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Corporate Governance Report

CORPORATE GOVERNANCE

Loadstar Capital K.K.

Last Update: March 25, 2024
Loadstar Capital K.K.
Tatsushi Iwano, President
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Securities code: 3482

The corporate governance of Loadstar Capital K.K. (the “Company”) is described below.

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

1. Basic Views

We believe that enhancing management soundness, transparency, and compliance, as well as improving management efficiency, will strengthen our corporate value over the long term. To carry out this, we recognize that, while enhancing corporate governance, it is important to establish an organizational structure that can respond promptly and flexibly to changes in the business environment. As such, we conduct our business efficiently taking into consideration the viewpoint of our shareholders.

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

We implement all the basic principles of Japan’s Corporate Governance Code.

Supplementary principle 1.2.4

We do not use an electronic voting platform because we do not believe it is necessary or urgent given the current ratio of overseas institutional investors. However, if the ratio of institutional investors and overseas investors increases, we will consider using an electronic voting platform.

Supplementary principle 2.4.1

As we do recognize the importance of ensuring diversity, we do not treat employees unfairly based on gender, nationality, work history, age, etc. For this reason, we have not set any measurable goals or other criteria for enhancing diversity. In addition, we recognize that securing talented personnel is necessary for sustainable growth of the Group. We strive to foster an open corporate culture and provide a workplace environment where each employee can grow.

Supplementary principle 3.1.3

Our approach to sustainability, investment in human capital, and climate change risk is disclosed on our website and in our

Annual Securities Report.

(URL: <https://www.loadstarcapital.com/en/company/sdgs.html>)

On the other hand, we have not disclosed our investment policy in intellectual property because we have not seen many opportunities to invest in this area due to the nature of our business. However, we will consider disclosing this policy if IT, such as STO, becomes more important in the future.

Disclosure based on the principles of Japan's Corporate Governance Code

Principle 1.4

We do not hold any policy stock, but we hold listed shares for non-investment purposes only on a strategic and limited basis, and only when we believe that such shares will contribute to the enhancement of the medium to long term corporate value in terms of establishing and strengthening business relationships. In case we hold policy stock, the Board of Directors will review the purpose and the appropriate risk/return of holding the stock every fiscal year, evaluate the appropriateness of holding it, and disclose the details of their decision. We do not set specific criteria for exercising voting rights for the policy stock. However, we carefully examine each proposal and decide whether to approve or disapprove it, taking into consideration the sound development of the issuing company and the enhancement of its corporate value, as well as whether the proposal is in line with our holding policy.

Principle 1.7

The scope of related parties is confirmed annually, and the Board of Directors fully deliberates and resolves on the validity of the transaction with those parties.

Supplementary principle 2.4.1

As we do recognize the importance of ensuring diversity, we do not treat employees unfairly based on gender, nationality, work history, age, etc. For this reason, we have not set any measurable goals or other criteria for enhancing diversity. In addition, we recognize that securing talented personnel is necessary for sustainable growth of the Group. We strive to foster an open corporate culture and provide a workplace environment where each employee can grow.

Principle 2.6

We have not established any corporate pension fund, and do not plan to establish any at this moment. However, if we do consider establishing a corporate pension fund, we will also establish a system that enables us to act as an asset owner.

Principle 3.1

- (i) We disclose our mission and medium-term management plan on our website.
- (ii) We disclose our basic views on corporate governance and basic guidelines for corporate governance in the Corporate Governance Report, on our website, in the Annual Securities Report, etc.
(URL: <https://www.loadstarcapital.com/en/ir/governance.html>)

- (iii) We disclose our policies and procedures for determining the compensation of directors in the Notice of the Annual General Meeting of Shareholders, on the Annual Securities Report, in the Corporate Governance Report, etc.
- (iv) In assigning missions to Internal Directors, including the President, we appoint them by a resolution of the Board of Directors following the Nomination and Compensation Committee's report, based on the Company's management philosophy, and mission, comprehensively evaluating the candidates' abilities, experience, and other criteria that will contribute to developing the Group. Furthermore, the same procedures used for the appointment of directors will be followed for their dismissal if they are deemed to lack the qualifications necessary to serve as executives in the management. The Audit & Supervisory Board nominates candidates for Audit & Supervisory Board Members, taking into consideration the candidates' expertise in their respective business fields, their qualifications for business management, their knowledge in specialized fields such as finance and accounting, as well as the extent of their management experience.
- (v) We disclose the reasons for the appointment and dismissal of each of the candidates for the directors and Audit & Supervisory Board Members in the Notice of the Annual General Meeting of Shareholders.

Supplementary principle 3.1.2

We offer an English version of our website and disclose the Notice of Annual General Meeting of Shareholders, Earnings Reports, and Presentation Materials for Earnings Briefings (quarterly) in English.
(English Website: <https://www.loadstarcapital.com/en/index.html>)

Supplementary principle 3.1.3

We state in "Reasons for Non-compliance with the Principles of the Corporate Governance Code" above.

Supplementary principle 4.1.1

The Board of Directors makes decisions on important matters in accordance with laws, regulations, the Articles of Incorporation, and the Board of Directors rules. In addition, we stipulate the Rules of Administrative Authority and the Rules of Segregation of Duties regarding deliberations and resolutions other than matters to be resolved by the Board of Directors, and delegate the deliberations and resolutions to the management, including the President, or to a council, comprised of members from the management team.

Principle 4.8

We have formulated the "Criteria for Determining the Independence of Independent Outside Directors and the Policy on Their Appointment," and have appointed Outside Directors who are sufficiently qualified and independent. We have appointed three independent Outside Directors (more than one-third of the total number of Directors), enabling them to discuss matters based on their independent and impartial points of view at the Board of Directors meetings.

Supplementary principle 4.8.3

Although we have no controlling shareholder, we do respect the interests of minority shareholders. Therefore, any important

transactions or actions that might cause conflict of such interests shall be thoroughly discussed and deliberated at the Board of Directors meetings where the independent Outside Directors and Audit & Supervisory Board Members attend.

Principle 4.9

We elect Outside Directors who will be appointed as Independent Officers in accordance with the independence criteria set by the Tokyo Stock Exchange as well as the requirements of the Companies Act.

Supplementary principle 4.10.1

We have established the Nomination and Compensation Committee under the Board of Directors. The committee deliberates on the nominations and compensation of directors and then reports to the Board of Directors taking into account diversity aspects such as gender, and skill sets, as well as policies on the selection and dismissal of directors and the compensation scheme. In order to ensure the independence, the Nomination and Compensation Committee consists of a chairperson and members, a majority of whom shall be selected from independent Outside Directors, and resolutions are passed only when approved by a majority of a quorum, formed by a majority of the Committee Members.

Supplementary principle 4.11.1

We disclose the skill matrix of the directors in the Notice of the Annual General Meeting of Shareholders and in the Annual Securities Report. Our policy on the selection of directors is described in Principle 3.1 (iv) and we strive to ensure diversity based on this policy.

Supplementary principle 4.11.2

We disclose the significant concurrent positions held by directors and Audit & Supervisory Board Members at other companies in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report.

Supplementary principle 4.11.3

Each year, we analyze and evaluate the effectiveness of the Board of Directors and continue our efforts to further improve the functions. The following is a summary and results of the evaluation on the Board of Directors' effectiveness as of March, 2024.

(1) Evaluation procedure

First, all directors were asked to complete a questionnaire regarding the effectiveness of the Board of Directors. Then, the Board of Directors analyzed and evaluated the survey results after consulting with and reporting to the Nomination and Compensation Committee.

(2) Evaluation results and future actions

We have confirmed that the effectiveness of the Board of Directors is adequately ensured. However, we have decided that the following items should be discussed in more depth to ensure further growth and sustainability of the Company.

a. Hiring and Training Employees

b. Developing Successors

We strive to improve the effectiveness of the Board of Directors and further enhance corporate value by reviewing the

operation of the Board of Directors based on the evaluation of the Board of Directors' effectiveness.

Supplementary principle 4.14.2

We encourage directors and Audit & Supervisory Board Members to attend various training courses and seminars necessary for them to fulfill their required roles and responsibilities, and we pay for the necessary expenses. Moreover, we have established the "Rules for Qualification Acquisition Support Program" and designed incentives to enhance knowledge of best practices in business. This promotes individual growth and lays the foundation for sustainable development of the Company.

With the appointment of Outside Directors and Outside Audit & Supervisory Board Members, we explain our business, financial conditions, and corporate governance system to each of them individually.

Principle 5.1

With the aim of contributing to sustainable growth and enhancement of corporate value over the medium to long term, we hold earnings results briefings every six months and publicly disclose materials and videos of the briefings. For institutional investors, the President or Chief Financial Officer ("CFO") who is responsible for investor relations holds individual meetings or small conferences following the disclosure of quarterly earnings results. In addition, the CFO reports the summaries of these meetings to the Board of Directors as necessary. In engaging in dialogue with shareholders, in earnings results briefings or any other meetings, we strive to prevent the leakage of insider information in order to ensure that all shareholders and investors are treated equally.

(URL: <https://www.loadstarcapital.com/en/ir.html>)

Principle 5.2

When preparing our management plan, we take into account investment efficiency, liquidity on hand, equity to asset ratio, and dividend payout ratio etc., in addition to profitability and growth potential. We set ROE, with an awareness of capital costs, as a target, and aim to achieve highly efficient management that enhances our shareholder value. Regarding our medium-term management plan, we set the quantitative targets for ROE and dividend payout ratio in addition to revenue items. The medium-term management plan is disclosed on our website. At earnings results briefings, we explain equity to asset ratio, borrowing conditions of interest-bearing debt, and our approach to dividend payout ratio etc., associated with our management plan.

(Medium-Term Management Plan and Presentation Materials for Earnings Briefing:

<https://www.loadstarcapital.com/en/ir/library/presentation.html>)

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Tatsushi Iwano	3,373,000	20.50

The Master Trust Bank of Japan., Ltd.	1,388,800	8.44
Capital Generation Co., Ltd.	1,100,000	6.68
RENREN LIANHE HOLDINGS	1,049,300	6.37
Morgan Stanley MUFG Securities Co., Ltd.	875,248	5.31
Custody Bank of Japan, Ltd.	599,600	3.64
Yasuhiro Morita	502,400	3.05
Yo Narita	305,000	1.85
Naoyuki Kubo	301,900	1.83
JAPAN SECURITIES FINANCE CO., LTD.	192,800	1.17

As of December 31, 2023

Name of Controlling Shareholder, if applicable (excluding Parent Company)	None
Name of Parent Company, if applicable	None
Listed stock market	None

Supplementary Explanation

None

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	December
Business Sector	Real Estate
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	Fewer than 100
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

None

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

Not applicable

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

1. Organizational Composition and Operation

Corporate Governance System	Company with the Audit and Supervisory Board*
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*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	No upper limit
Directors' Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President (Representative Director)
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hideo Wanami	Tax Accountant											
Jun Onishi	Attorney, Real estate appraiser											
Mayumi Funaki	From another company											

*Categories for "Relationship with the Company."

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

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

Outside Directors' Relationship with the Company (2)

Hideo Wanami

Designated as an Independent Officer Applicable

Supplementary information on the relationship with the Company: None

Reason(s) for appointment as an Independent Officer

He served in various important positions at the National Tax Administration Bureau. In addition, based on his work experience as a professor at the National Tax College of the National Tax Agency and as a certified tax accountant, he is well versed in finance and accounting with a high degree of expertise in tax audits. Although he does not have corporate management experience, he has supported corporate management from an advisory perspective. From a professional standpoint based on his extensive knowledge and experience, he provides fair, impartial, and beneficial comments at the Board of Directors meetings. We have therefore designated him as an independent officer in order to strengthen the supervisory function of the Board of Directors and to enhance our corporate value.

Jun Onishi

Designated as an Independent Officer: Applicable

Supplementary information on the relationship with the Company: None

Reason(s) for appointment as an Independent Officer

He is a licensed attorney and licensed real estate appraiser with knowledge and experience in real estate-related legal affairs, labor law, corporate legal affairs, and real estate appraisal. In addition, he ran his own law/ real estate appraisal firm. From a professional standpoint based on his extensive knowledge and experience, he provides fair, impartial, and beneficial comments at the Board of Directors meetings. We have therefore designated him as an independent officer in order to strengthen the supervisory function of the Board of Directors and to enhance our corporate value.

Mayumi Funaki

Designated as an Independent Officer: Applicable

Supplementary information on the relationship with the Company: None

Reason(s) for appointment as an Independent Officer

Having extensive experience in public relations (“PR”) and supporting the PR activities for more than 170 companies, she has diverse perspectives and professional expertise in corporate communications. As a corporate senior executive, she also has broader insight into overall management. With her profound insight into societal events, she demonstrates excellent planning and execution skills to resolve issues. From a professional standpoint based on her extensive knowledge and experience, she provides fair, impartial, and beneficial comments at the Board of Directors meetings. We have therefore designated her as an independent officer in order to strengthen the supervisory function of the Board of Directors and to enhance our corporate value.

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Compensation Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

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

Supplementary Explanation

We have established the Nomination and Compensation Committee, a voluntary advisory body to the Board of Directors, in order to enhance our corporate governance by strengthening fairness, transparency, and objectivity of procedures concerning nominations and compensation of directors. The Nomination and Compensation Committee is comprised of at least three members of the Board of Directors, a majority of whom shall be selected from the independent Outside Directors. In addition, an independent Outside Director is appointed as the chairperson of the Committee. The selection and dismissal of the members and chairperson of the Nomination and Compensation Committee shall be made by a resolution of the Board of Directors.

Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	7
Number of Audit and Supervisory Board Members	3

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

The Internal Audit Members strive to improve efficiency through mutual cooperation with Audit & Supervisory Board Members and accounting auditors by exchanging information as necessary, while each conducts its own independent audit. Audit & Supervisory Board Members work closely with the Internal Audit Members and accounting auditors, thereby improving the effectiveness and efficiency of the audits.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory	2

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshinobu Ueno	From another company													
Ryoko Kawaguchi	From another company													

*Categories for "Relationship with the Company."

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

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

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

Yoshinobu Ueno

Designated as an Independent Officer: Applicable

Supplementary information on the relationship with the Company: None

Reason(s) for appointment as Independent Officer

After passing the examination for Certified Public Accountant, he served at an auditing firm. Subsequently, he served as Chief Financial Officer ("CFO") for several financial institutions and as a director of the subsidiary company. Recently, he has served as CFO for a real estate fund AM company and has also served as an outside auditor for several companies. We have appointed him as an Outside Audit & Supervisory Board Member so that he can audit the Company's management with the aim of enhancing the Company's sustainable corporate value. Furthermore, we have designated him as an independent officer as there is no potential conflict of interest between him and ordinary investors.

Ryoko Kawaguchi

Designated as an Independent Officer: Applicable

Supplementary information on the relationship with the Company: None

Reason(s) for appointment as Independent Officer

As an attorney at law, she has a wide range of experience and expertise in corporate legal affairs, including corporate law, business contracts, intellectual property, and labor relations. In addition, she has experience as an outside corporate auditor at another company. Based on her deep insight into governance and auditing systems, we expect that she will be able to conduct audits of the Company's management for sustainable growth and enhancement of corporate value. Therefore, we have designated her as an Outside Audit & Supervisory Board Member. Furthermore, we have designated her as an independent officer as there is no potential conflict of interest between her and ordinary investors.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members

5

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

We shall comply with the independence criteria set by the Tokyo Stock Exchange regarding the criteria for determining whether the directors are independent. We have designated all Outside Directors who fulfill the requirements for Independent Officers as Independent Officers.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Restricted Stock Compensation Plan

Supplementary Explanation for Applicable Items

We have introduced a restricted stock compensation plan to provide incentives to continuously improve our corporate value and to promote further shared value with our shareholders.

Persons Eligible for Stock Options

Internal directors, internal auditors, employees, and others

Supplementary Explanation for Applicable Items

We have granted share acquisition rights or stock acquisition rights as stock options to internal officers, employees, and contractors in order to improve the corporate value of the entire Group as well as to increase the incentive to improve the business performance.

Director Compensation

Status of Disclosure of Individual Directors' Compensation

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

No directors receive compensation of more than 100 million yen, so the amount of individual compensation is not disclosed. The

total amount of compensation for the directors for the fiscal year 2023 is 166 million yen.

Policy on Determining Compensation Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Compensation Amounts and the Calculation Methods Thereof

An overview of this policy for determining the details of compensation for individual directors is provided below in a., b., c., and d.

a. 1) Performance-linked compensation: None

2) Non-monetary compensation: The Company shall grant shares with restrictions on transfer to directors (excluding outside directors) with the aim to incentivize eligible directors to enhance the corporate value, and to further align their interests with those of shareholders. In accordance with the provisions regarding shares with restrictions on transfer of the allotment agreement concluded between the Company and eligible directors, shares with transfer restrictions that have not been lifted shall be acquired by the Company at no cost.

The number of shares to be allotted to each individual director shall, in principle, be determined by the Board of Directors based on deliberations and recommendations by the Nomination and Compensation Committee, comprehensively taking into consideration the degree of contribution made by each director, the business performance of the Company, and expectations regarding each director's future contributions. The maximum number of total shares to be allotted to all directors shall be limited to no more than 60,000 shares and of a value of less than 100 million yen.”

3) Amounts of other compensation and calculation method: Individual compensation for directors shall, in principle, be determined by the Board of Directors based on deliberations and recommendations by the Nomination and Compensation Committee, comprehensively taking into account a range of factors such as the degree of contribution made by each director, the business performance of the Company, and expectations regarding each director's future contributions. In addition, the total amount of compensation for all directors shall fall within the total compensation amount approved at the 7th Annual General Meeting of Shareholders held on March 28, 2019, which is an annual amount of 100 million yen as monetary compensation plus an amount equivalent to 5% of consolidated profit before income taxes of the previous fiscal year (of which no more than 20 million yen shall be paid to outside directors).

4) Percentages for 1), 2), and 3): This shall, in principle, be determined by the Board of Directors based on deliberations and recommendations by the Nomination and Compensation Committee after comprehensively taking into consideration the degree of contribution made by each director, the business performance of the Company, and expectations regarding each director's future contributions.”

b. Policy on timing and conditions for payment of compensation:

a. 2) Paid annually

a. 3) Paid periodically (monthly) during the tenure of each director

c. Method of determining details of compensation when the decision is entrusted to a director or other third party: Decisions regarding the details of compensation shall not be entrusted to third parties unless otherwise specified. Compensation for directors is determined by the Board of Directors following deliberations and nominations by the Nomination and Compensation Committee.

d. Other important matters relating to determination of the details of individual compensation: None.

Compensation for each Audit & Supervisory Board Member is determined within a set range, which is approved by the Annual General Meeting of Shareholders, based on deliberations by the Audit & Supervisory Board and is entrusted to the full-time Audit & Supervisory Board Member.

Support System for Outside Directors and/or Outside Audit and Supervisory Board Members

We have designated General Manager of the Administrative Division and all members of Legal & General Affairs Department as a secretariat to the Board of Directors meetings. They distribute agenda proposals, agenda items, and other information to Outside Directors and Outside Audit & Supervisory Board Members as needed.

Statuses of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) After Retiring as Representative Director and President, etc. 0

Other Related Matters

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

(1) Board of Directors

The Board of Directors consists of seven directors, including three Outside Directors. It's a decision-making body for management policies, strategies, business plans, acquisition and disposal of important assets, and important organizational and human resources matters. The Board of Directors holds monthly meetings, as well as extraordinary meetings whenever important matters arise.

(2) Audit & Supervisory Board

The Audit & Supervisory Board consists of one full-time and two part-time (outside) members. The Audit & Supervisory Board holds meetings at least once a month, conducting audits of the directors' compliance with laws, regulations, and the Articles of Incorporation and their execution of duties, and ensuring that operational and accounting audits are conducted effectively. Further, Audit & Supervisory Board Members work closely with the accounting auditors and internal auditors, and regularly share information to enhance mutual cooperation, thereby improving the effectiveness and efficiency of audits.

(3) Nomination and Compensation Committee

The Nomination and Compensation Committee consists of at least three members appointed by a resolution of the Board of Directors (a majority of whom are independent Outside Directors). The Committee responds to requests from the Board of Directors and deliberates mainly on nomination and compensation policies, matters regarding selection and dismissal, and individual compensation for directors, and reports the results of the deliberations to the Board of Directors.

(4) Risk Management System

We seek to strengthen the risk management system to minimize any damage to business operations. Specifically, we have established the Risk Management Committee to strengthen the companywide risk management system. In principle, the Committee, chaired by the President, holds a meeting once a year in order to discuss broader risk management, including risk assessment and countermeasures, and to consider specific measures. Furthermore, to cope with disasters such as earthquakes and fires, the Risk Management Committee is convened as necessary to prepare for unanticipated circumstances. Moreover, Internal Audit Members verify the appropriateness and effectiveness of the risk management system.

(5) Internal Audits

A member of the Internal Audit Department is in charge of internal audits of the Company. The Internal Audit Department is constituted as an independent body, apart from the ordinary business execution, in order to verify the appropriateness and effectiveness of business execution. The internal audit investigates the progress of the management activities and proper management of the Company from a fair and objective standpoint in accordance with the "Internal Audit Rules" set forth by the Company. The Internal Audit Department cooperates with Audit & Supervisory Board Members and accounting auditors as necessary, thereby ensuring efficient internal audits.

(6) Status of Audit by the Accounting Auditor

We have an audit agreement with Deloitte Touche Tohmatsu LLC to audit accounting matters. There is no conflict of interest between the audit firm and the executive officers of the audit firm who are engaged in auditing the Company. Joji Furukawa and Yutaka Takeda conducted audits, performed by four Certified Public Accountants and 21 other members. The consecutive auditing period has been left out of this document because none of the auditors has served for less than seven years.

(7) Limited Liability Contract

We and Outside Director Hideo Wanami, Outside Director Jun Onishi, Outside Director Mayumi Funaki, Outside Audit & Supervisory Board Member Yoshiaki Ueno, and Outside Audit & Supervisory Board Member Ryoko Kawaguchi have entered into an agreement to limit liability for damages stipulated in Paragraph 1 of Article 423 of the Companies Act in accordance with Paragraph 1 of Article 427 of the Companies Act. The maximum liability for damages is said to be either

the aggregate amount of two years of annual compensation as a director, or the amount set forth in laws and regulations, whichever amount is greater. Such limit of liability is only permitted when the actions causing the liabilities were made by an Outside Director or an outside Audit & Supervisory Board Member in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

We have adopted the Board of Directors system, consisting of seven directors. Three of whom are Outside Directors. While the other two are outside Audit & Supervisory Boards Members. Thus, the Company's audit function is enhanced by ensuring independent perspectives, and therefore, we select this system as it can ensure effective corporate governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	We strive to dispatch the Notice of the Annual General Meeting of Shareholders to our shareholders promptly.
Scheduling of the General Shareholders Meeting During Non-Peak Days	In principle, we schedule the Annual General Meeting of Shareholders in late March every year in order to avoid conflicts with the dates of other companies' shareholders' meetings.
Electronic Exercise of Voting Rights	We will consider participating in an electronic voting platform if necessary, taking into consideration the convenience to shareholders.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	We prepare an English translation of the Notice of the Annual General Meeting of Shareholders.
Other	We post the Notice of the Annual General Meeting of Shareholders on our website.

2. Status of IR-related Activities

	Supplementary Explanation
Formulation and Publication of Disclosure Policies	We post the disclosure policy on our website.
Regular Investor Briefings held for Individual Investors	The President and CFO give an overview of the Company and the business results to individual investors through the internet and media.
Regular Investor Briefings held for Analysts and Institutional Investors	In principle, we hold earnings results briefings twice a year following the announcement of the second quarter and the year-end earnings. The President explains the business results and management policies.
Regular Investor Briefings held for Overseas Investors	We hold individual meetings as well as IR events coordinated by securities companies for foreign investors. We will consider holding regular briefings in the future.

Online Disclosure of IR Information	We have launched the IR website and established a system that enables us to promptly release the Company's information including IR activities and materials, thereby proactively disclosing information to our shareholders and investors.
Establishment of Department and/or Placement of a Manager in Charge of IR	The Finance & Accounting Department handles IR, and the CFO is in charge of IR.

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	We recognize the importance of strengthening our compliance system in order to respect the position of all stakeholders, including shareholders and investors. We have established "Compliance Rules" and "Compliance Manual" to ensure that all employees are thoroughly aware of them.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	We have established the Sustainability Committee in order to enhance the corporate value of the Company as a whole and to promote the sustainable development of society. In particular, in response to climate change risk, we actively promote switching to renewable energy for the electricity used by our properties.
Formulation of Policies, etc. on Provision of Information to Stakeholders	We strive to strengthen our internal systems that enable us to disclose corporate information to our shareholders and other stakeholders in a timely, prompt, accurate, and fair manner.
Other	As we do recognize the importance of ensuring diversity, we do not treat employees unfairly based on gender, nationality, work history, age, etc. In addition, we recognize that securing talented personnel is necessary for sustainable growth. We strive to foster an open corporate culture and provide a workplace environment where each employee can grow.

IV. Matters Concerning the Internal Control System

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

We have established the following basic policy regarding internal control in accordance with the Companies Act, the Ordinance for Enforcement of the Companies Act, and the Financial Instruments and Exchange Act.

- (1) System for the storage and management of information regarding the execution of duties by Directors
 - a. We have established the system to appropriately store and maintain information related to the execution of duties by directors in accordance with laws, regulations, and the Articles of Incorporation, as well as internal rules.
 - b. The information stored and managed by the Company is kept accessible to directors and Audit & Supervisory Board Members upon their requests.

(2) Regulations and systems related to risk management

In the framework of the Company's risk management system against losses, information from both inside and outside the Company is collected and presented to the Board of Directors. The Board of Directors oversees the identification and evaluation of risk, then considers and implements preventive measures and countermeasures to reduce these risks. In addition, the Board of Directors has personnel, in charge of risk management from each department, attend the Board of Directors meetings as necessary, enabling the Board of Directors to receive briefings on risk identification and evaluation.

(3) System to ensure the efficiency of Directors in the execution of their duties

- a. In principle, to ensure that the directors can execute their duties efficiently, we hold regular monthly Board of Directors meetings, as well as extraordinary Board of Directors meetings as necessary to make decisions on business execution.
- b. We stipulate authority and responsibility for the execution of business by internal rules, and constantly review the appropriateness of the authority and responsibility.

(4) System to ensure that the execution of duties by directors and employees of the Group complies with laws, regulations, and the Articles of Incorporation

- a. We have established the Board of Directors that supervises the execution of duties by directors, and the Audit & Supervisory Board that has the authority to conduct audits. By appointing Outside Directors and/or Outside Audit & Supervisory Board Members (Outside Directors or Outside Audit & Supervisory Board Members), we strictly monitor the performance of directors' duties, thereby ensuring that they comply with laws, regulations, the Articles of Incorporation, and internal rules.
- b. We have established the Internal Audit Department, which audits the status of compliance with laws, regulations, the Articles of Incorporation, and internal rules of the Company and the entire Group including subsidiaries. Moreover, it identifies problems and proposes corrective measures.

(5) System for reporting to the Company on matters related to the execution of duties by directors and employees of the Company's subsidiaries

The directors of the Company concurrently hold the position of directors of the Company's subsidiaries so that they can constantly monitor the status of the execution of duties, and such directors report on the status of the execution of duties of the subsidiaries at the Company's Board of Directors meetings.

(6) Matters concerning the appointment of employees to assist the duties of Audit & Supervisory Board Members

We assign employees to assist corporate Audit & Supervisory Board Members in the event that the Audit & Supervisory Board or any member of the Board requests such assistance.

(7) Matters concerning independence of employees who assist Audit & Supervisory Board Members from directors

To ensure the independence of employees who assist Audit & Supervisory Board Members, any personnel changes,

evaluations, and disciplinary actions of the employees require the consent of the Audit & Supervisory Board.

- (8) Matters related to ensuring the effectiveness of instructions given by Audit & Supervisory Board Members to employees who assist the members
 - a. We transfer to Audit & Supervisory Board Members, for a designated period of time, the authority to instruct employees who are appointed to assist the members' duties. Such employees shall not be subject to instructions and orders of the President.
 - b. All directors, Audit & Supervisory Board Members and employees are thoroughly informed of the details set forth in the above paragraph.

- (9) System for directors and employees to report to Audit & Supervisory Board Members and other systems for reporting to Audit & Supervisory Board Members in the Group
 - a. All Audit & Supervisory Board Members attend the Board of Directors meetings and receive reports on important matters.
 - b. If any directors or employees identify facts that may cause significant damage to the Company, they shall immediately report such facts to any of the Audit & Supervisory Board Members.

- (10) System for ensuring that the person who has reported to Audit & Supervisory Board Members does not receive adverse treatment on the grounds that such report has been made
 - a. We ensure that directors and employees who have made such reports will not be treated unfairly under any circumstances for having made such reports to Audit & Supervisory Board Members.
 - b. Directors and employees are thoroughly informed of the details of the above paragraph.

- (11) Matters concerning procedures for advance payment or reimbursement of expenses arising from the execution of duties by Audit & Supervisory Board Members and other policies for the handling of expenses or liabilities arising from the execution of such duties
 - a. Audit & Supervisory Board Members have the authority to work with attorneys, certified public accountants, and other outside experts and to incur expenses as needed.
 - b. In the event that Audit & Supervisory Board Members request the payment of expenses associated with the execution of their duties, we shall pay such expenses promptly unless it is proven that such expenses are not necessary for the execution of their duties.

- (12) Systems to ensure effective audits by Audit & Supervisory Board Members
 - a. The President shall hold as many meetings as possible with Audit & Supervisory Board Members, separately from the business reports at the Board of Directors meetings, aiming to exchange opinions on corporate management as well as to enhance communication with them.
 - b. Audit & Supervisory Board Members regularly hold discussions with the Accounting Auditor and the Internal Audit Department to exchange information for further effective audits.

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

Our internal rules state that we are by no means involved with antisocial forces and organizations that threaten the order and safety of civil society and shall refuse such forces resolutely. The Administrative Division is in charge of handling such forces and takes a firm stance in cooperation with related organizations such as the police and outside specialists such as lawyers, etc. In addition, the Administrative Division collects information on antisocial forces, develops an internal system and promotes awareness and alerts employees to such forces within the Company.

V. Other

1. Adoption of Anti-Takeover Measures

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

None

2. Other Matters Concerning the Corporate Governance System

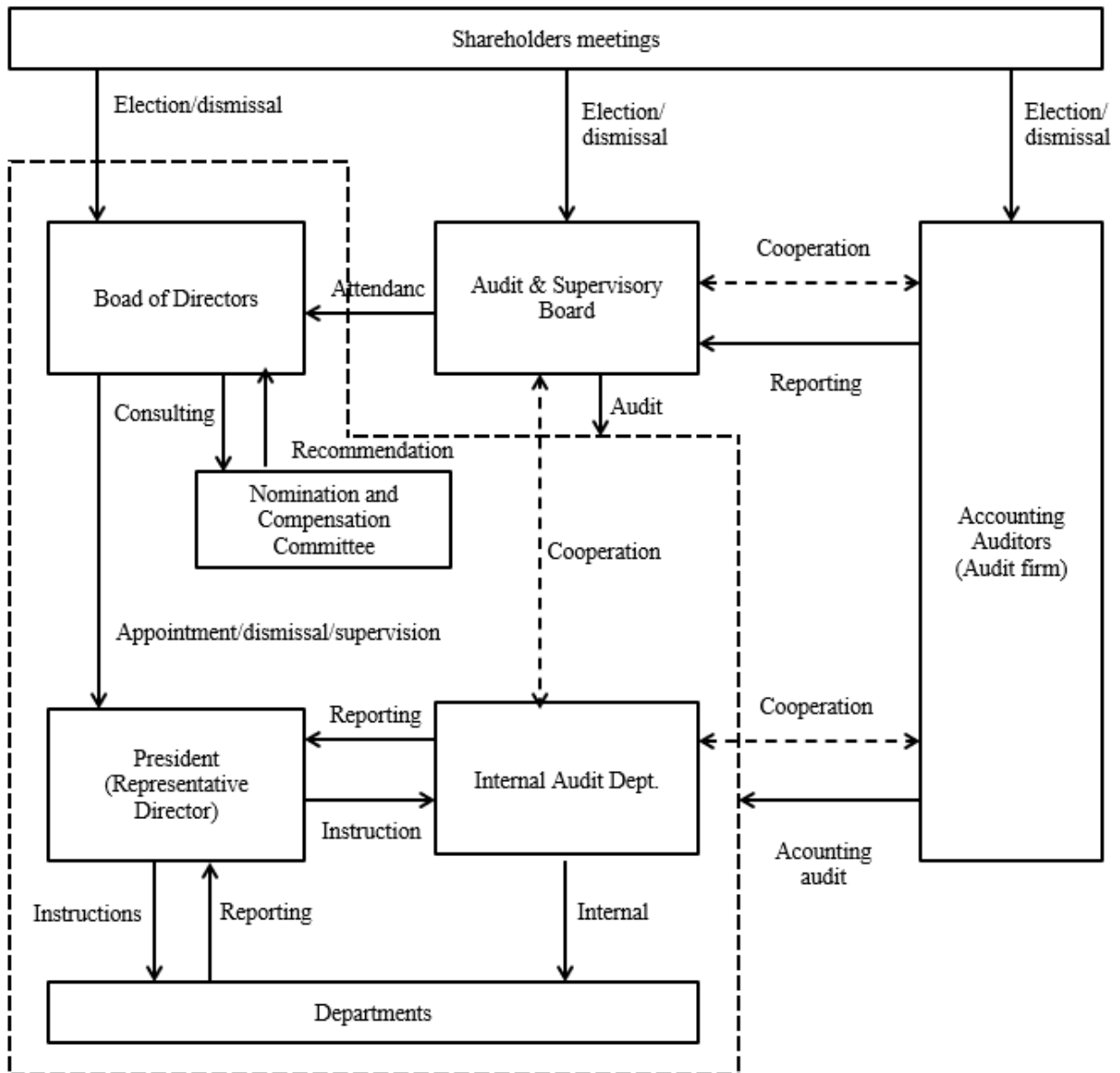
(1) Corporate governance systems

Please refer to the "Schematic Diagram (Reference Material)".

(2) Information disclosure system

We strive to ensure timely disclosure in accordance with the "Overview of Timely Disclosure System (schematic diagram). Further, we have designated the CFO as a "Timely Disclosure Officer." The Finance and Accounting Department handles this disclosure.

【Schematic Diagram (Reference Material)】



【Overview of Timely Disclosure System】

