting of Shareholders and recommends them to the Board of Directors.

Number of times meetings were held:

Three times

Matters to be considered:

Appointment and dismissal criteria and process regarding nomination of directors, succession planning for CEO, etc.

<Compensation Committee>

Composition:

Chairman: Arata Shimizu

Members: Mari Oshima, Tomoko Kawakami, Yoichi Wada, Yutaka Nishida, and Daio Sato

Role:

Determines policies for determining the remuneration of the Company's directors (excluding Audit and Supervisory Committee members), and reports to the Board of Directors after reviewing the type and amount of remuneration for each individual based on such policies.

Number of times meetings were held:

Four times

Matters to be considered:

Policies for determining the content of remuneration, etc., for directors and evaluation of proposed remuneration for directors

d Internal Control System

The Internal Auditing Department, which is under the direct control of the Representative Director and Chairperson, inspects whether or not the Company and its group companies are operating in compliance with the laws and regulations related to the Company's business, provides guidance on the development and improvement of internal control systems under the Companies Act and the Financial Instruments and Exchange Act, and periodically reports the audit results to the management and the Audit and Supervisory Committee.

e Accounting Audit

Accounting audits are conducted by the accounting auditor to ensure proper labeling in accordance with accounting standards.

Our accounting audit operations are commissioned to EY ShinNihon Limited Liability Audit Corporation.

The names of the certified public accountants who performed the accounting and auditing services with respect to the fiscal year ending June 30, 2024, and the composition of the assistants for the auditing services are as follows.

1. Name of the certified public accountants who performed the services

Hiroataka Suzuki, Certified Public Accountant, Business Executive Partner, Limited Liability Partner

Satoshi Kanazawa, Certified Public Accountant, Business Executive Partner, Limited Liability Partner

2. Composition of assistants for accounting audits

Eight certified public accountants, ten persons who passed certified public accountant examination, and seventeen others

The Audit and Supervisory Committee, the Internal Audit Department, and the Accounting Auditor cooperate with each other to improve the quality and efficiency of audits.

(3) Details of Executive Bodies

a Management Meeting

1. The Management Meeting is composed of the Representative Director (Chairman and CEO), the Representative Director (President and COO), the Director (CFO), and executive officers (13 members).

2. The Management Meeting discusses important matters related to business execution and makes decisions by a majority vote of the Representative Director (Chairman and CEO), the Representative Director (President and COO), the Director (CFO).

3. In principle, the Management Meeting is convened on a weekly basis to accelerate decision-making.

b Internal Control Committee

1. The Company has established an Internal Control Committee to identify and control risks related to financial reporting in the Group, and to deliberate on the evaluation of the effectiveness of the Group's operations related to financial reporting.

2. The Internal Control Committee is chaired by the Representative Director (Chairperson and CEO), and consists of the Representative Director (President and COO), the Director (CFO), and officers and employees of the Group appointed by the Chairperson.

c Sustainability Committee

1. The Company has established a Sustainability Committee for the overall management and deliberation of opportunities and risks in order to help realize a sustainable society, taking into consideration human rights, environmental issues and coexistence with society.

2. The Sustainability Committee is chaired by the Representative Director (Chairperson and CEO), and consists of the Representative Director (President and COO), the Director (CFO), presidents of major operating companies, and officers and employees of the Group appointed by the Chairperson.

3. Reasons for Adoption of Current Corporate Governance System

At the 19th Ordinary General Meeting of Shareholders held on September 26, 2023, the Company passed a resolution to transition from a company with a board of corporate auditors to a company with an audit and supervisory committee. This change aims to strengthen the supervisory function of the Board of Directors and further enhance corporate governance by reinforcing the oversight system through the inclusion of Audit and Supervisory Committee members, who are responsible for auditing the execution of duties by directors, as members of the Board of Directors.

Additionally, the Company has delegated important business execution decisions to the Board of Directors to enable speedy and efficient decision-making and business execution. A Management Meeting has been established, and seven of the ten directors have been appointed as outside directors to strengthen the management monitoring system, including supervision of the appropriateness of the execution of duties by directors. Furthermore, to ensure the effectiveness of audits, the Company has appointed three highly independent outside directors as the members of the Audit and Supervisory Committee. The Audit and Supervisory Committee strives to maintain close cooperation with the Accounting Auditor and the Internal Audit Department at all times..

/// Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights Updated

	Supplementary explanation
Early Notification of General Shareholder Meeting	To allow shareholders ample time to deliberate on the agenda of the General Meeting of Shareholders, the Company makes efforts to send out the convocation notice early and disclose it every year. For the Ordinary General Meeting of Shareholders held on September 25, 2024, the Company implemented electronic provision measures via TD net of the Tokyo Stock Exchange, Inc. and on the Company's website, among other platforms, on September 3, 2024. The Notice of Convocation was sent on September 10, 2024.
Scheduling Annual General Shareholders' Meeting Avoiding the Peak Day	The date of the annual general meeting of shareholders is set to avoid many meetings being held on the same date, so that more shareholders can attend the meeting.
Allowing Electronic Exercise of Voting Rights	The voting rights can be exercised via the Internet and other means, and can be exercised via a computer, smartphone, or mobile phone.
Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Exercise of Voting Rights by Institutional Investors	The Company uses an electronic voting platform operated by ICJ, Inc.
Providing Convocation Notice in English	The Company has posted an English version of the convocation notice (summary version) on our website.
Other	The Company uses slide images and narration to promote understanding of our business performance and the status of our business when reporting matters at the general meeting of shareholders.

2. IR Activities

	Supplementary explanation	Presentation by Representative
Regular briefings for individual investors	By participating in briefings for individual investors sponsored by securities companies, etc., the Company is striving to promote understanding of its corporate profile and management strategy among individual investors.	Yes
Regular briefings for Analysts and Institutional Investors:	The Representative Director (Chairperson and CEO) or the Director (CFO) attends meetings 4 times a year (every quarter) to explain the situation.	Yes
Regular briefings for overseas investors	Small meetings and individual meetings with overseas institutional investors are held as necessary.	Yes
Posting of IR materials on Website	The following financial statements are available on our website. <ul style="list-style-type: none"> • Financial Results (Japanese and English) • Securities Report and Quarterly Securities Report (Japanese) • Materials distributed at financial results briefings (in Japanese and English), videos of financial results briefings • Shareholder Newsletter (Japanese) • Integrated Report (Japanese and English) 	
Establishment of IR department	The IR Department, a dedicated department, is in charge of IR activities, and works together with the Representative Director (Chairperson and CEO) and the Director (CFO) to carry out IR activities.	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	As stated in our Purpose, the Group is committed to realizing a society that opens up individual potential through rewarding work. To put this Purpose into practice, build strong relationships with our customers, employees, local communities, society, shareholders, and investors, and contribute to society, the Company has established the "Code of Ethics on Society, Human Rights, and the Environment," the

	<p>"Environmental Preservation Regulations," and the "Safety and Health Regulations," and conducts its business with integrity.</p>
<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>The Group has established its Basic Policy on Sustainability and a Sustainability Committee to promote management based on this Policy, and is working toward creating a sustainable society by advancing initiatives to address the Group's key issues.</p> <p><Environmental Conservation Initiatives></p> <p>Recognizing that our business activities have an impact on greenhouse gas emissions and water resources, which are considered to be factors in climate change, the Company has established the "Code of Ethics on Society, Human Rights, and the Environment" and the "Environmental Policy" in order to reduce these impacts, and is promoting environmental initiatives through purchasing and resource conservation. The Company has also set a target of becoming carbon neutral for Scope 1 and Scope 2 emissions by the end of 2030 by reducing greenhouse gases and carbon offsetting. In Isumi City, Chiba Prefecture, the Company continues to cooperate with measures to promote pesticide-free organic cultivation that is in harmony with the natural environment and biodiversity.</p> <p><Joint Efforts for Regional Development, etc.></p> <p>Taking the opportunity of contributing to the corporate version of the "Furusato (hometown) tax payment" program, a national policy for regional development, the Company is directly participating in human resources development education projects in places such as Takizawa City, Iwate Prefecture, together with local companies, and is making continuous efforts. In addition, in Hiroshima Prefecture, the Company is working with NPOs and university students who are involved in regional revitalization and environmental conservation activities to enrich the local population and nurture human resources with an interest in engineering through the "Kodomo Tech Caravan" project, which we plan and produce. We are also expanding our activities to other areas.</p> <p><Employment of People with Disabilities></p> <p>In addition to maintaining the legally mandated employment rate for people with disabilities, we are focusing on the active roles of people with disabilities and coexisting with society. Open Up With Inc., our special-purpose subsidiary, has been certified as an excellent small- and medium-sized enterprise that employs people with disabilities (Monisu System) and is registered as a Kanagawa SDG Partner by Kanagawa Prefecture and a Sagami-hara SDG Partner by Sagami-hara City. Outside the Company, the Company continues to support musical performances and walking events by people with disabilities as part of our efforts to expand opportunities and potential of people with disabilities.</p>

IV Matters Related to Internal Control System, Etc.

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

At a meeting of the Board of Directors held on September 26, 2023, the Company passed a resolution to partially revise its basic policy on the development of systems to ensure the appropriateness of business operations (hereinafter referred to as the "Basic Policy for Establishing an Internal Control System"). The outline of the revised basic policy is as follows.

a Structure to ensure that the execution of duties by the Company's Directors and employees is in keeping with corporate law and the Articles of Incorporation

(1) Aiming to be a fair and transparent company, the Company has established the "Code of Ethics on Society, Human Rights, and the Environment", which is followed by employees (i.e., Directors and employees; the same applies hereinafter).

(2) The Company has established a Compliance Committee at each group company that conducts business operations, composed of Representative Directors and managers of business divisions, etc., to promote compliance throughout the Group.

(3) The Company has established various regulations concerning the management of the organization, such as rules on the Board of Directors, rules on the Management Meeting, and rules on organizational authority, and will implement them appropriately.

(4) In accordance with the intent of the Anti-social Forces Laws, the Company has stipulated in the "Code of Ethics on Society, Human Rights, and the Environment" that the Company will not respond to unreasonable demands from anti-social forces or use anti-social forces in any way. To sever relations with anti-social forces and organizations that threaten the order and safety of civil society, the Company has conducted preliminary investigations, employee training, auditing of business relationships, and supervision by the Board of Directors when conducting new transactions.

(5) The Company has established an Internal Audit Department as an internal control and checking function. Based on the annual audit plan approved by the Audit and Supervisory Committee, the Company will periodically conduct internal audits of the status of compliance with laws, regulations, the Articles of Incorporation and internal rules, and the appropriateness of procedures and details of the execution of duties, and report the audit results to the Audit and Supervisory Committee and Representative Director (Chairperson and CEO).

b Structure and system to maintain and manage information relating to the Company's Directors in the execution of their duties

(1) Information related to the execution of duties by Directors shall be managed and stored in accordance with the Document Management Regulations and other related regulations.

(2) All Directors shall access to this information at any time.

(3) The General Affairs and Legal Department and the relevant divisions strictly manage this information in accordance with related regulations.

c Internal rules and other systems for managing risks of loss of the Company and its group companies

(1) The Crisis Management Regulations for the Company and each group company stipulate basic policies, priorities, and the establishment of a task force in the event of a management crisis.

(2) The Internal Audit Department of the Company collects risk factors and identifies them after discussions by the Internal Control

Committee and other bodies with regard to the possibility of a risk of losses. Based on this, we will constantly monitor signs of risk and take appropriate measures.

(3) The Company has established an internal organizational structure and internal/external communication system in the event of an earthquake, fire, or other major disaster, and is preparing for an emergency.

d Structure and system to ensure efficiency in the execution of the Company's Directors' duties

(1) In order to ensure the efficiency of the duties of Directors, the Board of Directors has established a division of duties among Directors.

(2) Encourage active exchanges of opinions with Directors and each business unit managers at Management Meeting, etc.

(3) The Company will strive to clarify the authority of our duties in accordance with organizational authority regulations, etc., to carry out our duties independently, and to establish a system that ensures mutual checks and balances.

(4) In order to improve operational efficiency and maximize efficiency, the Company formulates objective and rational management indicators, and manages and assesses progress based on these indicators.

(5) In order to ensure fair and transparent decisions on the selection, dismissal, evaluation, and remuneration of Directors, the Company has established the Nomination and Compensation Committee, the majority of whose members are outside directors.

e System to ensure the appropriateness of business operations within the corporate group comprising the Company and its group companies

(1) The Company holds meetings with each group company on a regular basis to share information. The Company shall manage important matters related to the execution of business by each group company by requiring them to report to or obtain approval from the Company in accordance with the "Group Company Management Regulations" established by the Company, and the "Reporting Regulations" for domestic group companies, and a system in which the Company's General Affairs and Legal Department is designated as the responsible department and reports are made in accordance with the same reporting rules for overseas group companies.

(2) Compliance, risk management systems, and other systems required for internal control are cross-sectional, including the Company and its group companies, and the Company will provide management guidance in consideration of the individual circumstances of each company.

(3) The Company's Internal Audit Department conducts internal audits of the overall business activities of each group company.

(4) Each group company reports to the Audit and Supervisory Committee and the Internal Audit Department on the status of business execution, including risk information.

f Employees assisting the Audit and Supervisory Committee in its duties

As an assisting body for the Audit and Supervisory Committee, the Company shall establish the management office of the Audit and Supervisory Committee and assign a management office staff to assist the Audit and Supervisory Committee in its duties.

g Independence from the Directors (excluding Directors who are members of the Audit and Supervisory Committee) of the staff described in the above item

(1) In the event that the management office of the Audit and Supervisory Committee stipulated in the preceding paragraph receive an order from the Audit and Supervisory Committee necessary for auditing operations, the management office shall not receive instructions from the employees regarding such order.

(2) In advance of issuance, transfer, evaluation, and disciplinary action to the management office of the Audit and Supervisory Committee stipulated in the preceding paragraph, the Audit and Supervisory Committee's consent is necessary to be obtained.

h System for reporting by the Directors (excluding Directors who are members of the Audit and Supervisory Committee) or employees of the Company and the Directors, Corporate Auditors and employees of the group companies to the Audit and Supervisory Committee of the Company

(1) Matters related to internal control shall be reported to the Audit and Supervisory Committee on the status of audits of group companies through audits by the Internal Audit Department. In addition, the department in charge of whistle-blowing at the Company and each Group company shall report important whistleblowing to the Audit and Supervisory Committee. Furthermore, the Audit and Supervisory Committee may request reports from employees as necessary.

(2) The Company shall ensure that a person who reports to the Audit and Supervisory Committee shall not receive any disadvantageous treatment because of such report.

(3) The Company shall ensure that the Audit and Supervisory Committee members have the opportunity to attend the Board of Directors meeting and other important meetings including management meetings as necessary.

(4) Audit and Supervisory Committee members shall be able to constantly inspect the minutes of important meetings and approval documents.

i Other systems to ensure effective audits by the Audit and Supervisory Committee of the Company

Directors provide opportunities for the Audit and Supervisory Committee members to regularly exchange information and opinions with the Internal Audit Department and the Accounting Auditor corporation.

j Matters relating to the policy on the treatment of expenses, etc. arising from the execution of duties by the Audit and Supervisory Committee members of the Company

The procedures for the prepayment or reimbursement of expenses incurred in the execution of duties by the Audit and Supervisory Committee members and other expenses or reimbursements incurred in the execution of such duties shall be handled smoothly in accordance with requests from the Audit and Supervisory Committee members.

2. Basic Views on Eliminating Anti-Social Forces

In accordance with the intent of the Anti-social Forces Laws, the Company has stipulated as a matter of compliance that the Company shall not respond to any unfair demands from anti-social forces and engage in activities that take advantage of anti-social forces.

(1) Establishment of Departments in Charge of Response and Appointment of Personnel Responsible for Preventing Unfair Demands

The General Affairs or Legal Department plays a central role in overseeing the handling of unfair demands. In addition, the person responsible for preventing unfair demands at sales offices is the person in charge of managing and supervising the business offices.

(2) Cooperation with external expert organization

The Company maintains close contact with relevant police officers and experts such as lawyers in normal operations and receives advice and guidance as appropriate.

(3) Collection and management of information on the elimination of anti-social forces

a. The Company has participated in the Federation for Special Violence Prevention and the Council for Special Violence Prevention of Competent Police, and is participating in the lectures and other events sponsored by these organizations to collect information.

b. The Company has conducted employee training to eliminate the anti-social forces.

c. The Company has conducted surveys of the Company and its group companies' business partners and confirm that there is no transaction with anti-social forces.

d. For the Company's shareholders, the Company verifies whether there are any parties involved with anti-social forces through a shareholder register administrator.

V Other

1. Adoption of anti-takeover measures

Adoption of anti-takeover measures Not adopted

Supplementary Explanation of Applicable Items

2. Other matters Concerning Corporate Governance System

Outline of the Timely Disclosure System

In order to ensure prompt and transparent disclosure of information and to disclose information that is sufficiently transparent with respect to internal controls, the Company has established the "Basic Policy for Establishing an Internal Control System", the "Code of Ethics on Society, Human Rights, and the Environment" and the "Rules for Preventing Insider Trading" and disseminated them throughout the Company.

The Company believes that promoting these measures will ensure the credibility of corporate financial reporting, improve the effectiveness and efficiency of business plans, and promote compliance with laws and regulations related to business management, thereby contributing to the timely and appropriate disclosure of corporate information.

(1) Collection and management of information on timely disclosure

In the event of timely disclosure of material information or other information that may fall under this category (hereinafter referred to as "material information"), the head of each division shall report such information to the Public Relations Department and the IR Department, and strictly control such information in each division. Important information from the Company's group company is also reported to the Public Relations Department and the IR Department. The Corporate Communications Department and the Investor Relations Department continuously collect important information and manage it as a whole.

The General Affairs and Legal Department confirms matters scheduled for resolution by the Board of Directors and the Management Meeting. In addition, the Company will certify the matters scheduled to be resolved by the group companies in the same manner.

(2) Timely Disclosure Decision and Disclosure

The IR Department shall consider the importance of the reported important information or the proposals to be resolved in accordance with the Financial Instruments and Exchange Law and the timely disclosure rules established by the Tokyo Stock Exchange as to whether or not the information falls under the categories of important judgment and timely disclosure information.

If important information for timely disclosure is related to "facts regarding decisions" and "financial results," the IR Department prepares a disclosure proposal to be presented to the Board of Directors and promptly discloses it after obtaining approval for disclosure by the Board of Directors.

If important information for timely disclosure is to be disclosed in relation to incidents, the IR Department will prepare a disclosure proposal. If the Board of Directors is not able to hold meetings and the matter is urgent, the person responsible for handling information will inform each Director and Corporate Auditor, and the Representative Directors will make an exclusive decision on whether to promptly disclose

