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Computer Engineering & Consulting Ltd.

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Securities Code: 9692

<https://www.cec-ltd.co.jp/>

The following describes corporate governance at Computer Engineering & Consulting Ltd. (“Company” hereinafter):

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

1. Basic views

The Group regards efforts to strengthen management effectiveness, management transparency, and the exercise of business ethics to the highest standards as fundamental to its corporate governance. Thus, the Group has established the Code of Conduct as a guideline for actions carried out by officers and employees and implements business management based on the following policies:

1. We will act in accordance with socially acceptable business ethics, in full compliance with laws, regulations, guidelines, and Company rules and regulations.
2. We will engage in fair trade based on mutual respect and free and fair competition.
3. Exercising swift decision-making and action, we will strive to achieve ever more efficient management, higher earnings, and improved capital efficiency, thereby earning the trust of our shareholders, customers, business partners, and other stakeholders and achieving sustained development and growth in corporate value.

We revised the Code of Conduct on February 1, 2025, and posted the revised Code on our website.

○ Code of Conduct: <https://www.cec-ltd.co.jp/corporate/purpose.html>

As a company with an Audit and Supervisory Committee, the Company’s corporate governance structure involves oversight and audits of the business activities implemented by the Board of Directors and the Audit and Supervisory Committee. We have adopted an executive officer system to ensure swift implementation strictly based on decision-making by the Board of Directors. Under this system, authority for business execution is delegated to executive officers after clarifying executive responsibilities, thereby furthering efficient management. In addition, the Nomination Committee and the Compensation Committee have been established as advisory bodies to the Board of Directors on the topics of executive nomination and compensation.

The majority of the membership of each of these committees consists of independent outside Directors. Decisions based on the recommendations of these committees secure the transparency and fairness of the decision-making processes.

[Reasons for noncompliance with the principles of the Corporate Governance Code]

The Company implements each of the principles of the Corporate Governance Code.

[Disclosure based on the principles of the Corporate Governance Code]

[Principle 1.4: Policy on Cross-shareholdings]

The Company's policy is to retain cross-shareholdings when they are judged to contribute to medium- to long-term growth in corporate value by helping to maintain and strengthen transactional relationships. The Board of Directors annually verifies various matters, including the purposes for holding cross-shareholdings and whether the associated gains and risks are reasonable in light of capital costs. We strive to reduce cross-shareholdings in various ways, including promoting the sale of shares whose continued retention is deemed unnecessary.

We make decisions concerning the exercise of voting rights on cross-shareholdings based on a comprehensive consideration of various factors, including whether the company whose stock we hold poses serious concerns with respect to corporate misconduct, while verifying the medium- to long-term economic rationality of shareholdings.

[Principle 1.7: Transactions with Interested Parties]

Company in-house rules require the approval of the Board of Directors for transactions with officers (including those involving conflicts of interest).

We have also established necessary approval procedures for transactions between the Company and major shareholders and similar parties, in accordance with the importance and nature of such transactions. Such transactions are executed under conditions similar to those for ordinary transactions.

[Supplemental Principle 2.4.1: Ensuring diversity in core human resource appointments, etc.]

The Company promotes diversity, equity, and inclusion (DEI) based on a fundamental regard for the individual characteristics of each employee and the Company's goal of fostering a workplace environment in which employees can demonstrate these traits and their abilities to the fullest. We believe we can establish and maintain a strong and resilient organization by building working environments founded on respect for the rights of employees and by drawing on the strengths embodied in the diversity of our human resources. Based on this perspective and through the following measures, the Company promotes DEI policies to incorporate diverse perspectives into its management and operations:

<Key measures>

- Promoting the role of women
- Workstyle reforms
- Creating comfortable working environments
- Promoting professional hiring
- Enhancing HR development
- Promoting understanding of long-term care needs throughout the organization

<Voluntary and measurable goals to achieve and maintain diversity>

(1) Promoting women to managerial positions

We are working toward the target of women accounting for at least 12% of managerial positions by 2030.

Shown below are the percentages of managerial positions filled by women:

FY56 (ended January 31, 2024): 4.0%

FY57 (ended January 31, 2025): 4.8%

FY58 (ended January 31, 2026): 4.1%

* Although the percentage of women in managerial positions declined in the fiscal year ended January 31, 2026, multiple women have been appointed to managerial positions since the end of that fiscal year, reflecting our commitment to promoting the roles played by women within the workplace.

The Company does not discriminate by gender for managerial appointments. Nevertheless, we see a pressing need to increase numbers of women managers to serve as role models. The proportion of women among our employees continues to rise as we are hiring growing numbers of women, in particular new graduates. We will continue to enhance efforts to support career development for women over the medium to long term, with further consideration for circumstances and life events specific to women.

Reference: Women as a percentage of all employees

FY56 (ended January 31, 2024): 23.9%

FY57 (ended January 31, 2025): 25.1%

FY58 (ended January 31, 2026): 26.6%

(2) Promoting foreign nationals and midcareer hires to managerial positions

Although we have identified no systematic or organizational biases against promoting foreign nationals and midcareer hires to managerial positions, we will continue to consider whether we should set related targets as necessary based on our HR structure and business development.

<Human resource development policies, internal environmental development policies intended to ensure diversity, and the status thereof>

The Company maintains support structures to ensure that our diverse human resources work based on a sense of respect for different values and maintain a suitable work-life balance that accounts for life events and other circumstances. To promote diversity, we also encourage men to take childcare leave. The results of these efforts are summarized below.

Percentages of eligible women taking childcare leave:

FY56 (ended January 31, 2024): 100.0%

FY57 (ended January 31, 2025): 100.0%

FY58 (ended January 31, 2026): 100.0%

Percentages of eligible men taking childcare leave:

FY56 (ended January 31, 2024): 63.0%

FY57 (ended January 31, 2025): 75.0%

FY58 (ended January 31, 2026): 104.0%

* Pursuant to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, we derive this indicator by dividing the number of male workers taking childcare leave or similar leave by the number of male workers whose spouses gave birth in the fiscal year under review. Since childcare leave for certain workers may extend from one fiscal year into the next, the percentage may exceed 100.0%.

Through related support programs, we are promoting diversity by establishing workplace environments in which all employees can continue to work without stress. We will formulate policies on matters like HR development and internal environmental improvements based on future deliberations by the Board of Directors.

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

The Group has adopted a contractual defined-benefit corporate pension plan. The management of pension assets is entrusted to an external asset manager and conducted to ensure that pension benefits can be paid to employees into the future in accordance with policy asset ratios formulated from a medium- to long-term perspective. The state of pension asset management is monitored quarterly to revise asset ratios as necessary. We assign qualified personnel, including those from accounting and human resources sections, to monitor and assess the asset management exercised by the external asset manager and to make proposals regarding future asset management.

[Principle 3.1: Enhanced Information Disclosure]

(i) The Group sees disclosure as a key management responsibility. In addition to making all disclosures required by laws and regulations, we strive to ensure timely and appropriate disclosure to maintain the transparency and fairness of our decision-making and to achieve effective corporate governance. Through disclosure documents, the Integrated Report, Company website, and other media, as well as semiannual briefings on financial results, we seek to strengthen understanding among our stakeholders, including our shareholders and investors, of information concerning both the financial and nonfinancial aspects of the Company.

(Management philosophy structure)

In line with the Code of Conduct's call for transparency and dialogue, the Group has established its Conduct Guidelines, in accordance with which it will make appropriate disclosures to shareholders, investors, and other stakeholders.

See the Company website for more information on the CEC Group corporate philosophy structure.

○ CEC corporate philosophy structure: <https://www.cec-ltd.co.jp/corporate/purpose.html>

(Management strategies, management plans)

The Group strives to contribute to the sustainable progress of society by creating an enriched future through the power of information and communication technologies (ICT). To do so, we strive to remain an essential company to all stakeholders, including society, customers, employees, business partners, and shareholders. We're contributing to a sustainable future while continually creating value and meeting stakeholder expectations. The March 2025 briefing on financial results also introduced VISION 2030 and our medium-term management plan. For more information, please refer to the medium-term management plan on our website.

○ Mid- to Long-Term Management Plan: https://www.cec-ltd.co.jp/ir/aboutus/management_plan.html

(ii) Described under "1. Basic Views" and on the Company website

○ Corporate Governance: <https://www.cec-ltd.co.jp/esg/governance.html>

(iii) Director compensation consists of fixed (monetary) compensation, performance-linked (monetary) compensation, and performance-linked stock options. Decisions are made based on advice from the Compensation Committee, a voluntary advisory body. The policies on compensation decisions for individual Directors are described below.

[Policy for decisions on the individual compensation of Directors who are not Audit and Supervisory Committee Member]

The Company has established policies for decisions regarding the calculation of compensation, etc. for Directors who are not Audit and Supervisory Committee Members. These are outlined below.

a. The Board of Directors makes decisions on Director compensation (hereinafter excluding Directors who are Audit and Supervisory Committee Members) based on deliberations and recommendations by the Compensation Committee to ensure the fairness and transparency of decision-making. Director compensation is intended to encourage Directors to contribute to the achievement of Company targets and improve corporate and shareholder value.

b. Director compensation consists of fixed compensation, performance-linked compensation, and stock option share-based compensation.

i. Fixed compensation

This is paid in fixed monthly amounts during the term of office, based on the standard amount specified for each post.

ii. Performance-linked compensation

Performance-linked compensation is paid at 100% of base amounts for achievement of the target specified at the start of the year.

Performance-linked compensation consists of compensation linked to Company performance and compensation linked to individual performance.

Performance-linked compensation is paid once annually as a bonus.

(a) Compensation linked to Company performance is calculated by multiplying the standard amount specified for each post by a coefficient corresponding to the degree to which planned consolidated financial targets are met (net sales and operating income).

(b) Compensation linked to individual performance is calculated by multiplying the standard amount specified for each post by a coefficient based on achievement of planned financial results (net sales and operating income) in each section of which the recipient is in charge.

The main indicators used for performance-linked compensation are net sales and operating income achieved. Final decisions on actual amounts paid are made by the President, based on the recommendations of the Compensation Committee and overall consideration of various aspects, including progress on medium-term plans and progress toward solutions to management topics. These decisions are made through a process that includes deliberation and recommendations by the Compensation Committee, based on amounts calculated using coefficients corresponding to achievement rates vs. planned figures.

iii. Stock option share-based compensation

Stock option share-based compensation has been adopted to replace officer retirement benefits. Stock options are issued so that Company Directors can share with shareholders the benefits and risks of fluctuations in share price and to clarify management responsibility for increasing corporate value. The number of stock options issued reflects fixed and performance-linked compensation for individual Directors within the range authorized by the General Meeting of Shareholders, based on monthly amounts of individual fixed and performance-linked compensation. Stock options are issued while the recipients are employed and may be exercised only after they retire.

c. Ratios of individual compensation types to personal compensation for Directors

Assuming that 100% of specified performance-linked compensation is paid, the ratios of fixed compensation (monetary and stock option share-based compensation) and performance-linked compensation (monetary and stock option share-based compensation) are 67% and 33%, respectively. Shown below are the target ratios for individual compensation.

(When performance-linked compensation and stock option share-based compensation are paid in specified amounts)

Directors: 61.8–92.3% fixed/monetary, 5.2–7.7% fixed/stock options, 0–30.5% performance-linked/monetary, 0–2.5% performance-linked/stock options

Outside Directors: 100% fixed/monetary

d. Outside Directors are paid a fixed salary only. They are not eligible for performance-linked compensation (for both company and individual performance) or stock option share-based compensation.

e. Decisions on some aspects of Directors' compensation, etc. are delegated by the Company to the President. This authority and delegation concerns individual amounts of performance-linked compensation paid to each Director. Decisions are made on these matters based on recommendations by the Compensation Committee.

[Matters related to the delegation of decision-making on compensation, etc. for individual Directors]

The Company entrusts certain decisions on the details of compensation, etc. for Directors to the President. This authority and delegation concerns individual amounts of performance-linked compensation paid to each Director. Decisions are made on these matters based on recommendations by the Compensation Committee. This authority is delegated because the President is responsible for evaluating businesses of which individual Directors are in charge from the perspective of a bird's-eye view of the Company as a whole. It is deemed appropriate that such an individual make decisions on performance-linked compensation for individual Directors. The Board of Directors has confirmed that the specific compensation figures paid to each Director in the fiscal year under review were in accordance with decision policies—that is, they were determined by the Representative Director from the perspective of the Company's overall performance, based on decision-making policies within the range approved at the General Meeting of Shareholders.

(iv) The Company has established the Nomination Committee as an advisory body to the Board of Directors. The Nomination Committee deliberates on the nominations of candidate Directors and other members of the management team, while the Board of Directors makes decisions on such candidates based on the recommendations of the Nomination Committee. To ensure its independence, the Nomination Committee is chaired by an Independent Outside Director, a majority of whose membership consists of Outside Directors. In addition to providing opinions to the Board on candidates for Director and other posts through insights based on the Outside Directors' wealth of experience, the Committee formulates and monitors succession plans and advises the Board to ensure the objectivity and transparency of procedures related to the nominations of candidate Directors, the core management team, and other members of management. Based on the consent of the Audit and Supervisory Committee, the Nomination Committee submits a list of candidate Audit and Supervisory Committee members to the Board of Directors from a pool of eligible individuals having a wealth of knowledge and experience related to governance, compliance, finance, and accounting as well as the qualities needed to adequately oversee the Company Board of Directors.

(v) Individual career summaries of candidate Directors and reasons for their selection as candidates are provided in the Notice of the General

Meeting of Shareholders: https://www.cec-ltd.co.jp/IR/shareholder_meeting.html

[Supplementary Principle 3.1.3: Sustainability Initiatives]

(1) Sustainability initiatives

The Company recognizes sustainability issues as key management topics. In addition to addressing issues through dialogue with a broad range of stakeholders, we disclose information actively and strive to strengthen transparency. See III: "3. State of efforts related to respect for stakeholder positions" in this Report and the Company website for more information on the Company's ESG concepts and policies and related efforts.

○ Sustainability: <https://www.cec-ltd.co.jp/esg/>

○ Sustainability Policy: <https://www.cec-ltd.co.jp/esg/sustainability.html>

○ Sustainability Promotion Committee, Risk Management Committee: <https://www.cec-ltd.co.jp/news/2025/7023.html>

(2) Investment in human capital and intellectual property, etc.

We believe the continuing growth of individual employees makes the Company more competitive. For this reason, we implement the following measures to secure and grow our human resources and maximize their performance.

<Securing and developing human resources>

We strive to secure and develop diverse human resources to contribute to increasing corporate value, thereby responding appropriately to the situation in the dramatically changing external environment and achieving sustained growth. As part of these efforts, we promote midcareer hires to secure professional specialized human resources who possess specific individual strengths. We seek to develop an organizational culture and environment that respects diversity, one in which all employees can demonstrate their abilities to the fullest.

In addition, we have adopted an HR system that encourages the continuing growth of our individual employees and self-realization in step with corporate growth, with the aim of increasing earnings by maximizing employee performance. Specifically, in addition to switching to a system that emphasizes job descriptions and roles, we have adopted a system of management by objectives, whereby efforts on the part of individuals to pursue challenges and their results are reflected in their evaluations, while creating an environment in which employees can proactively plan their own careers. We are implementing the following initiatives:

(i) Clarification of roles and reductions in number of grades

By clarifying the roles for each grade and reducing the number of grades in general posts, we have created and utilize an environment that allows employees to build their careers rapidly and encourages them to envision their goals and career paths.

(ii) Providing multidirectional career maps

We provide multidirectional career maps that reflect a shift from the traditional framework of general, core, and managerial (supervisory) posts to a system that includes newly established specialized posts. Based on these career maps, we support individual career planning suited to individual values and aptitude.

(iii) Adoption of system of management by objectives for autonomous HR development

From the perspective of autonomous HR development, we are building a process in which employees set their own objectives and achievement goals, and confirm their decisions based on a consensus in interviews with superiors.

(iv) Employee-led continuing growth and learning

The Company provides an environment in which employees can determine the levels they wish to achieve and grow by learning from the experience of taking on challenges. In addition, in response to today's increasingly diverse and complex environment, we train employees skilled in digital transformation (DX) and project management (PM) and implement a system of systematic education in accordance with the roles specific to individual tiers and skills. Through these and other measures and integrated Companywide education, we are seeking to strengthen our human resources, support employee reskilling, and enhance the capabilities of younger employees.

(v) Health management

The Company believes its human resources represent the most important capital in driving sustained business growth. Human resources are also key elements to increasing corporate value by making it possible to achieve management targets and implement management strategies effectively.

We believe employee health is essential to doing business and the sustainable growth of the Company will contribute to customers, our communities, and society at large. Accordingly, we see maintaining the health of our employees, our most important capital, to be a key management issue. We have identified health management as an important management strategy. In addition to maintaining a health management structure, we implement various disease prevention measures (e.g., subsidized influenza vaccinations and regular checkups for all employees) and strive to prevent, rapidly detect, respond appropriately to, and prevent the recurrence of various stress-related conditions (via stress checks and meetings to report on their findings, for example). We also pursue efforts in areas such as consideration for work-life balance and appropriate working hours. These efforts have been well regarded: in 2026, we were certified as one of Japan's Health & Productivity Management Outstanding Organizations.

(vi) Diversity, equity, and inclusion (DEI)

The Company strives to be an organization in which employees reflecting diverse viewpoints understand and help one another and work together effectively while exchanging various ideas. We are studying and proposing various measures involving both intangibles (e.g., organizational culture and awareness) and tangibles (systems and rules) to maintain harmonious working environments in which employees can work with flexible options in response to diverse circumstances. The goal is to establish environments in which female employees can succeed, demonstrate their abilities, and apply their experience to the fullest. We also pursue various measures to support efforts to balance work with childcare and family care, including training for expectant fathers to encourage them to take childcare leave, courses on balancing work and childcare for those taking childcare leave, and seminars on long-term care. We provide training to encourage all employees to reflect on DEI issues with the aim of cultivating an environment in which the need for addressing these issues is clearly recognized and in which mutual support is the norm.

<Investments in intellectual property and intangible assets>

The Company recognizes intellectual property (IP) and intangible assets to be essential management resources for enhancing our competitive edge and for continually increasing corporate value. We are committed to ongoing investment in creating, applying, and strengthening our IP and intangible assets. We view our intangible assets as not only comprising patents, designs (including UI designs), trademarks, and software copyrights, but also employee technical skills and specialized knowhow, data and knowledge accumulated from contact with customers, and new value generated in cocreation with our partners. By comprehensively strengthening and utilizing these assets, we aim to create new business opportunities.

In line with business strategies, we promote patent applications centered on new technologies to support the competitive strengths of our service brands and packaged products. We also engage in joint R&D efforts and joint patent applications with advanced technology business partners to improve the technical capabilities of our employees and to grow our businesses over the long term. As for software programs developed by the Company, we proceed with contractual arrangements with customers and other measures to make them internally reusable, thereby promoting the commercial application of technological assets. Related R&D expenses are disclosed annually in our securities report.

As part of our medium- to long-term growth strategy for 2030, we are enhancing investments in businesses that put advanced technologies to practical use, including proactive investment in fundamental research sections, to create new IP and intangible assets. In addition, we are re-examining IP and intangible assets from a broader perspective and undertaking a comprehensive reassessment of our current portfolio. Concurrently, we are promoting initiatives that integrate these assets into our value creation narrative through wide-reaching efforts, including HR development, such as by improving the basic understanding of IP and intangible assets and raising awareness of their importance through collaborative efforts between business divisions, corporate planning, HR, and legal departments.

We are building an organizational culture that promotes innovation, including sharing intangible assets that involve various types of knowledge and systems to encourage patent applications. Through technological innovations, we will continue to strengthen our competitive edge.

(3) Impact of risks and opportunities related to climate change on Company business activities and earnings

We have identified as the main causes of our emissions of carbon dioxide (CO₂), a greenhouse gas, the electricity consumed at our data centers and CO₂ emissions over the life cycles of hardware products sold to customers. We are striving to reduce these emissions.

We promote these efforts through an ISO 14001-certified environmental management system. The Board of Directors monitors the progress of these efforts and related matters. The scope of Company facilities subject to ISO 14001 certification is steadily growing, and we completed certification of all facilities in Japan during FY57 (ended January 31, 2025) and are making steady progress on the certification of all Group companies.

In Medium-term Management Plan 2025-2027, we describe our plans for proactive efforts to address social issues through our businesses. Initiatives currently underway also are described on the Company website.

○ Sustainability initiatives through our businesses: https://www.cec-ltd.co.jp/esg/social_business.html

[Supplementary Principle 4.1.1: Scope of Delegation to Management]

The Board of Directors makes decisions on important matters in full compliance with laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations. The scope of business execution by management and related authority are clearly set forth in in-house regulations.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

Independent outside Directors are appointed in accordance with the requirements of the Companies Act and independence criteria set by securities exchanges. Independent outside Directors are expected to serve in advisory and oversight roles related to Company management. They are appointed based on a comprehensive consideration of personal qualities, expertise, and experience for these roles.

[Supplementary Principle 4.10.1: Roles and Scope of Authority of Nomination Committee and Compensation Committee]

The Company has established the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors. These committees deliberate on various matters, including candidate nomination, performance evaluations, and the design of compensation structures for Directors and other members of management, and advise the Board of Directors. They also formulate and monitor succession plans. Their membership consists of a majority of Independent Outside Directors. Each committee is chaired by an Independent Outside Director to ensure the independence and transparency of committee involvement and advising. The details are described in the supplemental explanation to II-1. Voluntary Committees in this Report. Policies on the nomination of officer candidates are described under 3.1 (iv). Policies on determining compensation for individual Directors are described under 3.1 (iii) of this Report.

[Supplemental Principle 4.11.1: Views on the Diversity of the Board of Directors]

The Board of Directors consists of seven internal Directors with deep expertise concerning the Company's business fields and five Independent Outside Directors (including two women) who provide experience in management with other companies, experience in the areas of human resources, finance, accounting, the law, and compliance, and CPA qualifications. The structure of the Board is diverse in terms of knowledge, experience, abilities, and gender. At this time, there are 12 Directors. We consider this an appropriate number, given the Board's responsibility to engage in constructive discussion and to exchange opinions. Skills matrix is provided in the reference materials to this Report and in the Notice of the General Meeting of Shareholders. Policies and procedures related to appointment of Directors are described in this Report under 3.1. (iv).

[Supplemental Principle 4.11.2: Concurrent Positions of Directors and Corporate Auditors]

Attendance of Directors (including Outside Directors and Directors who are Audit and Supervisory Committee Members) in meetings of the Board of Directors and the Audit and Supervisory Committee is high. The number of concurrent positions is considered reasonable.

The concurrent positions of Directors as officers of other listed companies are disclosed in the Notice of the Ordinary General Meeting of Shareholders and the securities report.

[Supplemental Principle 4.11.3: Evaluation of the Efficacy of the Board of Directors]

To increase corporate value by enhancing the functions of the Board of Directors, through an independent outside agency, the Company surveys all Directors (including Directors who are Audit and Supervisory Committee Members and Outside Directors) once annually in connection with the Board's efficacy. The results of this survey and any issues identified are discussed by the Board of Directors. Measures to address related issues are also discussed and implemented.

<Survey overview>

In FY2025, Directors were surveyed concerning matters including (i) the state of the Board of Directors, (ii) the composition of the Board, (iii) Board deliberations, (iv) the performance of internal Directors, (v) the operations of the Board, (vi) dialogue with shareholders (investors), (vii) the operations of the Nomination Committee and the Compensation Committee, and (viii) their own initiatives.

<Evaluation findings>

○ Overview

The survey found that Directors deliberated on and held a shared understanding of the need to achieve sustained corporate growth and create corporate value over the medium to long term. They agreed that the Board was effective. Some respondents, however, pointed out the need to make the Board more effective on certain ongoing issues, such as enhancing agenda setting by the Board mainly in relation to management strategy and planning, and efforts to enhance Board deliberations.

○ Improvements made this year

- Strengthening monitoring of the Board

The survey results indicated more effective joint efforts with the Sustainability Promotion Committee and the Risk Management Committee were made compared to last year.

- Improving governance

The Board has become more aware of the need to strengthen its oversight functions by working to build consensus in the Board on measures to segregate management and execution functions and to achieve ideal oversight. While Directors acted from a shared understanding of such need for segregation, they recognized further progress on this issue was needed.

○ Issues recognized

- Further enhancements in Director skills
- Improving governance

While Board members share an understanding of the need to further segregate management and execution functions, they also recognize the need to strengthen oversight functions.

- Enhancement of progress management on the medium-term management plan, discussions on issues to be addressed by management

Based on the issues identified in the survey, the Company Board of Directors selects priorities and implements ongoing improvements to strengthen the efficacy of the Board. The Board also deliberates on measures to strengthen corporate value.

[Supplemental Principle 4.14.2: Director and Audit and Supervisory Committee Member Training Policy]

Company activities intended to ensure that Directors (including Directors who are Audit and Supervisory Committee Members) fulfill their due individual roles and responsibilities include internal training, external seminars, and study sessions. Under Company rules, the Company assumes the costs of such seminars and training. Information is provided on key legal amendments and similar matters where appropriate.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

The Corporate Strategy Division is the Company's section responsible for IR. The Company has adopted a structure under which the sections of the Corporate Group assist the Corporate Strategy Division under the leadership of the Director responsible for IR. In addition to semiannual briefings on financial results for institutional investors, analysts, and others, we organize individual interviews and small meetings. Questions and comments received from investors in the above activities are shared with the top management team through the reporting and distribution of written reports in the Executive Committee and reports to the Board on dialogue with shareholders. Appropriate responses are determined on this basis. Documents concerning financial results and materials for financial results briefings are published on our website. Financial results briefings are streamed live and made available on demand to ensure a wider stakeholder audience can better understand the Company.

○ IR Library: <https://www.cec-ltd.co.jp/IR/library.html>

(Status of shareholder dialogue, etc.)

We implement shareholder dialogue as follows:

(1) Main persons responsible for dialogue

Representative Directors, Directors responsible for IR sections, and staff in the section responsible for IR

(2) Overview of shareholders involved in dialogue

[Period covered: February 1, 2025 – January 31, 2026]

- Dialogues: 93 (including one-on-one dialogue and telephone interviews)
- Dialogue formats: one-on-one dialogue and telephone interviews
- Investment methods: active and passive investors
- Areas of responsibility of participants: analysts, fund managers, ESG managers, etc.

(3) Main themes of dialogue and matters of interest to shareholders

- Operating income targets set forth in the Medium-term Management Plan 2025-2027
- Status of addressing management based on an awareness of the cost of capital
- Financial matters such as capital costs, capital policies, and status of considerations of M&A activities

(4) Status of feedback to management and the Board of Directors regarding shareholder views and concerns identified through dialogue

- Explanation to the Board of Directors and the Executive Committee of opinions and concerns from shareholders in semiannual reports on IR activities

(5) Details of measures taken (if any) in response to dialogue and subsequent feedback

- Disclosures of management conscious of capital costs and share prices in formulating Medium-term Management Plan 2025-2027
- Expansion of quantitative information on management indicators, performance indicators, etc.

[Measures to establish management aware of capital costs and share prices] [English version available]

[Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans]

The Group discloses its long-term approach to cash allocation in VISION 2030 and in the Medium-term Management Plan FY2025-2027. We rely on net sales, operating income, operating profit margin, and return on equity (ROE) as key performance indicators (KPIs) of profitability, capital efficiency, and other performance metrics, and regard ROE to be the most important KPI. The Medium-term Management Plan FY2025-2027 targets an ROE of 14% or higher to be achieved through sustained profit growth exceeding the cost of shareholder equity.

The Supplemental Materials for Financial Results for the Fiscal Year Ended January 2025 on our website describe our efforts to achieve management based on an awareness of the cost of capital and share price.

○Supplemental Materials for Financial Results for the Fiscal Year Ending January 2025: <https://www.cec-ltd.co.jp/IR/guide/>

○Long-term Management Plan: https://www.cec-ltd.co.jp/ir/aboutus/management_plan.html

We will continue to target sustained growth in corporate value by promoting management based on an awareness of the cost of capital and share price and by pursuing returns that exceed the cost of shareholder equity.

2. Capital structure

Foreign shareholding ratio

20% or more but less than 30%

[Status of major shareholders]

Name	Number of shares held	Percentage (%)
Mitsuiwa Corporation	4,447,200	14.24
The Master Trust Bank of Japan, Ltd. (trust account)	3,679,800	11.79
Custody Bank of Japan, Ltd. (trust account)	2,345,700	7.51
Hirosato Iwasaki	1,335,100	4.27
Fujitsu Limited	1,240,000	3.97
CEC Employee Stock Ownership Program	1,059,400	3.39
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	965,000	3.09
Japan Foresight Electronics Ltd.	930,960	2.98
MSIP CLIENT SECURITIES	758,081	2.42
STATE STREET BANK AND TRUST COMPANY 505103	493,931	1.58

Controlling shareholder (excluding parent company)

N/A

Parent company

N/A

Supplementary explanation

3. Corporate attributes

Listed stock market and market section	Tokyo Stock Exchange, Prime Market
Fiscal year-end	January
Type of business	Information and telecommunications
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Sales (consolidated) in previous fiscal year	¥10 billion or more but less than ¥100 billion
Number of consolidated subsidiaries as of the end of the previous fiscal year	Less than 10

4. Policy on measures to protect minority shareholders in transactions with controlling shareholder

5. Other special circumstances that may have a material impact on corporate governance

II Business Management Organization and Other Corporate Governance Systems Affecting Decision-making, Business Execution, and Management Oversight

1. Organizational composition and management

Organization form	Company with an Audit and Supervisory Committee
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[Directors]

Maximum number of directors stipulated in articles of incorporation	15
Term of office stipulated in articles of incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors designated as Independent Directors	5

Relationship to the Company (1)

Name	Attribute	Relationship to the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Shizuyo Takahashi	From another company												
Noriko Kosugi	From another company												
Ryoichi Nawa	From another company												
Katsunori Taniguchi	Certified public accountant												
Motoaki Kuniyasu	From another company												

* Categories for "Relationship to the Company"

* ○ The director currently belongs or recently belonged to the category; △ The director belonged to the category in the past

* ● A close relative of the director currently belongs or recently belonged to the category; ▲ A close relative of the director belonged to the category in the past

- Executive of the Company or its subsidiaries
- Executive or non-executive director of a parent company of the Company
- Executive of a sister company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives large monetary sums or other property from the Company beyond compensation as director
- Major Company shareholder (or executive of said major shareholder if the shareholder is a legal entity)
- Executive of Company client or supplier (other than those under d, e, or f) (the individual only)
- Executive of an organization with which the Company exchanges outside directors (the individual only)
- Executive of an organization that receives donations from the Company (the individual only)
- Other

Relationship to the Company (2)

Name	Audit and Supervisory Committee Member	Independent director	Supplementary explanation of applicable item	Reasons for appointment
Shizuyo Takahashi		○	—	Ms. Shizuyo Takahashi has experience gained as head of a business division and human resource division at a systems development company and as a director and head of an administrative division at a listed company. The Company has appointed her as an Outside Director based on expectations that she will continue to provide advice from a wide-ranging perspective and oversee business execution from a practical point of view, particularly in addressing Company issues related to human capital. The Company has no conflicts of interest with Ms. Takahashi and believes that her reappointment will not undermine interests of ordinary shareholders.
Noriko Kosugi		○	—	Ms. Noriko Kosugi has experience in finance and accounting at various Japanese and foreign companies, as well as broad experience in management planning and investor relations. The Company has appointed her as Outside Director in the expectation that she will continue to oversee business execution, as well as to provide appropriate advice to management regarding investor relations, planning, and finance in particular, and advice from the perspectives of internationalization and diversity. The Company has no conflicts of interest with Ms. Kosugi and believes that her reappointment will not undermine interests of ordinary shareholders.
Ryoichi Nawa	○	○	—	Mr. Ryoichi Nawa has knowledge and experience accumulated while serving as a representative of a major IT firm. The Company has appointed him as Outside Director in the expectation that he will provide advice and oversee business execution from a broad management perspective, helping the Company to enhance its business foundations and achieve growth. The Company has no conflicts of interest with Mr. Nawa and believes that his reappointment will not undermine interests of ordinary shareholders.
Katsunori Taniguchi	○	○	—	Mr. Katsunori Taniguchi has expertise and experience as a certified public accountant and experience as a corporate auditor with a system development company. The Company has appointed him as an Outside Director who is an Audit and Supervisory Committee Member in the expectation that he will continue to carry out appropriate audits and supervision based on such experience. The Company has no conflicts of interest with Mr. Taniguchi and believes that his reappointment will not undermine interests of ordinary shareholders.
Motoaki Kuniyasu	○	○	—	Mr. Motoaki Kuniyasu has auditing experience as a corporate auditor and audit and supervisory committee member as well as experience in governance and compliance operations with global enterprises. The Company has appointed him as an Outside Director who is an Audit and Supervisory Committee Member in the expectation that he will contribute to enhanced governance from a global perspective and carry out appropriate audits and supervision based on such experience. The Company has no conflicts of interest with Mr. Kuniyasu and believes that his appointment will not undermine interests of ordinary shareholders.

[Audit and Supervisory Committee]

Membership and chairperson

	Total members	Full-time members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Inside Director

Directors and employees assigned to assist in the duties of the Audit and Supervisory Committee

N/A

Reasons for the adoption of the current system

The Audit and Supervisory Committee is authorized to instruct the staff of the internal audit section and other sections to assist with audit tasks as necessary. The Company seeks consent from the Audit and Supervisory Committee regarding the transfer and evaluation of employees who have assisted with audit tasks and other matters.

Status of joint efforts among the Audit and Supervisory Committee, accounting auditor, and internal audit section

Since January 2025, we have held quarterly tripartite audit meetings for sharing of information and exchange of opinions among the Audit and Supervisory Committee, the accounting auditor, and the internal audit section. These are intended to make auditing even more effective.

(1) Cooperation between the Audit and Supervisory Committee and the accounting auditor

Tripartite audit meetings are held to allow discussion and the exchange of opinions on topics like audit plans, audit remuneration, explanation of audit findings, and consultations on key audit matters (KAMs).

(2) Cooperation between the Audit and Supervisory Committee and the internal audit section

The General Manager of the Internal Audit Division attends monthly meetings of the Audit and Supervisory Committee to report on matters such as audit plans and findings and participates in joint on-site auditing as needed, as part of regular cooperation between the Audit and Supervisory Committee and the internal audit section.

(3) Cooperation between the accounting auditor and the internal audit section

In addition to joint annual evaluations of internal controls (evaluations of maintenance and operations), joint efforts between the accounting auditor and the internal audit section are being enhanced through information-sharing and other efforts.

[Optional committees]

Optional committee established corresponding to a nomination or compensation committee

Y

Status of the establishment of optional committees, their membership, and their chairpersons

	Name of committee	Total members	Full-time members	Inside Directors	Outside Directors	Outside experts	Others	Chairperson
Optional committee corresponding to a nomination committee	Nomination Committee	6	0	1	5	0	0	Outside Director
Optional committee corresponding to a compensation committee	Compensation Committee	6	0	1	5	0	0	Outside Director

Supplemental explanation

(1) Membership selection and nomination process

Members are chosen by resolution of the Company Board of Directors.

To ensure the independence of the Nomination Committee and the Compensation Committee, a majority of the membership of each committee consists of independent Outside Directors. The chairpersons are chosen from among the independent Outside Director members.

(2) Committee roles and scope of authority

As requested by the Board of Directors, the Nomination Committee and the Compensation Committee deliberate on important matters related to nomination of and compensation for Directors and others and report their findings to the Board.

(3) Rationale concerning the independence of committee membership

As described under (1) above, the majority of membership of each committee consists of independent Outside Directors. Their chairpersons are chosen from among their independent Outside Director members to ensure the independence and transparency of committee participation and advising.

(4) Status of the activities (meeting intervals, major agenda items, attendance of individual members)

In the fiscal year ended January 31, 2026, the Nomination Committee reviewed the candidates nominated for various offices, including President and Directors, and reported its findings to the Board of Directors.

The Compensation Committee reviewed various matters, including individual compensation for the President and Directors and decision-making procedures for executive compensation, and reported its findings to the Board of Directors and the Representative Director, President.

[Independent officers]

Number of independent officers

5

Other matters related to independent officers

While the Company has not established standards or policies concerning the independence of Outside Directors (including Audit and Supervisory Committee Members), it refers to the independence criteria for independence officers established by the Tokyo Stock Exchange when choosing them.

[Incentives]

Status of implementation of measures related to Director incentives

Adoption of performance-based compensation systems and stock option systems

Supplemental explanation concerning this item

Performance-based compensation is paid and stock options are awarded based on the policies described in I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iii).

<Reference>

Stock options are awarded to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) as share-based compensation up to a maximum of 70 million yen per year and a total of 1,800 options (100 shares/option) (based on a resolution passed at the 54th Regular General Meeting of Shareholders, held April 22, 2022).

Recipients of stock options

Inside Directors (excluding Directors who are Audit and Supervisory Committee Members)

Supplemental explanation concerning this item

Stock options were adopted as share-based compensation to replace officer retirement benefits, which were discontinued as of the end of the 44th Regular General Meeting of Shareholders held April 18, 2012. This system was adopted so that Company Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) may share with shareholders the benefits and risks of fluctuations in share price and to more clearly set forth the management responsibility for increasing corporate value.

[Director compensation]

State of disclosure of compensation for individual directors

Individual compensation not disclosed

Supplemental explanation concerning this item

Total compensation for all Directors is disclosed in the Securities Report.

Policies on decisions on actual compensation or how actual compensation is calculated

Y

Nature of the information found in disclosures of policies on decisions on actual compensation or how actual compensation is calculated

Described in I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iii).

[Support structure for Outside Directors]

While no personnel are assigned to dedicated posts to assist in the duties of Outside Directors (including Directors who are Audit and Supervisory Committee Members), a structure is in place whereby the staff of sections such as the Corporate Group and the internal audit section assist in the duties of Directors who are Audit and Supervisory Committee Members when so requested by such Directors. In addition, when matters or information of great significance are brought up in deliberations by the Board of Directors, the Company provides Outside Directors (including Directors who are Audit and Supervisory Committee Members) with materials well in advance of such meetings of the Board of Directors, thereby allowing sufficient time to review them and enhancing management oversight functions.

2. Matters related to functions such as decision-making on business execution, audits and oversight, nomination, and compensation (overview of current corporate governance system)

(1) Current system

At present, the Company Board of Directors consists of 12 members in total: nine Directors who are not Audit and Supervisory Committee Members (three of whom are Outside Directors) and three Directors who are Audit and Supervisory Committee Members (two of whom are Outside Directors). The Board is chaired by the President. As such, Outside Directors account for at least one-third of the Board. The Company Board of Directors is responsible for making decisions on basic management policies, matters specified under laws and regulations, and other important management topics and for overseeing business execution. The Company has established an optional nomination committee and compensation committee to deliberate on compensation for directors as described in I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iv) of this Report and on nomination of candidates for Director under I-1. Basic views: Disclosure based on the principles of the Corporate Governance Code: Principle 3.1 (iii) of this Report. For further deliberation on important management topics, the Executive Committee, whose ten members consist of the President and executive officers, meets to consider practical matters.

(2) Status of audits and other activities by the Audit and Supervisory Committee, etc.

The Audit and Supervisory Committee consists of three members: one Director who is a full-time Audit and Supervisory Committee Member and two Outside Directors who are Audit and Supervisory Committee Members. In accordance with annual audit policies and plans, members of the Audit and Supervisory Committee attend important meetings, including meetings of the Board of Directors and the Executive Committee, and offer appropriate opinions therein. Additionally, they periodically interview Directors and top executives to collect information on management policies and maintain the auditing environment. In addition, they undertake audits in cooperation with the accounting auditor and the internal audit section and hold quarterly tripartite audit meetings with them, among other efforts to make auditing more effective. The Full-time Audit and Supervisory Committee Member attends important meetings, rigorously monitors the state of business execution, investigates individual matters that require investigation as they arise, and reports to the Audit and Supervisory Committee on the status of executing these duties. Outside Audit and Supervisory Committee Members contribute to sound management of the Company by offering opinions from their own specialized perspectives in opportunities such as meetings of the Board of Directors and the Audit and Supervisory Committee. They also share information in Outside Director Liaison Council meetings with Outside Directors who are not Audit and Supervisory Committee Members and report such information to the Audit and Supervisory Committee to ensure the soundness of management.

(3) Status of the activities of the Nomination Committee and Compensation Committee, etc.

Membership of the Nomination Committee consists of five independent Outside Directors as well as an inside Director (one Director who is not Audit and Supervisory Committee Member).

Membership of the Compensation Committee consists of five independent Outside Directors as well as an inside Director (one Director who is not Audit and Supervisory Committee Member). Attendance in meetings of each committee and other matters are as described under II. Business management organization and other corporate governance systems affecting decision-making, business execution, and management oversight: 1. Organizational composition and management: (4) Optional committees of this Report.

(4) Summary of terms and conditions of agreements on limitations on liability

Pursuant to Article 427, Paragraph 1 of the Companies Act and the Company Articles of Incorporation, the Company concludes agreements with Outside Directors that limit their liability under Article 423, Paragraph 1 of the Companies Act. These agreements limit such liability to the amounts specified under laws and regulations. These limits on liability apply only to cases free of gross negligence in which the Outside Directors perform their duties in good faith.

3. Reasons for selecting the current corporate governance system

The Company has adopted the structure of a company with an Audit and Supervisory Committee to enhance the oversight functions of the Board of Directors and to accelerate decision-making on business execution. The Company established the Nomination Committee and the Compensation Committee as optional advisory bodies to the Board of Directors to ensure objectivity and transparency in the Board's decision-making processes on matters related to executive personnel and compensation.

The above system is intended to enhance corporate governance.

III Status of Implementation of Measures Related to Shareholders and Other Stakeholders

1. State of initiatives designed to encourage active participation in general meetings of shareholders and facilitate the exercise of voting rights

	Supplemental explanation
Sending out notices of convocation of general meetings of shareholders early	Notices of convocation of general meetings of shareholders are posted to the Company website and TDNet at least 28 days before each general meeting. Written notice to access the notice of convocation is sent out at least 20 days before each general meeting.
Scheduling of general meetings of shareholders to avoid peak periods	Since the Company fiscal year ends January 31, there is little likelihood that the general meeting of shareholders will be held during a peak period.
Exercise of voting rights by electromagnetic means	We have adopted a system of exercise of voting rights by electromagnetic means.
Use of the Electronic Voting Platform and other initiatives to improve the environment for exercise of voting rights by institutional investors	We have adopted the Electronic Voting Platform and maintain an environment that allows for the electronic exercise of voting rights.
Provision of English translations of convocation notices (summaries)	We post English translations of convocation notices (essentials and reference materials) to the Company website and TDNet.

2. State of Investor relations activities

	Supplemental explanation	Briefing by the representative directly
Periodic briefings for analysts and individual investors	Briefings on financial results are held twice a year for institutional investors, analysts, journalists, and others. Individual interviews and small meetings are also held. Financial results briefings are streamed live and made available on demand to inform an even wider audience of stakeholders of Company matters.	Y
Posting of investor relations materials on the website	Information posted to the website includes summaries of financial results, timely disclosure materials on subjects other than financial results, securities reports or semiannual reports, and materials for and videos of financial results briefings.	
Establishment of a section (person) to oversee investor relations	The Corporate Strategy Division is the section with chief responsibility for investor relations.	

3. State of efforts related to respect for stakeholder positions

	Supplemental explanation
<p>Provisions on respect for the positions of stakeholders in internal rules, etc.</p>	<p>The CEC Group Code of Conduct describes in detail how we respect the standpoints of our stakeholders. Details are available on our website. ○ Code of Conduct: https://www.cec-ltd.co.jp/corporate/purpose.html</p> <p>[CEC Group Code of Conduct]</p> <p>1. Toward a sustainable society As good corporate citizens, we will comply with laws and regulations, respect human rights, value diversity, and carry out responsible business activities to help establish a sustainable, cyclical society.</p> <p>2. Pursuit of customer satisfaction We will continue to pursue customer satisfaction, build customer trust, and meet customer expectations through daily efforts to improve our technological strengths and enhance our proposal and execution abilities.</p> <p>3. Taking on the challenges of innovation Through unceasing self-improvement efforts, we will cultivate our inspiration to take on the challenges of growth through constant innovation and pursuit of outstanding results, thereby contributing to Company growth and social reform.</p> <p>4. Cocreation and coprosperity We will realize further cocreation and coprosperity by building long-term trust through mutual respect with our diverse business partners.</p> <p>5. Transparency and dialogue Through appropriate disclosure and active dialogue with shareholders, investors, and other stakeholders, we will communicate accurate information on our initiatives to create economic and social value and will foster relations of trust by accepting appropriate advice, to increase corporate value over the medium to long term.</p>
<p>Implementation of environmental protection activities, CSR activities, etc.</p>	<p>In February 2025 we established the Sustainability Promotion Committee to promote and support sustainability management companywide through various means, including identification of materialities, proposing responses, and management of various KPIs, in accordance with the Company's Sustainability Policy. ○ Notice Concerning Establishment of Sustainability Promotion Committee and Risk Management Committee: https://www.cec-ltd.co.jp/news/2025/7023.html</p> <p>The current status of our continuing environmental protection activities and CSR activities is outlined below:</p> <p>(1) Environmental protection activities The Company publishes its environmental policy on its website, identifying energy and resource conservation as important priorities and strives to protect the environment through initiatives including cutting power consumption and reducing paper waste. We support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Having positioned climate change as a key management topic, we gather and analyze data to assess the potential impact of climate risks and opportunities on our business activities, and will continue to enhance disclosure in terms of quality and quantity as part of both management strategy and risk management. These activities are managed based on an environmental management system that meets ISO 14001 standards. We strive to ensure full implementation throughout the organization by means of a cycle consisting of the processes of monitoring, evaluating, and reviewing the status of environmental activities. We are earning ISO 14001 certification as part of these activities. In the fiscal year ended January 31, 2025, all major facilities had been granted ISO 14001 certification. In the fiscal year ended January 31, 2026, we begun efforts to achieve certification at Group companies, and Oita Computer Engineering & Consulting Ltd. has been granted certification. We will continue to expand the scope of certification for Group companies. See the Company website for more information on our approach to climate change and disclosure based on TCFD recommendations. ○ Climate change initiatives: https://www.cec-ltd.co.jp/esg/climate_change.html</p> <p>(2) CSR activities The Company actively promotes social contribution activities in partnership with childcare, medical, and senior citizen facilities that have deep roots in their communities. We support childcare through at Claps™, an educational app developed in-house. In the fiscal year ended January 31, 2025, we set KPIs and established systems for managing and visualizing these KPIs to enable these activities to continue at each facility. We are steadily promoting initiatives to establish and strengthen ties to local communities, resulting in sustained growth in corporate value. The results of these activities are described under the events information on the following service webpage. ○ at Claps™: https://www.cec-ltd.co.jp/news/2024/6670.html</p> <p>We are planning and promoting other CSR activities based on the Sustainable Development Goals (SDGs). The specifics of our CSR activities are found under on the</p>

IV Matters Related to Internal Control Systems, Etc.

1. Basic outlook on internal control systems and their maintenance

The basic policies that guide the preparation of the Company's internal control systems are outlined below.

1. Systems for ensuring that the execution of the duties of directors of the Company and its subsidiaries ("Group" hereinafter) complies with laws, regulations, and the articles of incorporation

1) As the individuals responsible for exemplifying adherence to the CEC Group Code of Conduct, Directors are required to act in accordance with the standards of common decency and in full compliance with laws, regulations, and Company rules and regulations.

2) The Board of Directors must develop effective internal control systems and strive to establish and strengthen compliance systems Groupwide.

3) The Audit and Supervisory Committee audits and investigates as necessary the status of execution of the duties of Directors based on audit plans established by the Audit and Supervisory Committee, the Audit and Supervisory Committee Regulations, and other policies.

4) Directors who are Audit and Supervisory Committee members are allowed to attend and express opinions in meetings of the Board of Directors, the Executive Committee, and other important meetings held by Directors in accordance with the Companies Act.

2. Systems for ensuring the retention and management of information related to the execution of the duties of directors

1) The following documents (including electromagnetic records) and related materials are retained in accordance with the Document Control Regulations:

(i) Minutes of general meetings of shareholders

(ii) Minutes of Board of Directors meetings

(iii) Minutes and records of the proceedings of other important meetings held by Directors

(iv) Applications for approval

(v) Other important documents related to the execution of duties of Directors

2) The documents enumerated above are handled in accordance with the Document Control Regulations. They are retained in ways that make it possible for Directors to view them promptly when so requested.

3. Rules and other systems related to management of risks of losses

1) The Executive Committee and similar bodies gather risk information and manage risks systematically to prevent and swiftly identify the emergence of any risks. The Group maintains these risk control systems in a manner that allow swift and appropriate information control and emergency responses in the event of an incident.

4. Systems for ensuring that the duties of directors are executed efficiently

1) The Board of Directors meets regularly and at other times as needed to make timely and appropriate decisions on important matters. These meetings constitute the foundations that assure the effective and efficient execution of the duties of the Directors.

2) Decisions of the Board of Directors are reflected in business execution swiftly and appropriately. To strengthen oversight of their execution, an executive officer system has been adopted to separate the business execution functions. In this way, the Group strives to improve management efficacy.

3) When delegating the execution of important duties, the Board of Directors determines personnel assignments and the extent of authority delegated to enable swift business execution and to maintain a reasonable separation of duties, authority rules, etc.

5. Systems for ensuring that the execution of duties of Group employees complies with laws, regulations, and the articles of incorporation

1) The CEC Group Code of Conduct has been established to clearly set forth the fundamental principles of corporate activities, establishing and distributing CEC Group Conduct Guidelines to all employees to serve as the basis for everyday activities.

2) Employees who learn of any actions counter to laws, regulations, Company rules and regulations, or social norms are required to report them promptly to the internal whistleblowing system.

3) The internal audit section and other related sections conduct periodic internal audits of business as a whole, focusing on matters such as compliance and the details and validity of business procedures pursuant to internal audit rules. The results of these audits are reported to the President.

6. Systems for ensuring the propriety of Group business operations and systems related to reporting to the Company of matters related to the execution of duties of subsidiary Directors and others

1) The CEC Group Code of Conduct has been established to ensure consistency in outlook concerning compliance, information security, and other matters.

2) The Company manages business operations overall by assigning Company Directors responsibility for individual subsidiaries.

3) To ensure the propriety of the operations of the Group as a whole, the Company establishes rules for or provides guidance and support for the application of Company rules to subsidiaries within the extent feasible and appropriate in light of considerations such as the scale and structure of the subsidiary businesses.

4) The Company Board of Directors deliberates in advance on important subsidiary decisions and requests reports as needed regarding other necessary information.

7. Matters concerning Directors and employees assigned to assist in the duties of the Company Audit and Supervisory Committee as requested by that committee, the independence of such Directors and employees from other Directors (excluding Directors who are Audit and Supervisory Committee Members), and ensuring the efficacy of instructions to such Directors and employees

1) The Audit and Supervisory Committee is authorized to instruct the staff of the internal audit section and other sections to assist with audits as necessary. No Directors are assigned to assist in the duties of the Audit and Supervisory Committee.

2) Those assisting in audit activities are exempt from the command and control of Directors for activities that fall within the scope of instructions to assist in audit activities.

3) The consent of the Audit and Supervisory Committee must be obtained on matters such as transfers, personnel evaluations, and disciplinary actions for those who assist in audit activities.

8. Systems for reporting by Group Directors, Corporate Auditors, and employees to the Company Audit and Supervisory Committee and for protecting them from disadvantageous treatment due to such reporting

- 1) Group Directors, Corporate Auditors, and employees who have discovered facts that could lead to significant damage to the Group, improprieties, or violations of laws, regulations, or the articles of incorporation must report them promptly to the Company Audit and Supervisory Committee. The Company Audit and Supervisory Committee also may demand reports from such parties as necessary.
- 2) No Group Director, Corporate Auditor, or employee who submits such report to the Company Audit and Supervisory Committee shall be subject to disadvantageous treatment for having submitted such reports. All due efforts must be made to ensure that all personnel understand this.

9. Matters concerning policies on procedures for prepayment or refunding of the costs of execution of the duties of the Company Audit and Supervisory Committee and other processing of costs or debts incurred in execution of such duties

- 1) When the Audit and Supervisory Committee requests measures such as prepayment of the costs of executing its duties, such costs or debts must be swiftly processed unless they are judged not necessary for the execution of such duties.

10. Other systems to ensure that the Company Audit and Supervisory Committee is able to carry out effective audits

- 1) As necessary, the Audit and Supervisory Committee may interview or demand reports from Group Directors, Corporate Auditors, and employees.
- 2) The Audit and Supervisory Committee engages in periodic meetings to exchange opinions with each of the following: President, audit firm, internal audit section, other parties.
- 3) Meetings are held among Independent Outside Directors to exchange information between Directors who are Audit and Supervisory Committee Members and other Outside Directors.

11. The Group's systems for excluding antisocial forces

- 1) In accordance with the CEC Group Code of Conduct, we prohibit all relationships with, reject any improper demands from, and categorically refuse to provide funds to antisocial forces and other groups that threaten the order and safety of society.
- 2) We strive to gather information through routine dialogue with law enforcement and other external agencies and ensure thorough awareness within the organization through internal training and other activities, thereby maintaining the structures needed to systematically exclude antisocial forces.
- 3) In addition to reviews to confirm that transaction counterparties do not qualify as antisocial forces as legally defined, we implement other steps, including incorporating contractual provisions that enable the cancelation of contracts if counterparties are found to qualify as antisocial forces.

12. Systems for ensuring the reliability of the Group's financial reporting

- 1) In accordance with the Financial Instruments and Exchange Act, we continually maintain, operate, and assess systems to assure the efficacy and propriety of internal controls related to financial reporting and to assure the reliability and propriety of financial reporting.

2. Basic outlook on exclusion of antisocial forces and maintenance of related systems

The CEC Group Code of Conduct prohibits all relationships with and rejects and calls to others to reject improper demands from and the provision of any funds to benefit antisocial forces.

We strive to gather information through joint efforts with law enforcement and other external agencies and ensure thorough awareness within the organization through internal training and other activities. We confirm that transaction counterparties do not qualify as antisocial forces and are currently proceeding to incorporate contractual provisions that enable the cancelation of contracts when counterparties are found to qualify as antisocial forces.

V Other

1. Measures to defend against takeover bids

Measures adopted to defend against takeover bids

N/A

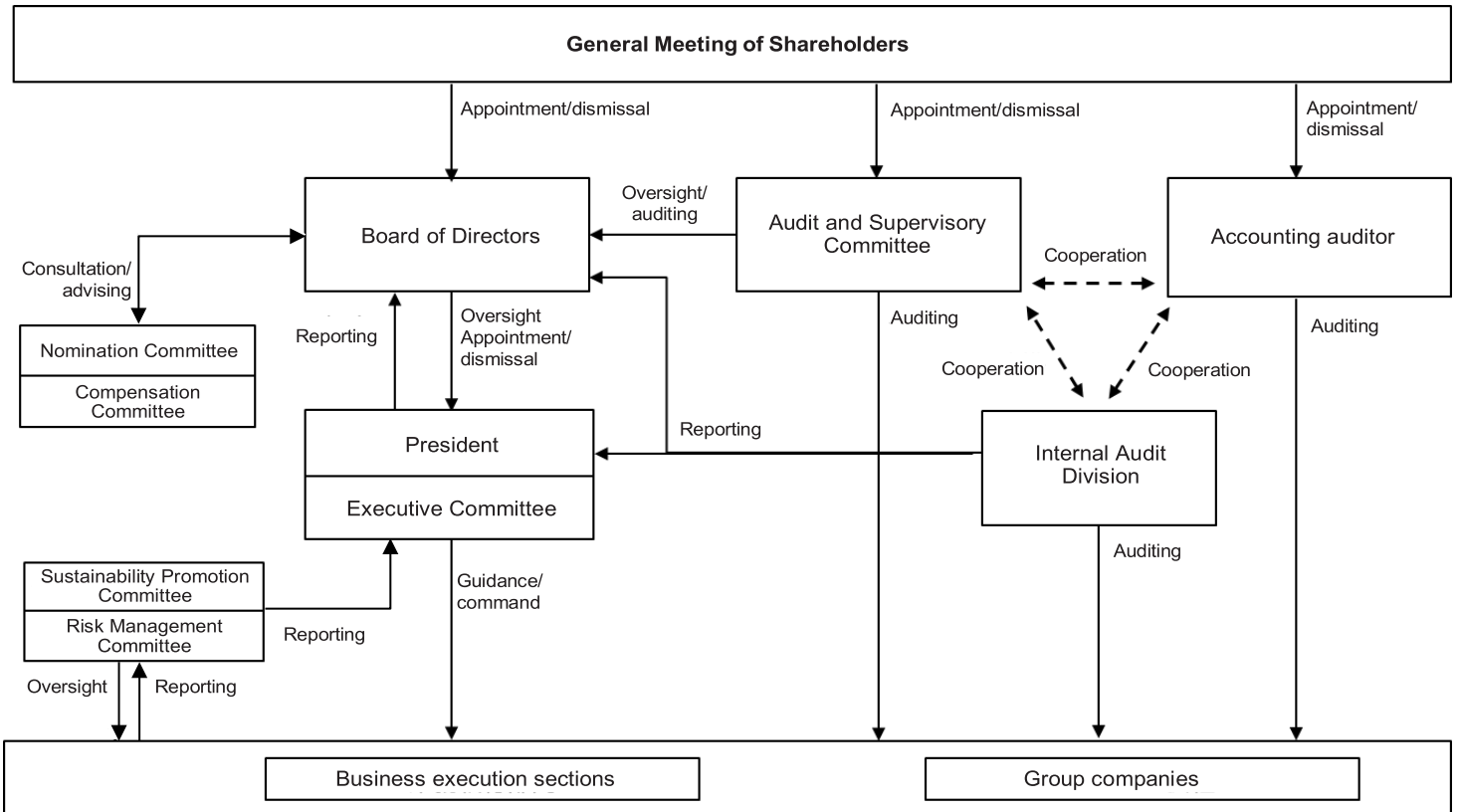
Supplemental explanation concerning this item

2. Other matters related to corporate governance systems

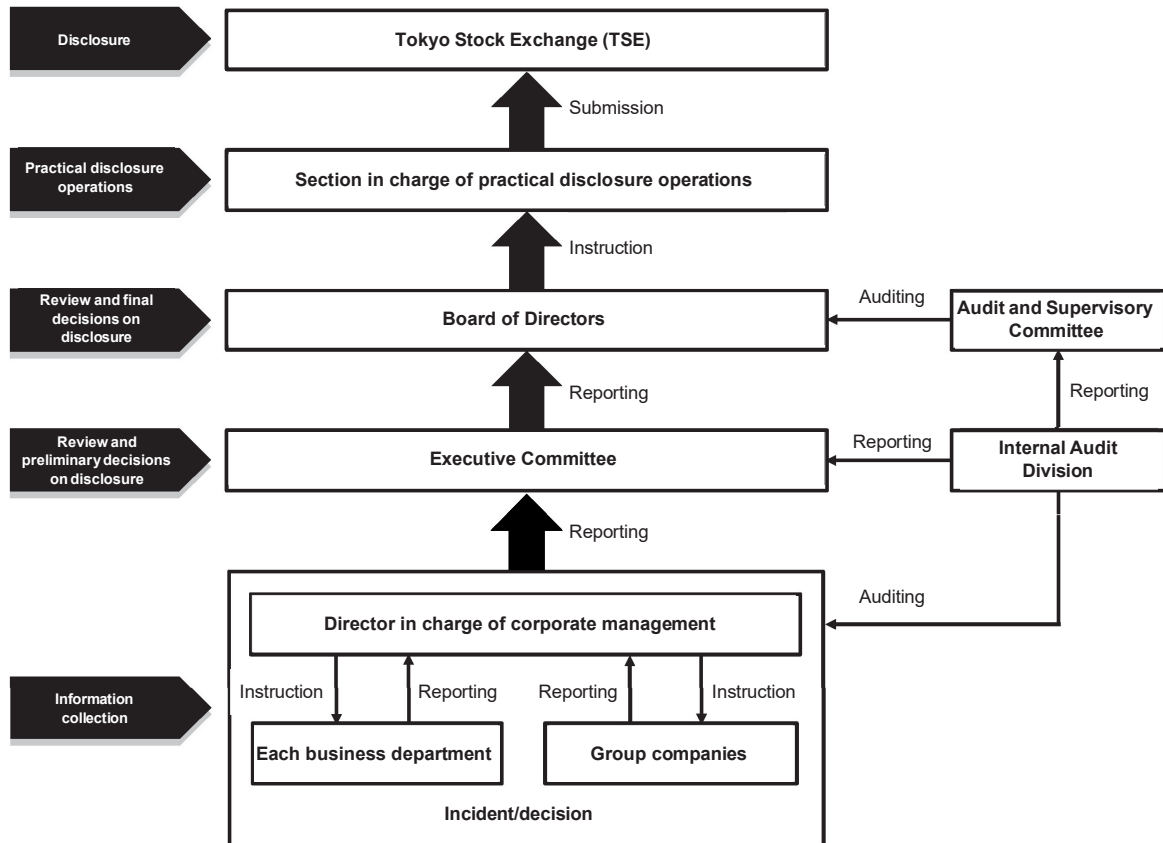
[Overview of timely disclosure systems]

Important management information is disclosed in a timely manner via the Company website and TDnet following discussion and decision-making by the Executive Committee and the Board of Directors. We have established Insider Trading Prevention Regulations under which we strive to appropriately manage information concerning material facts that have yet to be made public.

[Corporate Governance Organizational System]



[Timely disclosure system schematic]



Specializations and experience of Directors (skills matrix)

The following six skills have been selected based on deliberations by the Nomination Committee as skills that the Board of Directors must possess to promote business and corporate strategies effectively in accordance with the long-term management plan.

This is not an exhaustive list of all the experience or skills possessed by each Director. Skills of special importance expected in each Director are shown by circles.

Name	Business Administration	Sales/ Marketing	Technology	HR/Labor	Finance/ Accounting	Legal/ Compliance
Takashi Himeno	○		○			
Hideki Takagi		○	○			
Atsushi Ookita		○	○			
Yasuo Sakai		○	○			
Futoshi Egami				○	○	○
Naoki Ishihara		○	○			
Shizuyo Takahashi (Outside)			○	○	○	
Noriko Kosugi (Outside)				○	○	
Ryoichi Nawa (Outside)	○	○				
Toshiharu Sakai (Full-time Audit and Supervisory Committee Member)				○		○
Katsunori Taniguchi (Audit and Supervisory Committee Member / Outside)					○	○
Motoaki Kuniyasu (Audit and Supervisory Committee Member / Outside)	○					○

Each skill is summarized below.

Skill	Overview
Business Administration	Guides the organization in the appropriate direction to enhance corporate value while demonstrating strong leadership in promoting the plan-do-check-act (PDCA) cycle on a Companywide basis in areas including drafting the corporate vision, formulating strategies and medium-/long-term plans, and optimizing the business portfolio.
Sales/Marketing	Guides strategic initiatives to maximize sales and profit by promoting growth in customer corporate value while bringing products and services to market and delivering appropriate value through identifying needs, selecting targets, and establishing brand strategies and channels.
Technology	In addition to strengthening service value by applying a systemic understanding of the technologies essential to business to ascertain and strategically enhance core domains, deploys technology to overhaul business models and processes by identifying opportunities for reforms at customers, within society, and within the Company; promotes strategic planning, service development, and systematization to boost corporate value.
HR/Labor	Promotes sustained growth by formulating and implementing HR strategies that contribute to achievement of management strategies. In addition to enhancing the HR portfolio through systematic efforts, including HR portfolio formulation, effective recruitment, skills development, and cooperation with external partners, leads organizational development in accordance with management strategies. Advances labor management and strengthens engagement to increase the total value of human capital.
Finance/Accounting	Helps maintain sound management while providing underlying support for sustained growth in corporate value by implementing financial strategies, cash allocation, and funds management in line with management strategies, and executing appropriate account processing and disclosure.
Legal/Compliance	Promotes thorough compliance by executing effective oversight and control of business development and operations while prioritizing compliance with laws, regulations, and in-house rules governing business activities, alongside developing strategies, structures, and systems for legal risk management.