

Our corporate governance is as detailed below.

## Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and other Basic Information

### 1. Basic Approach

(Purpose of our Group Activities and our Corporate Governance System)

1. The purpose of our Group's business activities is to increase our corporate value and common shareholder interests through sustainable growth, which we achieve by outlining basic management policies and strategies based on our Group Corporate Philosophy that the executives and employees of all our Group companies work as one to implement. Through our success at achieving sustainable growth, we are able to contribute to industry development in Japan and overseas, and make contributions towards a more prosperous society.
2. As a holding company, we oversee strategic planning and operations management functions for the entire Group to ensure that our Group appropriately fulfills our social responsibilities. Furthermore, as a listed company, we have established a corporate governance system centered on our Board of Directors to fulfill our responsibilities to shareholders by ensuring self-discipline and accountability in relation to the management of Group operations.

(Basic Approach to Corporate Governance)

1. We always aim for the best corporate governance and strive continually to achieve it.
2. We respect the rights of our shareholders and believe the true significance of corporate governance is to ensure fairness and transparency in decision-making and to increase the soundness of management. We work to enhance our corporate governance through activities grounded in the following basic approach.
  - (1) Relationship with shareholders
    - Respect shareholder rights and ensure equality between shareholders.
    - Create positive relationships and cooperate appropriately with shareholders and all our stakeholders.
    - Ensure the appropriate disclosure and transparency of corporate information.
    - Have constructive communication with shareholders practicing medium- to long-term investment strategies.
  - (2) Corporate governance system
    - Adopt corporate structure employing a Board of Directors, which makes decisions over management and has supervisory and monitoring authority over business execution, and an Audit & Supervisory Board comprising auditors, which oversees audit functions.
    - Adopt an executive officer system that delegates executive authority and responsibility over daily operations to executive officers to enable dynamic and efficient business management.
    - Establish and utilize a Nomination and Compensation Committee to further enhance governance functions by ensuring the appropriate involvement of and receipt of advice from outside directors/Audit & Supervisory Board members regarding matters such as executive appointments and compensation.
    - Establish an Independent Executive Committee comprised of pre-designated, independent outside directors/Audit & Supervisory Board members who will meet regularly to deliberate on motions to be presented to the Board and the Audit & Supervisory Board.
    - Enhance system of internal controls for the purpose of ensuring the reliability of financial reporting.

Our Group's basic approach to corporate governance is outlined in the TechnoPro Group's "Corporate Governance Guidelines," which can be reviewed on our website.

([https://www.technoproholdings.com/en/ir/governance/corporate\\_governance.html](https://www.technoproholdings.com/en/ir/governance/corporate_governance.html))

### [Reasons for not implementing the principles of the Corporate Governance Code]

Our policy is to implement all the principles of the Corporate Governance Code.

### [Disclosure in accordance with the principles of the Corporate Governance Code] Updated

The information on this corporate governance report is based on the Corporate Governance Code revised in June 2021.

[Principle 1-4 Interlocking Shareholding]

The TechnoPro Group's basic policy is to not engage in pure investments. Investments in companies other than consolidated subsidiaries, including cross-shareholdings, are limited to the purposes of creating business opportunities and building and reinforcing collaborative relationships. The Group engages in such investments in accordance with the following policy.

(1) Investment decisions

- Decisions on new investments are based on their contribution to increases in the TechnoPro Group's corporate value, for the purpose of holding and from the perspective of medium- to long-term economic rationality.

(2) Monitoring

- During the period in which it holds investments, the Group shall conduct periodic assessments with respect to whether the purpose of holding is being met, as well as the rationality and necessity of holding the investments from multiple perspectives, such as changes in economic advantages and disadvantages (benefits and risks) observed after acquisition, mainly factoring in capital costs. Based on these assessments, the Group shall examine annually whether or not it is appropriate to continue holding investments at meetings of the Board of Directors. In particular, if the Board decides to continue with cross-shareholding for a listed stock, the Company shall disclose the results of relevant examinations in a timely fashion.

(3) Exercise of voting rights

- In exercising its voting rights, in principle the Group decides whether to vote for or against proposals based on whether such proposals are in line with the Group's investment purposes and whether they enhance the corporate value of the investee, rather than abstaining from voting or giving the investee carte blanche.

(4) Ensuring reasonable transactions with owners of cross-held shares

- The Company shall periodically shall examine the terms and conditions for transactions with shareholders that own the Company's stock for strategic reasons (owners of cross-held shares), based on economic rationale, and strive to secure mutual profits for the Company and shareholders. Revisions to the terms and conditions shall not be implemented for purposes such as an act of preventing the owners of cross-held shares from selling the Company's stock.

[Principle 1-7 Related Party Transactions]

To protect shareholder interests, we work to prevent Group executives and employees from using their position to conduct transactions that are counter to the interests of the Group and our shareholders.

The Board of Directors ensures the timely and accurate disclosure of information and conducts the appropriate management of potential conflicts of interest between the Company and related parties, including supervisory and management personnel, and majority shareholders. Furthermore, company directors shall not pursue self- or third-party interests that are contrary to the interests of the Group. Even when not intentional, a director may not conduct conflict-of-interest transactions or competing transactions without the approval of the Board of Directors.

Specifically, the following procedures are outlined in and managed in accordance with "Related Party Transaction Management Regulations".

(1) Prior Confirmation of Related Parties

- Require that Group directors, Audit & Supervisory Board members, and executive officers submit information related to any personal conflicts of interest (at time of appointment and in the event of any changes)
- Maintenance of a related party list based on submitted information

(2) Confirmation of Interests, Determination of Importance, and Approval Prior to Transaction

- Confirmation of applicability to related-party transactions based on an investigation of the contract party (vendor investigation) and by cross-referencing against the above credibility list when conducting new transactions with a purchaser
- Determination of importance of recognized related-party transactions by the Accounting Department Manager
- Approval by Board of Directors of relevant company for related-party transactions deemed to be important

(3) Director Letter of Confirmation Submission Requirement

- Require that directors submit a letter of confirmation during financial accounting

[Principle 2-3, Supplementary Principle 3-1(3) Initiatives on Sustainability, Investments in Human Capital and Intellectual Properties, etc.] Details of our initiatives on sustainability and investments in human capital and intellectual properties are outlined in this report under "III. Status of Policies Concerning Shareholders and other Parties with Interests – 3. Status of Initiatives related to Respecting the Position of Stakeholders [Internal regulations for respecting the position of stakeholders]" and "III. Status of Policies Concerning Shareholders and other Parties with Interests – 3. Status of Initiatives related to Respecting the Position of Stakeholders [Promote environmental conservation activities, CSR activities, etc.]."

[Principle 2-4: Ensuring Diversity, Including the Promotion of Women's Activities]

To achieve DEI (Diversity, Equity, Fairness, and Inclusion), we have defined and practice the TechnoPro Group Code of Conduct, which stipulates that we strive to achieve organizational vitality and improve corporate value by leveraging a wide range of human resources, respecting the diversity of each executive and employee in terms of individuality, personality, and values, as well as gender, age, nationality, etc., and that we also strive to create opportunities for a diverse range of human resource to play an active role by ensuring each executive and employee has an equal opportunity in terms of employment, assignment, promotion, wages, evaluations, training, etc., regardless of gender, age, nationality, etc. In so doing, we exercise mutual respect for individuality and encourage executives and employees from diverse backgrounds to maximize their abilities as professionals, aiming to create better results by bringing together different ideas and talents as a team.

In particular, as a measure to create workplaces in which female employees can contribute their abilities in full and play a greater role, we have established several programs to support childcare-work balance. These programs include childcare leave, childcare nursing leave, shortened working hours, flex-time, and telework. In this way, we are creating an environment in which women can continue working comfortable after giving birth. The ratio of female full-time employees, including engineers, was 18.3% as of June 30, 2021. We intend to raise this ratio further to increase the selection and appointment of future executives and leaders. For the full year ended June 30, 2021, 24.3% of new graduates and 22.2% of mid-career hires were female, representing a total of 22.65% of newly hired employees. We intend to increase this ratio in the future. On a non-consolidated basis, the company has one female Outside Director and one female Outside Audit & Supervisory Board member. At the 16th annual general meeting of shareholders, the appointment of a new female Outside Director was approved, bringing the total of female Directors and Members of the Audit & Supervisory Board to three (23% of all Directors/Members of the Audit & Supervisory Board).

The Group actively recruits people with diverse backgrounds. The ratio of mid-career hires to annual hires for the fiscal year ended June 30, 2021 was 80.4%, and the ratio of mid-career hires to core personnel in positions equivalent to manager or higher as of June 30, 2021 was 83.6%.

We recruit non-Japanese engineers who wish to work in Japan by utilizing the recruitment channels of overseas group companies, as well as by collaborating with overseas universities and the Japan International Cooperation Agency (JICA). We are building stronger systems to support living and work-related communications for these employees in Japan. We had a total of 938 non-Japanese employees working in Japan as of the end of June 2021. We will continue to increase this number proactively, despite the restrictions of the COVID-19

pandemic.

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

The Company and its major subsidiaries do not have a corporate pension fund set forth in the Corporate Governance Code. Instead, the Group has introduced a defined contribution corporate pension plan to achieve mitigation of financial risk in the future and balanced financial position, while also assisting stable asset building by employees in line with their life planning.

[Principle 3-1 Enhancement of Information Disclosure]

<Management Philosophy>

The Company has established and published the TechnoPro Group Purpose and Value as its management philosophy. Through the realization of this philosophy, we aim to achieve sustainable growth, improve long-term corporate value, and increase long-term common interests of our shareholders. At the same time, we aim to achieve ideal corporate governance in order to promote long-term stock holding by our shareholders.

(Group Corporate Philosophy)

○ Purpose

Driving the Power of Technology and Talent  
to Co-create Value Together with our Customers  
for a Sustainable Society

○ Value

Technology is the driver that brings transformation to business, lives, and society.

– The challenges and needs of customers and society are diversifying, as dynamic changes occur faster than ever –

We provide solutions to unlimited challenges our customers face by:

- Delivering optimal service and solution through our talent, trained and nurtured well regardless of gender, age, and nationality.
- Working squarely on new, evolving domains and honing our capabilities thoroughly.
- Always meeting our customers' expectations as value-creation partners.

We continue to maximize the potential of engineers and researchers by:

- Providing the conditions and programs to encourage learning and skill development.
- Creating opportunities to not only hone their expertise but also to switch or acquire new skills.
- Supporting our talent through technology evolutions and environmental changes to stay active.

We contribute to building a sustainable society by:

- Solving the challenges of our customers and society as we connect people to technology, and bridge Japan to the world, across various industries and technology domains.
- Promoting a diverse array of talent through continuous enhancement of capabilities.
- Delivering results that have social impact through our business activities.

<Medium-Term Business Plan>

We, with an accurate understanding of its capital costs, draft and disclose a medium-term business plan and other important management strategies, including our basic policies related to profit plans and capital strategy as well as goals related to profitability and capital efficiency, to provide a plain, clear, and logical explanation to shareholders regarding our specific policies on the business portfolio transformation and the distribution of management resources necessary to achieve our goals.

We outlined "Evolution 2026", our Group medium-term business plan for the period from the fiscal year ending June 2022 to the fiscal year ending June 30, 2026. This plan is published on our company website (<https://www.technoproholdings.com/en/ir/management/plan.html>).

<Basic Approach to and Basic Policies Concerning Corporate Governance>

Our basic approach to and basic policies concerning corporate governance are outlined in this report under "I Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and other Basic Information - 1. Basic Approach."

<Policies and Procedures for Decisions on Management Level/Director Compensation by the Board of Directors>

The Board of Directors deploys the Nomination and Compensation Committee, an advisory committee on nominations and compensations for the Group directors, Audit & Supervisory Board members and Executive Officers, which consists entirely of independent outside directors and independent outside Audit & Supervisory Board members, as a way to strengthen objectivity and accountability regarding decisions made on nominations and remunerations for the Group executives. The matters related to the Nomination and Compensation Committee is prescribed in the "Regulations for Nomination and Compensation Committee" which requires a resolution by the Board of Directors for changes. Furthermore, the president (chairperson) of the Nomination and Compensation Committee shall be selected from Committee members who are Independent outside directors or independent outside Audit & Supervisory Board members.

Details are indicated in this report under "II. Status of Business Management Body and other Corporate Governance Systems for Managerial Decision-Making, Execution, and Supervision 1. Matters Concerning institutional structure, group management, etc. [Related to director compensation] Details of disclosure concerning compensation amounts and policies on determining calculation methods".

<Policies and Procedures for when the Board of Directors will appoint or dismiss Senior Management Members and Nominate Director/Audit & Supervisory Board Member Candidates>

(1) Nomination Policy

Our "Selection Standards and Appointment and Dismissal Procedures for Directors and Audit & Supervisory Board Members" require for the nomination of all directors and Audit & Supervisory Board members (applies to all candidates for both positions) that candidates fulfill all requirements as stipulated by law and as outlined in our Articles of Incorporation, that candidates do not apply to circumstances for removal from consideration as outlined in the "Executive Regulations," and that candidates are not currently nor at any point in the past have ever been involved with an antisocial force. Additionally, it is assumed that candidates fulfill the following requirements.

- Of superior character, knowledge, and insight, law-abiding and of high moral character
- Capacity to make objective decisions, observant, and insightful

Furthermore, during the Nomination of outside directors and outside Audit & Supervisory Board members, specific requirements outlined

in addition to the above include:

- Has advanced insight, vast practical experience, and leadership experience in a field such as business management, internal controls, legal compliance, finance, accounting, law, government, risk management, education, etc.
- Ability to have a comprehensive understanding of our Group, ability to ascertain essential issues and risks facing the Group, ability to contribute to frank, proactive, constructive deliberations at Board of Directors meetings, etc.

Furthermore, requirements for each position/role are outlined below.

- Outside Director: Able to provide advice and support towards objective management supervision and decisions from a practical perspective as well as towards the sustainable growth of the company based on vast experience in business management or a specialized field
- Inside Director (directors other than Outside Directors): Expert in industry trends and relevant regulations affecting the Group as well as with the Group's business model, has vast experience in respective field of expertise. Possesses organization management skills and able to execute business from a company-wide perspective
- Outside Audit & Supervisory Board member: As a position selected for the purpose of further increasing the neutrality and independence of the audit system, Outside Audit & Supervisory Board members must be able to express audit opinions objectively from a neutral standpoint.
- Inside Audit & Supervisory Board members (other than Outside Audit & Supervisory Board members): Expert in Group organization, business, and administrative processes, able to appropriately gather information internally to conduct highly effective internal audits.

## (2) Procedures

The appointment and dismissal of Directors and Audit & Supervisory Board members shall be subject to resolution by a General Meeting of Shareholders.

Candidates for Directors who are submitted to a General Meeting of Shareholders shall be determined by the Board of Directors. The Board of Directors shall select candidates for Directors through deliberations of the Nomination and Compensation Committee, considering the above selection standards and policy for the composition of the Board of Directors.

Candidates for Audit & Supervisory Board members who are submitted to a General Meeting of Shareholders shall be determined by the Board of Directors. The Board of Directors shall select candidates for Audit & Supervisory Board members through deliberations of the Nomination and Compensation Committee, considering the above selection standards and policy for composition of the Audit & Supervisory Board, and consent of the Audit & Supervisory Board thereafter.

In addition, If any Director or Audit & Supervisory Board member does not meet the abovementioned qualifications during his/her term, or is considered to engage in any misconduct or conduct that damages the Company's credibility, or is judged ineligible to be a Director or Audit & Supervisory Board member, the Company shall take prescribed measures, including dismissal according to laws and regulations. A proposal for the dismissal of a Director shall be determined by the Board of Directors through deliberation of the Nomination and Compensation Committee.

## [Supplementary Principle 4-1(1) Scope of Delegating Authority to Management]

### (1) Roles and Responsibilities of the Board of Directors

In light of the responsibilities and accountability as the shareholders' trustee, the Board of Directors is responsible for the Groups' sustainable growth and for continuous improvements to medium- to long-term corporate value and common shareholder interests. The Board of Directors aims to fulfill these responsibilities by creating an ideal corporate governance structure to support the realization of our Corporate Philosophy and serves in a supervisory role for all business activities to ensure fairness and transparency while also conducting ideal decision-making, including making decisions on a basic management policy and other vital matters, nominating senior management personnel and deciding on compensation, and establishing and supervising an enterprise risk management system. Furthermore, the Board of Directors shall include a medium-term management plan and fiscal budget in the basic management policy and focus on conducting strategic and constructive deliberations related to specific management strategies and policies related to the allocation of management resources, including human resources and intellectual assets, and our business portfolio aimed achieving said plans and targets aimed achieving said plans and targets. The Board of Directors supervises management strategy implementation by utilizing the Internal Audit Department as necessary, and in the event that the company fails to achieve the goals outlined in a medium-term business plan or fiscal budget, the Board of Directors shall sufficiently analyze and validate said factors, provide an explanation to shareholders, and take appropriate measures to reflect those results into plans for the upcoming fiscal year. In addition, the Board of Directors supervises the implementation of timely, accurate information disclosure and conducts the appropriate management of potential conflicts of interest between the Company and related parties, including supervisory and management personnel, and majority shareholders.

### (2) Scope of Delegating Authority to Management

The Board of Directors shall ensure Group's agility to execute business operations and shall ensure sufficient deliberation time at Board of Directors' meetings for important matters. Furthermore, to strengthen supervisory functions for general operations, excluding matters stipulated by the Companies Act, relevant laws, or the Articles of Incorporation, matters entrusted to the Board of Directors via a resolution by the General Meeting of Shareholders, and matters outlined above in (1) Roles and Responsibilities of the Board of Directors, the Board of Directors may defer matters related to operating decisions to executive directors and executive officers. The Board of Directors shall establish appropriate internal controls and a risk management system within the Group to ensure the practicality of the decision-making process for entrusted matters.

## [Supplementary Principle 4-3(2), 4-3(3) Standards and Procedures for Appointment and Dismissal of CEO and Succession Plans]

The Board of Directors shall formulate the "Standards and Procedures for Appointment and Dismissal of CEO" described below as part of succession plans for the Company's chief executive officer (CEO). Based on an understanding that the appointment and dismissal of a CEO to be the most important strategic decision from the perspective of the Company's sustainable growth and enhancement of corporate value on a medium- to long-term basis, the Company utilizes "Standards and Procedures for Appointment and Dismissal of CEO" in order to select the most appropriate person as CEO, whether internally or externally, and establish procedures for objective, timely and transparent appointments and dismissals. The Board of Directors shall also continuously supervise succession plans, which are formulated and involved by the Nomination and Compensation Committee, for chief executive officers.

In accordance with the appointment procedure set forth in "Standards and Procedures for Appointment and Dismissal of CEO," the CEO succession was executed as of July 1, 2021 at the start of the new medium-term management plan.

### 1. Appointment Standards for CEO

The Company has established the "Core requirements" for a CEO, in particular, as the appointment standards for a CEO, based on the

prerequisite that the relevant CEO shall meet the requirements (“‘prerequisites’ for All Directors and Audit & Supervisory Board members” and “requirements for Inside Directors in particular”) in the Selection Standards for Directors and Audit & Supervisory Board member.

(Core requirements for a CEO)

- Presence in terms of dignity and quality as the highest ranking member of the top management.
- Absence of any health problem mentally or physically.
- Excellent exercise of leadership.
- Excellent capability of responding to change.
- Ability to make reasonable decisions and willingness to take responsibility for decisions made.
- Willingness to develop human resources and promote talented people proactively.
- Ability to undertake management from a global perspective.
- Possibility of exercising excellent management ability based on a great deal of experience and achievements in the management of a previous company or companies (if a CEO is selected from external qualified candidates).

## 2. Appointment Procedures for a CEO

- The Nomination and Compensation Committee, which consists entirely of Independent Outside Directors and Independent Outside Audit & Supervisory Board members of the Company, shall submit a proposal to the Board of Directors after selecting the CEO candidate.
- If a CEO candidate is selected internally, the Nomination and Compensation Committee shall select such candidate from among internal qualified candidates through deliberations, including the implementation of individual interviews as necessary, while simultaneously taking into consideration overall evaluations from the perspective of the requirements in the abovementioned 1 and attendance in training programs based on plans for the development of human resources, among other factors.
- If no candidate is available internally, the Nomination and Compensation Committee shall select a CEO candidate externally from among qualified candidates.
- The Board of Directors shall conduct deliberations on a candidate submitted by the Nomination and Compensation Committee and determine the next CEO. In doing so, the chairperson of the Nomination and Compensation Committee shall provide a detailed explanation on the selection, including reasons for choosing the relevant candidate (if a CEO is selected from among external candidates, reasons for such selection shall be presented).
- The Nomination and Compensation Committee shall determine a tentative successor in an emergency plan by September 30 of every year in the case of an unexpected incident occurring to a CEO, subject to deliberations based on the evaluation of such a successor by members of the Nomination and Compensation Committee. The selection (cancellation and replacement) of a tentative successor is implemented every year.

## 3. Dismissal Standards for a CEO

The Company has established “Underperformance” and “Applicable factors that make a CEO unsuitable to assume the highest ranking management position” as dismissal standards for CEO.

(1) (Underperformance)

- The Group remains unprofitable for three consecutive years in terms of consolidated operating income.

(2) (Applicable factors that make a CEO unsuitable to assume the highest ranking management position.)

- If the CEO’s health conditions are too poor to discharge his/her duties as a CEO.
- If any matter that applies mutatis mutandis as reason for the disqualification of Directors specified in Article 331 of the Companies Act.
- If the Company’s credibility is considered to be damaged and the smooth operation of businesses is affected due to the CEO’s behavior or words, findings of any misconduct/occurrence of losses and damages for which the CEO should be responsible, or other factors.

## 4. Dismissal Procedures for CEO

- Deliberations and necessary surveys pertaining to the applicability or non-applicability of factors in the abovementioned 3. (2) shall be made through the Independent Executive Committee comprising all Independent Outside Directors and Independent Audit & Supervisory Board members of the Company. If the dismissal of CEO is decided to be appropriate at the Independent Executive Committee, the chairperson (chief Independent Outside Director) shall submit a proposal for the dismissal of CEO to the Board of Directors.
- If the requirement in the abovementioned 3. (1) or any fact considered to be reason for dismissal without the need for deliberation by the Independent Executive Committee is identified, the Board of Directors shall resolve to dismiss the CEO unconditionally.

[Supplementary Principle 4-3(4) Enterprise Risk Management]

We have established the ERM rules and the ERM Committee to develop enterprise risk management systems in light of the importance of ensuring appropriate compliance and scrutinizing risk-taking. The ERM Committee is chaired by the CEO, vice-chaired by the CFO, and consists of full-time Directors and full-time members of the Audit & Supervisory Board.

We have established our basic policy on ERM as follows;

- We improve the formulation of the TechnoPro Group’s business goals and strategies, as well as operational decision-making in each area, by integrating risk management practices throughout the organization and linking strategies more closely to risks.
- We conduct a comprehensive assessment of the identified risks and establishes a risk response policy based on our risk appetite
- We emphasize compliance at our business operations.

In addition, the ERM Committee makes decisions on important issues related to our basic policy on ERM and the development and operation of the system. Through the formulation and monitoring of the ERM plan, we comprehensively evaluates the risks related to strategy, markets, competition, operations, compliance, J-Sox, etc., and formulates and monitors response policies.

[Principle 4-4 Roles and Responsibilities of the Audit & Supervisory Board members and the Audit & Supervisory Board]

Based on a fiduciary duty to shareholders, the Audit & Supervisory Board shall be responsible for ensuring the sound and sustainable growth of the Group and for establishing a high-quality corporate governance structure from an independent and objective standpoint. The Audit & Supervisory Board shall accomplish this responsibility by exercising authority over the selection and dismissal of members of the Audit & Supervisory Board and accounting auditors and the remuneration thereof, as well as by conducting operational audits, accounting audits, and other matters as required by law. To fulfill these responsibilities, the Audit & Supervisory Board shall attend meetings of the Board of Directors and other important meetings, conduct interviews with Directors, Executive Officers, and other senior managements, and verify the content of

reports received from individuals responsible for the conduct of business. The Audit & Supervisory Board shall also obtain appropriate information, under its investigative authority as provided by law, and take measures necessary and in a timely manner, including the expression of opinions such as advice and/or recommendations to Directors, Executive Officers, etc. Further, more than half of the members of the Audit & Supervisory Board shall be outside members. The company shall also appoint full-time members of the Audit & Supervisory Board, striving to increase the effectiveness of this board through an organic mix of independence from independent members and the information-gathering capabilities of full-time members.

[Principle 4-9 Independence Standards and Qualifications for Independent Outside Directors/Audit & Supervisory Board Members]

For a summary of TechnoPro “Independence Standards for Outside Directors/Audit & supervisory board members” refers to “II Status of Business Management Body and other Corporate Governance Systems for Managerial Decision-Making, Execution, and Supervision – 1. Matters Concerning institutional structure, group management, etc. [Related to independent directors] Other matters related to independent directors.”

[Supplementary Principle 4-10(1) Use of Optional Approach, Nomination and Compensation Committee]

We have established the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to strengthen the objectivity and accountability regarding decisions on nomination and compensation of directors, Audit & Supervisory Board members and executive officers of the Group companies. Our basic approach regarding the independence of the composition of members, authority, role of the Nomination and Compensation Committee members are outlined in this report under “I Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and other Basic Information - 1. Basic Approach [Disclosure in accordance with the principles of the Corporate Governance Code] [Principle 3-1 Enhancement of Information Disclosure] <Policies and Procedures for Decisions on Management Level/Director Compensation by the Board of Directors>, <Policies and Procedures for when the Board of Directors will appoint or remove Senior Management Members and Nominate Director/Audit & Supervisory Board Member Candidates>, and the latter part of “II Status of Business Management Body and other Corporate Governance Systems for Managerial Decision-Making, Execution, and Supervision - 1. Matters concerning Institutional Structure, Group Management, etc. [Related to directors].”

[Supplementary Principle 4-11(1) Policy and Procedures Concerning Nomination of Directors]

The maximum number of members of the Board of Directors is prescribed under the Articles of Incorporation. Also, the Board of Directors shall in principle set its optimal size and composition based on the following items from the perspective of an effective and stable operation of the Board.

- (1) The Board shall consist of an appropriate number of members to ensure sufficient deliberations and review as well as swift decision-making.
- (2) The Board shall appoint at least one-third of Independent Outside Directors based on the Board’s role of taking on a supervisory function regarding management. In addition, At least one Independent Outside Director appointed shall have business management experience at another company.
- (3) A necessary number of Internal Directors (refers to directors other than Outside Directors) shall be appointed with the aim of secure stable and appropriate operations through guaranteed quality in decision-making, including expertise, by directors who are well versed in matters including our business models, trends, actual operations and related regulations.
- (4) Due attention will be paid to avoid having all or almost all candidates being new appointments when deciding on Director candidates from the perspective of sustainability and stability of the Board.
- (5) Balance in knowledge, experience, capability and specialty areas, as well as diversity, including gender, internationality, career history, and age will be considered from the perspective of management strategy and effectiveness of the Board. Further, we will disclose policies and procedures related to the selection of directors in combination with the skills of said directors (skill matrix).

Our policy and procedures concerning the Nomination of directors is outlined in “I Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and other Basic Information – 1. Basic Approach [Disclosure in accordance with the principles of the Corporate Governance Code] [Principle 3-1 Enhancement of Information Disclosure] <Policies and Procedures for when the Board of Directors will appoint or remove Senior Management Members and Nominate Director/Audit & Supervisory Board Member Candidates>.”

[Supplementary Principle 4-11(2) Status of Directors/Audit & Supervisory Board Members with Managerial Duties at other companies]

Our policy on directors/Audit & Supervisory Board members with managerial duties at other companies is as outlined below.

- As directors/Audit & Supervisory Board members are required to provide the time and labor necessary to fulfill their roles and responsibilities appropriately, it is preferable that directors/Audit & Supervisory Board members do not simultaneously serve as executives (director, Audit & Supervisory Board members, executive officer) of more than three listed companies in addition to their role at TechnoPro.
- When a director or Audit & Supervisory Board member receives a request from another company or organization to serve in an executive position, regardless of whether or not said company is listed, the director must provide notification to the Board of Directors.
- Regular reports should be issued to the Board of Directors regarding the status of directors/Audit & Supervisory Board members with managerial duties at other companies.

Furthermore, each year we provide disclosure on director/Audit & Supervisory Board member candidates as well as the status of directors and managers with important managerial duties via Convocation Notice of Annual General Meeting of Shareholders reference materials, business reports, and other disclosure documents.

[Supplementary Principle 4-11(3) Analyzing and Evaluating Overall Efficacy of the Board of Directors]

Each year, directors conduct a self-evaluation to assess whether or not the Board of Directors is conducting operations in accordance with the “TechnoPro Group Corporate Governance Guidelines.” The results of this assessment are submitted to the Board of Directors.

The board has analyzed and evaluated its effectiveness once a year starting in the fiscal year ended June 2016, and has provided a summary of these results for the sixth consecutive year. Through the process of analyzing and evaluating the effectiveness of the Board of Directors as a whole, we will continuously maintain and improve our corporate governance.

A summary of the efficacy analysis and evaluation for the Board of Directors for the fiscal year ended June 2021 is as detailed below.

#### 1. Methodology and Process of the Analysis and Evaluation

Analysis and evaluation methods are as follows.

○ Evaluation method

Self-evaluation questionnaire (registered form)

## ○ Evaluators

All Directors and Audit & Supervisory Board members

## ○ Questionnaire Items Evaluated (Major topics)

- (1) Size and composition of the Board of Directors
- (2) Operation of Board of Director meetings
- (3) Information and support provided to outside directors and/or outside Audit & Supervisory Board members
- (4) Board member roles and responsibilities
- (5) Relationships with shareholders, investors, and other stakeholders
- (6) Individual contributions (as director and/or Audit & Supervisory Board member)
- (7) Nomination and Compensation Committee operations

## ○ Collection of opinions and proposals

The questionnaire included standard evaluation topics, as well as space requesting comments related to board strengths and areas for improvement. The directors and members of the Audit & Supervisory Board were also asked to provide candid opinions and suggestions.

## ○ Analysis method

Based upon the results of the self-evaluation questionnaire, discussions are held in the meeting of the Board of Directors, with its effectiveness confirmed at issues identified.

All directors and members of the Audit & Supervisory Board, including outside directors, answered self-assessment questionnaires for the fiscal year ended June 2021. The results of the self-assessments were reported at the July 2021 meeting of the board of directors, who conducted an analysis of the results and shared the issues identified. Directors entered an active discussion of issues, etc., toward becoming an even more effective board in the future.

## 2. Analysis and Evaluation Results

As a result of the evaluation and analysis in 1., above, the TechnoPro Holdings board of directors has concluded that the board performs its roles and responsibilities appropriately and effectively overall. The board identified the following initiatives that were highly evaluated and should be continued.

### < Highly Evaluated Initiatives >

- (1) Upon formulating the new medium-term management plan starting in the fiscal year ending June 30, 2022, the Board of Directors, including outside directors and Audit & Supervisor Board members, spent sufficient time discussing from a wide range of perspectives. As a result, the management team built common understanding of the Purpose and the management direction forward that the Group should pursue, and deepened strategic discussions.
- (2) In the process of discussing the medium-term management plan, important themes that strengthen corporate governance structure, such as the introduction of enterprise risk management, the revision of the executive compensation system and the discipline on M&A, were discussed and developed.
- (3) Executed CEO succession through an objective process where only outside directors carried out deliberation, selection of candidates in the Nomination and Compensation Committee, and final report to the Board of Directors, in accordance with the criteria and procedures for appointment of CEO that had been formulated.
- (4) The board chair has continued to foster an atmosphere in which participants can express themselves freely from their own professional viewpoints, thereby constructive and fruitful discussions were made.

The board has acknowledged the necessity of following initiatives and considerations, as the areas having room for improvement of board of director effectiveness, or issues to be addressed.

### < Issues to Address >

- (1) Where monitoring the progress of the medium-term management plan is important, conduct effective evaluation and necessary discussions at the Board of Directors meetings through devising methods of policy management and selection of themes and KPIs.
- (2) Carry out substantive discussions, not just formal reports, on matters related to the internal control system and risk management framework, as well as the status of implementation of the code of conduct by the Company and its officers and employees.
- (3) In PMI reviews of acquired companies and investees, verify the status of achievement of the initial aims of the acquisition and discuss areas requiring improvement in addition to business performance figures.
- (4) Discuss the succession plan for key positions other than the CEO and the development for the Group's leadership personnel at the Nomination and Compensation Committee, appropriately supervise the content and progress of such discussions at the Board of Directors.

### < Future Initiatives >

In the context of this Analysis and Evaluation of the Effectiveness of the Board of Directors, the TechnoPro Holdings Board of Directors will strive for greater board effectiveness, aiming for best practices in corporate governance and further growth in corporate value by reviewing and reporting in a focused way to Section 2., Issues to Address, above.

## 3. Progress and Improvement Items in the Previous Period

For reference, items that have advanced and improved up until the period under review are shown below:

### < Fiscal Year Ended June 2021 >

- Deepened strategic discussions through deliberating on formulation of the medium-term management plan
- Executed CEO succession through the objective process
- Discussed the executive compensation system that has higher linkage to the performance and promotes value sharing with shareholders
- Appointed one female outside Audit & Supervisory Board member, further promoted diversity in the Board of Directors and Audit & Supervisory Board
- Implemented electronic signature on board meetings minutes

### < Fiscal Year Ended June 2020 >

- Established cost of capital as a reference in business management, strategy reviews, investment decisions, etc.

- Updated cash flow simulations assuming worsening business conditions
- Created a skills matrix for the board of directors and the Audit & Supervisory Board
- Began discussions to revise director compensation plans
- Endeavored in prior expansions of agenda items, improved board meeting minutes reflecting details of deliberations

<Fiscal Year Ended June 2019>

- Decided upon “Standards and Procedures for Appointment and Dismissal of CEO”
- Carried out more in-depth discussions and sharing of important company issues and strategies, etc. (work style reform in Japan and improvements to employee satisfaction, global strategies, business process innovation, etc.)
- Reports on performance of acquired subsidiaries and investees, and discussions on usage of cost of capital as KPI

<Fiscal Year Ended June 2018>

- Limited attendees in principle to directors and Audit & Supervisory Board members in order to conduct more in-depth discussions on management issues and strategies, etc.
- Shared and explained agenda items before meetings with not only outside directors, but also executive directors, and Audit & Supervisory Board members
- Annual agenda of business reports and discussion topics set in advance
- Introduced an online systems allowing outside directors and outside Audit & Supervisory Board members to view materials and minutes, etc.
- Ensured cooperation with not only the Audit & Supervisory Board, but also the board of directors and accounting auditor (Implemented reporting by outside accounting auditor)

<Fiscal Year Ended June 2017>

- Number of female outside directors increased by one, ensuring diversity in the composition of the board of directors
- Multiple discussions by the board of directors into the process of formulating a new medium-term management plan
- Regular prior explanations of board of director agenda items to outside directors
- Start of discussions in the Nomination and Compensation Committee addressing the process for nominating a successor to the chief executive officer

[Supplementary Principle 4-14(2) Training Policy for Directors/Audit & Supervisory Board Members]

We outline a basic policy to ensure directors/Audit & Supervisory Board members fulfill their legal responsibilities and the duties entrusted by shareholders. This policy is as outlined below.

1. Newly appointed directors/Audit & Supervisory Board members (including Outside Directors and Outside Audit & Supervisory Board Members; the same applies hereinafter) are provided explanations concerning the following matters within approximately two months of appointment, by the CEO or a director and/or an Executive Officer of the Company or the Company’s subsidiary (hereinafter referred to as “the Group”) appointed by the CEO.
  - (1) Trends in our business and environment
  - (2) The Group’s history, management philosophy and business overview
  - (3) The Group’s management strategies, medium- to long-term business plan, budget plan
  - (4) The Group’s managing status and financial health
  - (5) The Group’s corporate governance system, internal control policies and organizational operation structure
  - (6) Other important matters pertaining to the Group
2. Depending on the experience and knowledge of the newly appointed director/Audit & Supervisory Board member, the Company will provide training opportunities related to the following matters and will provide support for expenses related to said training.
  - (1) Finance/accounting, corporate finance
  - (2) Laws and regulations related to Companies Act, corporate governance
  - (3) Compliance
  - (4) Other content the CEO have deemed to be a requirement
3. In particular, persons who are promoted from within the Company to the position of Executive Director will be provided training opportunities to develop their skills and qualifications, in addition to provide explanations, as necessary, on each of the matters under paragraph 1, training opportunities as noted in paragraph 2. The Company will provide support for expenses related to training.
  - (1) Business management conceptualization from the perspective of Company-wide and Group-wide management
  - (2) More advanced leadership and implementation skills
4. Additionally, the Company will provide appropriate training opportunities during the term of appointment for the Director/Audit & Supervisory Board member to constantly update the knowledge used in his/her respective role. The company will provide support for expenses related to training.
5. Training opportunities noted in paragraphs 2 to 4 refer to those designated by the Company’s CEO.

[Principle 5-1 Policy Concerning Constructive Communication with Shareholders]

In addition to the General Meeting of Shareholders, we conduct constructive communication with shareholders to the extent and via means deemed appropriate. We outline the following as a basic policy concerning system and initiatives to promote constructive communication with shareholders.

- The CFO is in charge of communication with shareholders.
- Communication with shareholders is handled by the Communication and IR Office of Management Planning Department, which is overseen by the CFO and conducts appropriate information sharing with related departments prior to communicating with shareholders. In addition, senior management, directors including outside directors and Audit & Supervisory Board members may engage in actual dialogue to the extent deemed reasonable by the Company.



- Hold regular investor conferences to a reasonable extent as a way to enhance communication with shareholders.
- Opinions, etc. received during communication with shareholders should be reported appropriately to the Board of Directors.
- Ensure appropriate management of insider information during communication with shareholders.

Furthermore, we, with an accurate understanding of its cost of capital, draft and disclose a medium-term business plan and other important management strategies, including our basic policies related to profit plans and capital strategy as well as goals related to profitability and capital efficiency, to provide a plain, clear, and logical explanation to shareholders regarding our specific policies on the allocation of management resources and the business portfolio transformation, aimed at achieving our goals.

We have outlined a “Disclosure Policy” that encompasses our basic approach concerning IR activities and information disclosure and the framework of our information disclosure controls. This information is available on our website via the following URL.  
([https://www.technoproholdings.com/en/ir/management/disclosure\\_policy.html](https://www.technoproholdings.com/en/ir/management/disclosure_policy.html))

For details on our IR activities, etc., refer to “III. Status of Policies Concerning Shareholders and other Parties with Interests – 2. Status of IR Activities.”

## 2. Capital Structure

<b>Percentage of foreign-held stock</b>	30% or more
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### [Status of major shareholders] Updated

Name or title	Number of retained shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3055110	8.50
SSBTC CLIENT OMNIBUS ACCOUNT	2672866	7.44
Custody Bank of Japan, Ltd. (Trust Account)	1625491	4.52
JP MORGAN CHASE BANK 385635	1352710	3.76
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	1218762	3.39
SMBC Nikko Securities Inc.	933400	2.59
JP MORGAN CHASE BANK 380072	902971	2.51
THE BANK OF NEW YORK MELLON SA/NV 10	852499	2.37
STATE STREET BANK AND TRUST COMPANY 505001	792204	2.20
STATE STREET BANK AND TRUST COMPANY 505225	750675	2.09

<b>Controlling shareholders (excluding parent company)</b>	-----
<b>Parent company</b>	None

### Supplemental information Updated

- The abovementioned status of major shareholders is indicated based on the shareholder ledger as of the end of June 2021.
- The percentage of shareholding is calculated by excluding the number of treasury stock (231,703 shares).
- The revised Report on Large-Volume Shareholders provided for public record dated December 7, 2020 indicates that two-company partnership of T. Rowe Price Japan, Inc. and T. Rowe Price Associates, Inc. holds 3,232,679 (8.94%) of our shares as of November 30, 2020, but we do not include this information in the abovementioned list of major shareholders as we were unable to confirm their actual number of shares held as of end of June 2021.
- The revised Report on Large-Volume Shareholders provided for public record dated January 7, 2021 indicates that two-company partnership of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. holds 2,341,500 (6.48%) of our shares as of December 31, 2020, but we do not include this information in the abovementioned list of major shareholders as we were unable to confirm their actual number of shares held as of end of June 2021.

## 3. Corporate Attributes

<b>Listed exchange and market segment</b>	Tokyo Stock Exchange, First Section
<b>End of fiscal year</b>	June
<b>Industry type</b>	Service industry

<b>Number of employees (consolidated) as of the end of the most recent fiscal year</b>	1000 or more
<b>Net sales (consolidated) during the most recent fiscal year</b>	From 100 billion yen to less than 1 trillion yen
<b>Number of consolidated subsidiaries as of the end of the most recent fiscal year</b>	From 10 companies to less than 50

**4. Guidelines concerning Measures to Protect Minority Shareholders during Transactions with Controlling Shareholders**

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**5. Other Special Matters with Potential to Greatly Impact Corporate Governance**

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## // Status of Business Management Body and other Corporate Governance Systems for Managerial Decision-Making, Execution, and Supervision

### 1. Matters concerning Institutional Structure, Group Management, etc.

<b>Organization format</b>	Company with Audit & Supervisory Board
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#### [Related to directors]

<b>Number of directors as outlined in Articles of Incorporation</b>	20
<b>Term of directors as outlined in Articles of Incorporation</b>	1 year
<b>Board of Directors chairperson</b> <span style="background-color: #FFD700; padding: 2px;">Updated</span>	Chairman (except the case concurrently serves as president)
<b>Number of directors</b> <span style="background-color: #FFD700; padding: 2px;">Updated</span>	9
<b>Status of appointment of outside directors</b>	Appointed
<b>Number of outside directors</b> <span style="background-color: #FFD700; padding: 2px;">Updated</span>	4
<b>Number designated as independent directors among outside directors</b> <span style="background-color: #FFD700; padding: 2px;">Updated</span>	4

#### Relationship with company (1) Updated

Name	Attributes	Relationship with company (*)												
		a	b	c	d	e	f	g	h	i	j	k		
Tsunehiro Watabe	Person from other companies													
Kazuhiko Yamada	Attorney													
Harumi Sakamoto	Person from other companies													
Shoko Takase	Person from other companies													

\* Answer choices regarding relationship with company

\* Select "○" if "current/recently" applies to the person for any of the categories, select "△" if "in the past" applies.

\* Select "●" if "current/recently" applies to a family member for any of the categories, select "▲" if "in the past" applies.

- a. Executive officer of a listed company or other subsidiary
- b. Executive officer or non-executive director of the parent company of a listed company
- c. Executive officer of the sibling company of a listed company
- d. A person conducting major transactions with a listed company or an executive officer of said company
- e. A major business partner or an executive officer of a listed company
- f. Consultant, accounting expert, or legal expert receiving significant cash or other assets other than director's compensation from a listed company
- g. Major shareholder of a listed company (if said major shareholder is a company, then an executive officer of said company)
- h. Executive officer (individual only) of a business partner of a listed company (when not applicable to either d, e, or f)
- i. Executive officer (individual only) of a company in a relationship of mutual outside director appointments
- j. Executive officer (individual only) of an organization receiving charitable donations from a listed company
- k. Other

Name	Independent director	Supplemental information concerning conformity items	Reason for appointment
Tsunehiro Watabe	○	----	Mr. Watabe possesses extensive experience and a wide range of expertise stemming from his position as director at banks and foreign-affiliated financial institutions. We have selected him as an independent director, believing he will provide advice and recommendations regarding general TechnoPro Group business operations, as well as appropriate oversight. In our judgment, Mr. Watabe fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Mr. Watabe as an independent director.
Kazuhiko Yamada	○	----	Mr. Yamada possesses a wealth of experience and extensive expertise as an attorney in the fields of corporate acquisitions, corporate restructuring, equity practice, corporate law, and laws concerning financial instruments. We have selected him as an independent director, believing he will provide advice and recommendations regarding general TechnoPro Group business operations, as well as appropriate oversight. In our judgment, Mr. Yamada fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Mr. Yamada as an independent director.
Harumi Sakamoto	○	----	Ms. Sakamoto possesses a wealth of experience and extensive expertise as a government administrator involved in policies of the Ministry of Economy, Trade and Industry and as an executive of various corporations and organizations. We have selected her as an independent director, believing she will provide advice and recommendations regarding general TechnoPro Group business operations, as well as appropriate oversight. In our judgment, Ms. Sakamoto fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Ms. Sakamoto as an independent director.

Shoko Takase	○	We have entered into an advisory contract (contract term: July 1, 2021 to September 28, 2021) with Ms. Takase, for the purpose of obtaining beneficial advice and guidance from her standpoint as an independent outsider, as well as providing information to help her understanding the status of our business and the progress of the medium-term management plan prior to her appointment as an Outside Director. The total amount of her remuneration as an advisor is less than 5 million yen, which is within the range stipulated in the "Independence Standards for Outside Directors / Audit & Supervisory Board Members," and we believe that her independence is sufficiently secured.	Ms. Takase has a wealth of achievements in global IT companies and expansive knowledge regarding customer and technology trends. We have selected her as an independent director, believing she will provide useful advice, objective assessment and appropriate supervisions from a practical point of view. In our judgment, Ms. Takase fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Ms. Takase as an independent director.
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**Voluntary committee equivalent to election committee or compensation committee**

Yes

**Status of voluntary committees, member composition, attributes of committee chair (chairperson)**

	Committee name	All committee members (people)	Full-time committee members (people)	Inside directors (people)	Outside directors (people)	Outside experts (people)	Other (people)	Council chair (Chairperson)
<b>Voluntary committee equivalent to nomination committee</b>	Nomination and Compensation Committee	3	0	0	2	0	1	Other
<b>Voluntary committee equivalent to compensation committee</b>	Nomination and Compensation Committee	3	0	0	2	0	1	Other

**Supplemental information**

Updated

To ensure the appropriateness and strengthen the objectivity and the accountability of the decision processes for nominations and compensation of directors, Audit & Supervisory Board members and executive officers of the Group, we have established a Nomination and Compensation Committee chaired by an independent outside director or an independent outside member of the Audit & Supervisory Board and consisting entirely of independent outside directors and independent outside members of the Audit & Supervisory Board. The Nomination and Compensation Committee serves as an advisory committee to the Board of Directors. The basic approach, guidelines, rules, and procedures required for decisions on the nomination and compensation for the directors, Audit & Supervisory Board members and executive officers of the Group companies are deliberated by the Nomination and Compensation Committee in response to inquiries from the Board of Directors of each Group company, after which, the Nomination and Compensation Committee provides opinions, reports, advice, and recommendations to the Board of Directors of each Group company..

**[Nomination and Compensation Committee Structure]**

Chair	Independent Outside member of the Audit & Supervisory Board	Mitsutoshi Takao
Member	Independent Outside Director	Tsunehiro Watabe
Member	Independent Outside Director	Kazuhiko Yamada

**[Activities of the Nomination and Compensation Committee]**

During the fiscal year ended June 2021, the Nomination and Compensation Committee was held, with full membership, 12 times, conducting deliberations regarding Company and TechnoPro Group director appointments, director compensation, and director skill matrix. With regard to the selection of candidates for the CEO succession effective July 1, 2021, the Committee began discussions in February 2021, and 6 out of the 12 meetings held during the period were devoted mainly to discuss this matter. In the process of considering candidates for CEO, the Nomination and Compensation Committee interviewed the candidates and also sought the opinions of Mr. Nishio, the former CEO, and outside directors who are not the members of the Committee, and as a result of comprehensive deliberation, the Committee recommended the current CEO Mr. Yagi as the final candidate to the Board of Directors.

**[Related to audits]**

**Audit & supervisory board established**

Established

<b>Number of audit &amp; supervisory board members as outlined in Articles of Incorporation</b>	5
<b>Number of audit &amp; supervisory board members</b>	4

**Status of coordination between Audit & Supervisory Board members, accounting firm, and the internal audit department**

Audit & supervisory board members coordinate closely on a regular basis with the accounting firm and the internal audit department to receive reports on audit methods and results, and use audit results to improve audit quality and efficiency. Specifically, an Audit & Supervisory Board member information exchange meeting is held monthly during which Audit & Supervisory Board members and the internal audit department coordinate information concerning the status of audit implementation and audit plans. Furthermore, Audit & Supervisory Board members hold quarterly meetings with the accounting firm and the internal audit department to share information related to audit policy and planning, accounting audits, and internal controls.

<b>Status of appointment of outside Audit &amp; Supervisory Board members</b>	Appointed
<b>Number of outside Audit &amp; Supervisory Board members</b>	3
<b>Number designated as independent directors among outside Audit &amp; Supervisory Board members</b>	3

**Relationship with company (1)**

Name	Attributes	Relationship with company (*) a												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mitsutoshi Takao	Person from other companies													
Akira Mikami	Person from other companies													
Rumiko Tanabe	Certified public accountant													

\* Answer choices regarding relationship with company

\* Select "○" if "current/recently" applies to the person for any of the categories, select "△" if "in the past" applies.

\* Select "●" if "current/recently" applies to a family member for any of the categories, select "▲" if "in the past" applies.

- Executive officer of a listed company or other subsidiary
- Non-executive director of or involved in accounting of listed company or its subsidiary
- Executive officer or non-executive director of the parent company of a listed company
- Audit & Supervisory Board members of the parent of a listed company
- Executive officer of the sibling company of a listed company
- A person conducting major transactions with a listed company or an executive officer of said company
- A major business partner or an executive officer of a listed company
- Consultant, accounting expert, or legal expert receiving significant cash or other assets other than director's compensation from a listed company
- Major shareholder of a listed company (if said major shareholder is a company, then an executive officer of said company)
- Executive officer (individual only) of a business partner of a listed company (when not applicable to either f, g, or h)
- Executive officer (individual only) of a company in a relationship of mutual outside director appointments
- Executive officer (individual only) of an organization receiving charitable donations from a listed company
- Other

Relationship with company (2)

Name	Independent Audit & Supervisory Board member	Supplemental information concerning conformity items	Reason for appointment
Mitsutoshi Takao	○	----	Mr. Takao possesses expertise in finance, accounting, and general business administration, as well as extensive experience as a manager in major corporations. We have selected him as a full-time independent outside member of the Audit & Supervisory Board, believing he will provide supervision, conduct audits, and offer advice from an objective perspective. In our judgment, Mr. Takao fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Mr. Takao as an independent Audit & Supervisory Board member.
Akira Mikami	○	----	Mr. Mikami possesses extensive expertise and practical experience with respect to internal controls, internal audits, and risk management, as well as an international perspective developed during his service at major trading companies and a wealth of experience as a full-time member of the Audit & Supervisory Boards at publicly traded companies. We have selected him as an independent outside member of the Audit & Supervisory Board, believing he will provide supervision, conduct audits, and offer advice from an objective perspective. In our judgment, Mr. Mikami fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Mr. Mikami as an independent Audit & Supervisory Board member.
Rumiko Tanabe	○	----	Ms. Rumiko Tanabe possesses wide-ranging knowledge in finance, accounts, overall audit, corporate governance, etc., accumulated through her experience in financial accounting operations in listed enterprises and auditing subsidiaries in addition to her professional expertise as a certified public accountant. We have selected her as an independent outside member of the Audit & Supervisory Board, believing she will provide supervision, conduct audits, and offer advice from an objective perspective. In our judgment, Ms. Tanabe fulfills our "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and has no potential conflicts of interest with general shareholders. Accordingly, we have designated Ms. Tanabe as an independent Audit & Supervisory Board member.

[Related to independent directors]

Number of independent directors

Updated

7

Other matters related to independent directors

A summary of our “Independence Standards for Outside Directors/Audit & Supervisory Board Members,” the standards by which we select independent directors from among outside directors (outside directors and outside Audit & Supervisory Board members), is provided below.

1. We judge an outside director or outside director candidate (hereinafter, “person in question”) to be independent of the Company when none of the following is applicable to the person in question.
  - (1) Person working for the Company or a Company affiliate (hereinafter, Group), or person who recently\*1 (same below) worked for the Group
  - (2) Person currently or recently employed at a business partner for whom our transactions accounted for not less than 2% of said company’s consolidated net sales during the previous fiscal year, or whose transactions accounted for not less than 2% of the Group’s consolidated net sales during the previous fiscal year.
  - (3) Individual or person working for a company/organization possessing or who recently possessed not less than 10% of the Company’s total issued shares as of the end of the previous fiscal year
  - (4) Person currently or recently employed at a company/organization for which the Group owns not less than 10% of said company/organization’s total issued shares as of the end of the previous fiscal year.
  - (5) Person currently or recently employed at an auditing firm that conducts the Group’s legally mandated audits
  - (6) Person currently or recently employed at a financial institution that plays a vital role in the Group’s capital procurement and upon which the Group is reliant to an irreplaceable extent
  - (7) Person who currently is or recently was a consultant, legal expert, accounting expert, or tax expert who has received direct compensation other than director’s compensation from the Group exceeding 10 million yen during any single fiscal year over the last 3 fiscal years (if the party receiving said compensation is a corporation, group, or other organization, then a person employed by said organization)
  - (8) Person who currently is or recently was the chairman or an executive officer of an organization that has received charitable contributions or support from the Group exceeding 10 million yen during any single fiscal year over the last 3 fiscal years
  - (9) Executive officer of a company with whom the Group has mutually dispatched directors or auditors to the other company
  - (10) A relative within the second degree of kinship or a cohabiting family member of a person applicable to any of the above (excluding non-vital persons\*2).

(Notes)

\*1: “Recently” shall refer to a period of less than three years from the time of holding the position as director or Audit & Supervisory Board member

\*2: “Vital” assumes an important employee, such as a company or business partner director, executive officer, or auditor, or a certified public accountant or attorney working at an accounting firm or legal office.

2. Even if applicable to any of the definitions set forth in Paragraph 1, the person in question may be designated as an independent director based on the judgment of the Board of Directors or Audit & Supervisory Board following a review by the Nomination and Compensation Committee.
3. Notwithstanding the conditions set forth in Paragraph 1, independent directors must not have circumstances that can be rationally deemed to prevent the execution of duties as an independent outside director.
4. Independent directors must work to ensure they maintain these standards throughout the term of their appointment and must report immediately if they no longer maintain independence as defined in these standards.

## [Related to incentives]

**Implementation status of policies related to allocation of incentives to directors**

Incorporation of performance linked compensation system

Supplemental information concerning relevant items

Updated

The “Basic Policies and Procedures for Determining Executive Compensation” stipulate that the compensation to executive directors is structured so as to increase the motivation of said Directors to achieve short-term performance targets and improve medium- to long-term corporate value, as well as to increase an awareness of shared values with shareholders. Specifically, the compensation consists of basic remuneration as fixed compensation, single-year bonus as a short-term incentive, and stock-based compensation as a medium- to long-term incentive. For details, refer to “[Related to director compensation] – Details of disclosure concerning compensation amounts and policies on determining calculation methods” described later in this report.

1. The Company pays cash bonus to executive directors as short-term performance-linked compensation, which serves as a short-term incentive. This bonus amount is based on single-year consolidated earnings.
2. The Company has introduced a “performance-based stock compensation plan (Performance Share Units),” which serves as a medium- and long-term incentive. At the 16th general shareholders’ meeting held on September 29, 2021, the Company’s shareholders resolved to implement the plan as a measure to revise the Company’s executive compensation structure (excluding outside directors) with the aim of providing incentives for achievement of performance targets stated in the medium-term management plan “Evolution 2026” announced August 10, 2021, and sustained improvement in medium- and long-term Company value, as well as the creation of greater shared value between directors and shareholders. Based on the goals outlined above, the total amount of the compensation for the eligible period (five fiscal years from the fiscal year beginning July 1, 2021 to the fiscal year beginning July 1, 2025) is to be not more than 800 million yen and 800 thousand shares, which we consider to be an appropriate amount, paid separately from existing compensation plans, etc.



**Persons applicable to receive allocation of stock options**

**Supplemental information concerning relevant items**

**[Related to director compensation]**

**(Individual director compensation) Status of disclosure**

Individual compensation not disclosed

**Supplemental information concerning relevant items** Updated

Disclosure concerning compensation for the fiscal year ended June 2021 as stipulated by law was provided in our business report and annual securities report. Total compensation to directors and Audit & Supervisory Board members during the relevant fiscal year was 354 million yen.

**Established policy on determining compensation value and calculation method** Updated

Yes

**Details of disclosure concerning compensation amounts and policies on determining calculation methods**

Our Group considers the following when determining compensation for directors, Audit & Supervisory Board members, and executive officers.

- (1) Maintain practicality that ensures our ability to fulfill our responsibilities to shareholders in terms of accountability and performance.
- (2) Ensure compensation that serves as an incentive for the implementation of management policies and increases corporate earnings and shareholder value. Compensation that promotes not only short-term results, but also continuous increases to corporate value and shareholder value.
- (3) Represents sufficient compensation relative to performance, at a level that supports the hiring of, provides motivation to, and ensures the retention of elite personnel.

Specifically, we outline the following in the “Basic Policies and Procedures for Determining Executive Compensation.”

1. Basic principles and procedures
  - (1) Compensation for individual directors is within a range determined by the General Meeting of Shareholders and decided by the Board of Directors following deliberation by the Nomination and Compensation Committee.
  - (2) Compensation for individual Audit & Supervisory Board member is based on a system separate from that for directors and is within a range determined by the General Meeting of Shareholders and decided based on deliberation by the Audit & Supervisory Board. Consulting with the Nomination and Compensation Committee concerning the determination of compensation for Audit & Supervisory Board member shall be regarding the adequacy and appropriateness of the total compensation level.
  - (3) Compensation for individual executive officers is based on a system separate from that for directors and Audit & Supervisory Board members and is decided by the Board of Directors following deliberation by the Nomination and Compensation Committee.
2. Basic compensation policy
  - (1) Executive Directors (directors other than Non-Executive Directors)
    - a. Compensation for Executive Directors shall be structured so as to increase the motivation of said Directors to achieve short-term performance targets and improve medium- to long-term corporate value, as well as to increase an awareness of shared values with shareholders.
    - b. Compensation for Executive Directors shall be comprised of fixed compensation commensurate to respective duties and performance-linked compensation (short-term performance-linked compensation, medium- to long-term performance-linked compensation).
    - c. Short-term performance-linked compensation shall be paid in accordance with the degree of achievement of consolidated performance targets for a single fiscal year, the achievement of performance targets of the division for which the individual is responsible, and the strategic targets set for each individual.
    - d. Stock-related compensation, including the granting of performance-linked restricted stock (performance share units), may be paid as medium- to long-term performance-linked compensation.
  - (2) Non-Executive Directors (Director and Chairman, outside directors)
    - a. Compensation for Non-Executive Directors shall consist of fixed compensation only, considering the position of these individuals to supervise and advise management based on a high degree of objectivity and independence.
    - b. Fixed compensation shall be commensurate with the responsibilities as non-executive Directors, and shall be determined on a case-by-case basis, taking into consideration such factors as status as full-time or part-time and individual responsibilities.
  - (3) Audit & Supervisory Board members
    - a. In light of the position of Audit & Supervisory Board members to audit business operations by directors regardless of corporate performance, compensation for auditors shall be based solely on fixed compensation.

- b. Fixed compensation shall be commensurate to the responsibilities of an Audit & Supervisory Board member and shall be determined based on consideration separately for full-time and part-time, and based on the roles of each individual.

#### (4) Executive Officers

- a. Compensation for Executive Officers shall be set to provide strong motivation to execute business as senior management and shall be linked to performance.
- b. Compensation for Executive Officers shall be comprised of fixed compensation commensurate to respective duties and performance-linked compensation (short-term performance-linked compensation, medium- to long-term performance-linked compensation).
- c. Short-term performance-linked compensation shall be paid in accordance with the degree of achievement of consolidated performance targets for a single fiscal year, the achievement of performance targets of the division for which the individual is responsible, and the strategic targets set for each individual.
- d. Stock-related compensation, including the granting of performance-linked restricted stock (performance share units), may be paid as medium- to long-term performance-linked compensation.

#### 3. Performance evaluation benchmarks

The performance of Executive Directors and Executive Officers shall be evaluated based on evaluation benchmarks reflecting the degree of achievement of consolidated performance targets, the achievement of performance targets for divisions over which the individual has responsibility, and strategic targets set for each individual. Specific evaluation indicators shall be determined according to the importance of management with respect to the annual budget and medium-term management plan. Evaluation ratios shall be determined according to the responsibilities and roles of each individual in question.

#### 4. Other

- (1) There is no retirement bonus system for directors, Audit & Supervisory Board members, and executive officers. However, this may not be the case in the event of special circumstances, including when a subsidiary joining the Group via corporate acquisition has an existing retirement bonus system and when such a system is deemed necessary.
- (2) The Company shall provide disclosure in an appropriate manner of this basic compensation policy, the “Policy for Determining Individual Director Compensation,” and remuneration amounts paid to directors and members of the Audit & Supervisory Board.

### [Support system for outside directors (outside Audit & Supervisory Board members)] Updated

To promote efficacy during Board of Directors' meetings, the General Affairs Department, the office for the Board of Directors, sends materials related to matters up for deliberation as well as materials on the previous month's performance and business reports to all directors and Audit & Supervisory Board members, including outside directors and outside Audit & Supervisory Board members. These materials are sent well in advance of the meeting date. The Audit & Supervisory Board Office, which was established as a department dedicated to assisting Audit & Supervisory Board members and is responsible for administrative functions related to the Audit & Supervisory Board, sends Audit & Supervisory Board materials to outside directors in advance and also provides regular information sharing, including monthly updates regarding the details of Audit & Supervisory Board reports. Furthermore, outside directors and outside Audit & Supervisory Board members receive, when needed, preliminary reports from the president and representative director, managing directors, or executive officers as necessary regarding particularly important matters prior to the date set for the meeting.

## 2. Matters concerning Functions, including Business Execution, Audits and Supervisory Tasks, Nomination, Decisions on Compensation, etc. (summary of current corporate governance structure) Updated

### 1. Corporate Governance System Overview

#### 1-1. Management and Business Execution Structure

The Company has introduced an executive officer system to strengthen functions by assigning authority and responsibility for day-to-day business execution to executive officers while assigning strategic decision-making and supervisory functions to Directors. We have also established and operate the Group Management Committee as an organization to discuss and deliberate important matters in business execution, to manage the progress of the business performance of the Company and its subsidiaries, and to share necessary information, work in close cooperation, and adjust strategies across the Group in a flexible manner. In addition, the Company has established committees such as the ERM Committee, the Compliance Committee, and the Sustainability Committee to pursue matters that should be addressed from a cross-organizational perspective.

#### 1-2. Management Monitoring and Supervision System

The Company has appointed a number of Outside Directors for the purpose of receiving appropriate advice and proposals from an objective standpoint and from an external perspective, as well as to strengthen the supervisory function of the Board of Directors. In addition, the Nomination and Compensation Committee, an advisory body to the Board of Directors, is chaired by an Outside Member of the Audit & Supervisory Board to ensure the appropriateness and transparency of the nomination and compensation of Directors, Members of the Audit & Supervisory Board, and executive officers of the Company and its subsidiaries.

As a company with an Audit & Supervisory Board, the Company's Audit & Supervisory Board Members fulfill the function of monitoring and supervising the management from an independent standpoint.

### 2. Organizational Overview

We have established the General Meeting of Shareholders, the Board of Directors, the Audit & Supervisory Board, and the Accounting Auditor as organizations under the Companies Act. The outline of each organization is as follows.

#### (1) Board of Directors

The Board of Directors is chaired by the Chairman of the Board and consists of nine Directors: five full-time Directors and four Outside Directors (all of whom are Independent Directors). Of the five full-time Directors, excluding the Chairman, four are executive Directors. In addition to the regular monthly meetings, extraordinary meetings of the Board of Directors are held as necessary. In addition to exercising a supervisory function over management and ensuring fairness and transparency in management, the Board of Directors determines basic management policies and other important business decisions, evaluates and formulates measures related to material risks, and determines the nomination and compensation of management personnel. In this way, the Board engages in making the best possible decisions for the Company. Members of the Audit & Supervisory Board attend Board of Directors meetings and offer opinions as necessary. To improve the functioning of the Board of Directors, we conduct an annual analysis and evaluation of the effectiveness of the Board of Directors.

#### (2) Audit & Supervisory Board

The Company has established an Audit & Supervisory Board, which is chaired by a full-time Member of the Audit & Supervisory Board and consists of four Members: one internal Member and three Outside Members. In addition to the regular monthly meetings of the Audit & Supervisory Board, extraordinary meetings are held as necessary to discuss audit policies and important audit-related matters. During the fiscal year ended June 2021, the Company held 16 meetings of the Audit & Supervisory Board, which were attended by all members.

#### (3) Nomination and Compensation Committee (held provisionally as necessary)

The Nomination and Compensation Committee is chaired by an Independent Outside Member of the Audit & Supervisory Board and consists of three Members: two Independent Outside Directors and one Independent Outside Member of the Audit & Supervisory Board. The Nomination and Compensation Committee serves as an advisory body to the Board of Directors regarding the nomination and compensation of Directors, Members of the Audit & Supervisory Board, and executive officers of the Company and its subsidiaries, providing opinions, reports, advice, and recommendations to the Board of Directors regarding nomination and compensation. During the fiscal year ended June 2021, the Nomination and Compensation Committee held 12 meetings, which were attended by all members.

#### (4) Independent Executive Committee (in principle, held twice a year)

Independent Executive Committee is chaired by an Independent Outside Member of the Audit & Supervisory Board and consists of seven Members: four Independent Outside Directors and three Independent Outside Members of the Audit & Supervisory Board. In response to the requirements of the Corporate Governance Code, which encourages the use of Independent Directors and auditors, and as an effort to strengthen governance contributing to medium- to long-term profitability, the Company pursues the exchange of information, understanding, and opinions between Independent Outside Directors and Independent Outside Members of the Audit & Supervisory Board to enhance governance functions further. During the fiscal year ended June 2021, the Independent Executive Committee held two meetings, which were attended by all members.

### 3. Business execution organizations

#### (1) Group Management Committee (in principle, meets weekly)

The Group Management Committee is chaired by the CEO and consists of executive Directors, executive officers, and representative Directors of the Company's subsidiaries. The Group Management Committee has been established and operates as an organization to discuss and deliberate important matters in business execution, to manage the progress of the business performance of the Company and its subsidiaries, and to share necessary information, work in close cooperation, and adjust strategies across the Group in a flexible manner. Full-time Members of the Audit & Supervisory Board attend meetings to gain an understanding of important decision-making processes and the status of business execution, expressing opinions as necessary.

#### (2) ERM Committee (in principle, meets semiannually)

The ERM Committee is chaired by the CEO, vice-chaired by the CFO, and consists of full-time Directors and full-time Members of the Audit & Supervisory Board. The ERM Committee makes decisions on important issues related to our basic policy on ERM and the development and operation of the system. Through the formulation and progress management of the ERM plan, we comprehensively evaluate risks related to strategy, markets, competition, operations, compliance, J-SOX, etc., and formulates and monitors response policies.

#### (3) Compliance Committee (in principle, meets monthly)

The Compliance Committee is chaired by the CEO and consists of the general managers of the CSR Promotion Department, the Internal Audit Department, the Human Resources Department, the Business Systems Development Department, the Communication & IR Office of the Management Planning Department, the Audit & Supervisory Board Office, and persons in charge of risk management at Group companies as designated by the Committee Chairman. The committee examines measures to improve and sustain compliance within the Group, formulates, implements and manages the progress of the annual compliance plan, and reports to the ERM Committee as necessary.

#### (4) Sustainability Committee (in principle, meets semiannually)

The Sustainability Committee is chaired by the CEO and consists of full-time Directors, full-time Members of the Audit & Supervisory Board, and Group executives and employees appointed by the committee chair. The committee is responsible for decision-making regarding the study, development, and implementation of important matters to achieve the Group's Sustainability Policy. More specifically, the committee deliberates on the establishment, revision, and abolition of sustainability-related rules, matters related to important Group issues, and matters related to responses to external evaluation bodies.

Furthermore, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and the provisions of the its Articles of Incorporation, the Company concludes contracts limiting liability as defined under Article 423, Paragraph 1 of said law with directors (excluding executive directors), and Audit & Supervisory Board members. The limit on damage liability set forth in these contracts shall be the liability limit prescribed in Article 425, Paragraph 1 of the Companies Act. Furthermore, the limit to liability shall be recognized only when the execution of duties by the director or Audit & Supervisory Board member resulting in liability were conducted in good faith and did not constitute gross negligence.

### 3. Reason for Selecting Current Corporate Governance System

As a company that has established an Audit & Supervisory Board, we have strengthened the monitoring and supervision functions of the Board of Directors by electing independent outside directors and establishing a Nomination and Compensation Committee. Furthermore, we focus on supporting the audit functions of Audit & Supervisory Board members by enhancing the environment for and by selecting multiple independent outside Audit & Supervisory Board members to support audit functions. The purpose of this system is to receive objective judgments concerning the status of our business operations from an outside perspective, ensure a high level of business transparency, and ensure the sufficient execution of business monitoring functions, thereby increasing the corporate value of our Group and sufficiently fulfilling our responsibilities regarding accountability.

## /// Status of Policies Concerning Shareholders and other Parties with Interests

### 1. Status of Initiatives related to Improving the Substance of General Meeting of Shareholders and optimizing the Process of Exercising Voting Rights Updated

	Supplemental information
<b>Early delivery of General Meeting of Shareholders' convening notice</b>	We send notices concerning the convening of the General Meeting of Shareholders at least 3 business days prior to the legally mandated deadline.
<b>Setting dates for the General Meeting of Shareholders that avoids peak periods</b>	Our fiscal year concludes in June and we hold the General Meeting of Shareholders in September, and to the extent possible set dates that are not concurrent with the General Meeting of Shareholders for other companies.
<b>Exercising voting rights via electronic methods</b>	We enable the exercising of voting rights via electronic methods.
<b>Participation in electronic voting platform and other initiatives to improve the voting environment for institutional investors</b>	We participate in the electronic voting platform in order to create an environment in which all shareholders, not just those attending the General Meeting of Shareholders, can exercise their voting rights appropriately.
<b>Provision of meeting notice (summary) in English</b>	We provide an English version of our meeting notice (summary).
<b>Other</b>	In order to ensure that shareholders have sufficient time to review the proposals of the General Meeting of Shareholders and exercise their voting rights appropriately, we send out the convocation notice, reference materials at the earliest opportunity, and publish them on our website during the period between the Board of Directors' resolution to convene the meeting and the dispatch of the convocation notice.

### 2. Status of IR Activities Updated

	Supplemental information	Explanation provided directly by representative
<b>Creation/publication of disclosure policy</b>	We publish our disclosure policy on our website.	
<b>Holding regular conferences for individual investors</b>	We proactively attend conferences for individual investors held by securities companies and others to help investors better understand our company. After the financial results briefings for institutional investors and analysts, which are held four times a year for each quarter, the video, transcript of the briefing, and record of Q&A session are promptly posted on our website. Additionally, the CEO himself appears on a radio program semiannually to create opportunity for providing information about current situation, business environment, and future plans.	Yes
<b>Holding regular conferences for analysts and institutional investors</b>	We host four quarterly financial results briefings in each fiscal year. For the fiscal year ended June 30, 2021, we have held all four briefings in the forms of telephone conferences and webinars due to the spread of the new coronavirus infection. We also regularly hold individual and group meetings with institutional investors and analysts.	Yes
<b>Holding regular conferences for overseas investors</b>	In addition to overseas IR, we provide presentations at conferences and webinars hosted by domestic and overseas securities firms. We also regularly hold individual and group meetings with overseas institutional investors and analysts, and distribute webcast of the financial results briefing with simultaneous English interpretation.	Yes
<b>Publication of IR materials on website</b>	In addition to the regular publication of monthly materials, we	

	also publish financial and IR materials such as financial information, timely disclosure materials, press releases, securities reports and quarterly reports, General Meeting of Shareholders materials, earnings conference materials, and materials related to our medium-term business plan.
<b>Establishment of IR department (manager)</b>	The Communication and IR Office of the Management Planning Department, which is overseen by the CFO, is responsible for IR.

### 3. Status of Initiatives related to Respecting the Position of Stakeholders Updated

	Supplemental information
<b>Internal regulations for respecting the position of stakeholders</b>	<p>As a corporate group trusted by society, we establish the TechnoPro Group Code of Conduct to foster good relationships with stakeholders and to contribute to the creation of sustainable societies. We practice corporate behavior in accordance with this code of conduct. The code states clearly our policies on environmental conservation including contribution to climate change issues, respect for human rights, consideration for employee health and working environment, fair and appropriate transactions with business partners, human resources development to ensure diversity, internal environment improvement, and the appointment of women and non-Japanese employees. The “TechnoPro Group Code of Conduct” can be viewed our website. (<a href="https://www.technoproholdings.com/en/ir/management/code_of_conduct.html">https://www.technoproholdings.com/en/ir/management/code_of_conduct.html</a>)</p> <p>We also have outlined the “6 Promises of TechnoPro Group Employees” as a guideline for the behavior of our executives and employees, and are striving to realize our Code of Conduct through the practice and penetration of these promises.</p> <p>“TechnoPro Group Six Core Commitments”</p> <ol style="list-style-type: none"> <li>1. Act with initiative and accountability <ul style="list-style-type: none"> <li>• We work with the end goal in mind, selecting the best course of action.</li> </ul> </li> <li>2. Strive to improve expertise and skills <ul style="list-style-type: none"> <li>• We aspire to greatness in our profession, learning new skills and knowledge every day.</li> </ul> </li> <li>3. Communicate effectively and act with sincerity <ul style="list-style-type: none"> <li>• We treat everyone with respect, building relationships of understanding and trust.</li> </ul> </li> <li>4. Be an ultimate professional and a trusted team player <ul style="list-style-type: none"> <li>• We work with other entities, incorporating various ideas and insights for superb results.</li> </ul> </li> <li>5. Act with insight and speed for the success of others <ul style="list-style-type: none"> <li>• We monitor trends in markets and technology, anticipating needs and offering superior solutions.</li> </ul> </li> <li>6. Be perfect in legal and ethical compliance <ul style="list-style-type: none"> <li>• We inspire trust and confidence through perfect compliance with labor laws, information security statutes and practices, and ethics rules governing business in general and in our industry in particular.</li> </ul> </li> </ol>
<b>Promote environmental conservation activities, CSR activities, etc.</b>	<p>We formulated the TechnoPro Group Sustainability Policy from a medium- to long-term perspective on raising corporate value, recognizing that addressing issues related to sustainability is an important management issue that reduces risks and leads to growth opportunities. Based on this recognition, the Sustainability Committee shall make decisions regarding the examination, development, and operation of important matters to achieve our basic policy, pursuing proactive and active measures. Furthermore, We have established rules regarding social and environmental aspects in line with this Policy. We aim to achieve sustainable business growth and solve social and environmental issues through the implementation of these rules.</p> <p><b>TechnoPro Group Sustainability Policy</b>  The TechnoPro Group will achieve sustainable business growth and increase corporate value through creating shared value with our stakeholders, including executives, employees, customers, and society, based on our engineers, technical capabilities, and business models, and through the establishment of and operations built on a solid management foundation. As a result, we will contribute to the sustainable development and prosperity of economies, industries, and societies around the world, as well as to the preservation of the global environment.</p>



- We will identify important management issues (materialities) that have a significant impact not only on the Group, but also on our stakeholders, that should be addressed on a priority basis. We will strive to create and expand our positive impacts and reduce our negative impacts on economies, industries, societies, and the environment.
- We will address and solve sustainability issues through our business activities, striving to capture new business opportunities that arise in the process.
- We will strive to enhance corporate value and trust by incorporating into our corporate activities the feedback we obtain from stakeholders through dialogue and proactive information disclosure.
- We will strive to build a sustainable value chain through the development of fair and honest corporate activities.
- We will formulate appropriate action plans to address sustainability issues, reflecting in these plans the United Nations Global Compact and other international principles and standards.
- We will educate and enlighten our executives and employees to raise awareness of sustainability issues and materialities, as well as to improve the knowledge necessary to implement measures regarding these issues and materialities in our business activities.

Furthermore, in the field of environmental conservation, we have established the following as our Environmental Principles and Basic Environmental Policy, and through the implementation of these we aim to make proactive contributions to the preservation of the environment.

#### TechnoPro Group Environmental Principles

- The TechnoPro Group views the conservation of a sustainable environment for future generations to be a vital management issue. With this awareness, we proactively promote business activities that achieve balance with the environment and we encourage our directors and employees to undertake initiatives related to environmental issues as we strive to be good corporate citizen and contribute to an enriched 21st century society.
- The TechnoPro Group uses environmentally conscious development, design, research, and services to provide technological solutions to customers in a diverse range of industries, including machinery, electrical and electronics, transportation equipment, IT infrastructure, software development, chemical, bio, and architecture.

#### TechnoPro Group Basic Environmental Policy

1. Legal compliance:  
In addition to social norms, our Group complies with laws, regulations, rules, and environmental treaties consented to by the Group related to environmental conservation.
2. Considerations related to the natural environment and the reduction of environmental risks  
We maintain an awareness of the resource reduction and environmental load caused by our business activities. Through the ingenuity of our executives and employees, we work towards resource conservation, energy reduction, resource recycling, waste reduction, and the prevention of environmental pollution and to reduce overall environmental risks to society.
3. System  
We plan, decide on, and promote initiatives related to environmental conservation through our Sustainability Committee, which is chaired by the CEO.
4. Enlightenment:  
In addition to working to improve environmental awareness among directors and employees, we also promote participation in social contribution activities related to environmental conservation.
5. Publication and promotion of environmental policy:  
In addition to promoting awareness of this policy within the Group, we also make this information available to the general public.

Specific examples of environmental conservation activities and CSR activities are as follows:

- We identify materialities and strive to improve in these areas, measured by numerical targets. The status of these activities is described in our annual integrated report.
- Planning and operation of TechnoPro Kids School, which teaches the joy of science to kindergarten and elementary school children, fostering a love of science among our youth
- Planning and operation of the Future Creating School, which encourages high school students to be active in and choose studies in the liberal arts and sciences
- Participation in activities to deliver picture books to children in Asia with Shanti Volunteer Association
- Participation in disaster recovery volunteer activities, cleanup activities, and tree planting activities in various parts of Japan

- Support for the environmental conservation activities of the World Wide Fund Japan (WWF Japan)
- Activities to calculate and reduce greenhouse gas emissions

**Creation of policies related to information sharing for stakeholders**

We believe ensuring the accurate understanding and evaluation of our Group by all our stakeholders, including shareholders, business partners, and employees, is vital to our company. In addition to legally mandated disclosures, we work to disseminate Group information by publishing information on our website and hosting conferences. Specifically, in the "TechnoPro Group Corporate Governance Guidelines", we outline the following concerning information disclosure and transparency.

- We determine policies concerning matters such as Group risk management, internal control systems, and legal compliance in accordance with the Companies Act and other applicable laws, and provide timely and appropriate disclosure.
- We comply with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws as well as applicable financial instrument exchange regulations to disclose financial and administrative information via fair, detailed, and simple methods.
- We shall formulate a Disclosure Policy, and based on such policy, we shall not only make a law-based disclosure, but always provide honest and value-added disclosure regarding our management strategies and challenges including our sustainability initiatives and investments in human capital and intellectual property from the perspective of shareholders and investors.
- We have established a system and means for information disclosure and work to foster trust-based relationships by enhancing communication with shareholders and investors.
- We shall disclose/provide disclosure documents in English for the information deemed necessary.

**[Basic Policy on Capital and Financial Strategies]**

We, with an accurate understanding of its cost of capital, draft and disclose a medium-term business plan and other important strategies, including the basic policies related to profit plans and capital strategy as well as goals related to profitability and capital efficiency, to provide a plain, clear, and logical explanation to shareholders regarding the specific policies on the distribution of management resources and the business portfolio transformation aimed achieving the goals.

- (1) Maintain a dividend payout ratio of 50% or higher
- (2) Achieve a return on equity (ROE) of 20% or higher
- (3) Achieve sustainable growth in earnings per share (EPS)
- (4) Maintain a debt/equity ratio (D/E) of less than 1
- (5) Conduct management with an awareness of cost of capital, targeting return on invested capital (ROIC) and other disciplined measures

### 1. Basic Approach concerning Internal Control System and Status of Development Updated

TechnoPro Holdings, Inc. ("the Company") has established the following policy based on Article 362 Paragraph 5 of the Companies Act, Article 362 Paragraph 4 Item 6 of the Companies Act, and Article 100 Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act.

#### 1. Internal Controls Structure

- The Company is a pure holding company, responsible for strategic planning and management support functions for TechnoPro Group companies. Accordingly, the Company's basic policy for an internal controls system applies to the Company, Company subsidiaries ("Group Companies;" "TechnoPro Group" when including the Company).
- The Company maintains and operates the following structure of internal controls for itself and creates and imposes the following structure of internal controls for Group Companies in accordance with laws and other rules and within a scope deemed rational.

#### 1-1. Management Implementation Structure

- The Company's board of directors makes decisions regarding the TechnoPro Group controls environment (corporate philosophy, medium-term management plan, human resources, etc.). The board obtains an understanding of the performance and internal controls status of the TechnoPro Group, exercising supervision over TechnoPro Group directors to determine whether performance is conducted efficiently and appropriately.
- The board of directors implements an executive officer system that allocates authority and responsibility over daily operations to executive officers, enabling directors to focus on strategic decision making and supervisory functions, thereby increasing business efficiency and strengthening business supervisory functions.
- As a rule, TechnoPro Group executive officers serve concurrently as Group Companies directors. The Group Management Committee, consisting of TechnoPro Group executive officers and others, deliberates basic policies and important matters related to the general management of the TechnoPro Group.
- The Company manages TechnoPro Group Companies, clearly defining matters for Company approval and matters that are reported to the Company according to TechnoPro Group company management regulations.
- TechnoPro Group executives and employees follow decision-making rules according to the importance of the matter in question and subject to rules regarding the division of labor regulations, work authority regulations, decision-making standards as determined by the board of directors of each company. In this way, the TechnoPro Group ensures rapid decision-making and efficient business execution.
- The Company provides shared services (accounting, finance, human resources, legal affairs, information systems, etc.) for the TechnoPro Group to achieve operational efficiencies and ensure internal controls.

#### 1-2. Internal Audit System

- The Company's Internal Audit Department investigates the status and operations of the system of internal controls within the TechnoPro Group according to internal audit rules, etc., providing advice and proposals for the improvement thereof.
- To ensure the independence and objectivity of internal audits, the Company's Internal Audit Department reports to the Company's CEO directly.
- The annual internal audit policy and internal audit plan for the TechnoPro Group is reported to the Company's Board of Directors after being approved by the Company's CEO.
- The Company's Internal Audit Department coordinates closely with the Company's Audit & Supervisory Board to ensure effective and practical audits.

#### 1-3. Audit & Supervisory Board Member Audit System

- The Company's Audit & Supervisory Board members coordinate with the Audit & Supervisory Board members of each Group Company through domestic Group Company Audit & Supervisory Board member networking meetings to ensure the practicability and fairness of Group Company Audit & Supervisory Board member audits. The Company's Audit & Supervisory Board members are responsible for auditing the creation and operation of internal controls systems at Group Companies.
- As a rule, the Company's Audit & Supervisory Board members serve concurrently as Audit & Supervisory Board members of major Group Companies.
- The Company has established an Audit & Supervisory Board Office as an organization independent of the board of directors to provide dedicated support for the duties of the Company's Audit & Supervisory Board members. Further, TechnoPro Group directors cooperate in the creation of an audit environment to ensure the practicability of TechnoPro Group Audit & Supervisory Board member audits.
- Staff assigned to the Company's Audit & Supervisory Board Office do not serve concurrently in other departments and are not subject to the direction of personnel other than the Company's Audit & Supervisory Board members. Further, matters related to the reassignment, HR evaluation, promotion, demotion, etc. of staff assigned to the Company's Audit & Supervisory Board Office require the approval of the Company's Audit & Supervisory Board.
- The Company has established a structure in which TechnoPro Group Audit & Supervisory Board members can collect information directly through attendance as major councils and committees, important decision-making documents or other important documents, regular reports from the Company's Internal Audit Department, shared information related to internal notices, reports from TechnoPro Group executives and employees, etc.
- The Company has determined and publicized clearly rules to the effect that TechnoPro Group executives and employees shall not be treated unfairly as a result of reports or internal notices to the TechnoPro Group Audit & Supervisory Board members.
- Audit-related expenses incurred by the Company's Audit & Supervisory Board members shall be provided in an annual fiscal budget, payable by the Company, unless such is proven to be unrelated to the execution of duties.

#### 1-4. Information Retention Management System

- The TechnoPro Group as a whole has established a system for the appropriate retention and use of information related to the operation of the structure of internal controls described above.
- The TechnoPro Group shall properly create and retain documents based on annual general shareholders' meeting minutes, board of directors meeting minutes, and other legally mandated documents.
- Information related to decisions made at major meetings and information related to major decisions and/or the execution of duties by directors shall be recorded, retained and/or destroyed, either in physical or electronic media, according to document management rules and document retention rules.



- The TechnoPro Group has established a system for quickly searching and viewing these documents to confirm the existence and retention status of said documents. This system consists of document digitization and entry into a database.

## 2. Internal Controls

- The TechnoPro Group as a whole shall strengthen internal controls related to the following matters, according to the structure of internal controls described in the prior paragraphs.

### 2-1. Internal Controls Related to Risk Management

- TechnoPro Group executives and employees shall engage in the execution of their duties within the relevant authority and scope of responsibility according to the authority and scope of responsibility defined for the individual. Said individual is responsible for managing the events that may affect the Group's ability to achieve its strategic and business objectives ("Risk").
- The TechnoPro Group has established Enterprise Risk Management (ERM) rules and other related rules in order to reasonably guarantee the formulation of strategies and the achievement of business objectives..
- The TechnoPro Group conducts a comprehensive assessment of the identified risks and establishes a risk response policy at the ERM Committee based on the Group's risk appetite.
- The TechnoPro Group has established a risk management monitoring system to collect information within the Company related to group-wide risk, providing a prompt and effective response.
- The TechnoPro Group provides ongoing education and training related to risk management to TechnoPro Group executives and employees.
- On an annual basis, the Company's board of directors identifies risks related to the execution of our operations, revising our corresponding risk management structure.

### 2-2. Internal Controls Related to Compliance

- As an entity engaged in labor dispatch, paid placement services, and other businesses, the TechnoPro Group complies with relevant laws and statutes, having established structures for strict compliance as a whole with laws, statutes, and our articles of incorporation, as well as with corporate ethics ("Compliance").
- The Company has established a CSR Committee chaired by the Company's CEO, who is the chief officer responsible for Company Compliance, and whose members consist of TechnoPro Group general manager of each division. This committee deliberates important matters related to organization-wide Compliance structure planning and operations.
- The TechnoPro Group has established the TechnoPro Group Code of Conduct, requiring compliance from TechnoPro Group executives and employees. At the same time, the TechnoPro Group conducts ongoing education and training related to Compliance.
- By setting and operating Compliance rules, we maintain our Compliance structure, identify issues, and improve issues that must be addressed.
- The TechnoPro Group has instituted an internal reporting system (internal reporting system and third-party report desk independent of management). We make this reporting system known to executives and employees for the prevention, early detection, and prompt and effective response to acts in violation of Compliance. At the same time, reports from executives and employees related to Compliance are reflected in our business management.
- In the event that an act in violation of Compliance is discovered, we strive to take appropriate response measures in cooperation with external experts and in accordance with our Compliance rules and internal reporting rules. Further, we have instituted and operated penalties for persons who violate or fail to report the violation of Compliance.

### 2-3. Internal Controls Related to Financial Reporting

- The TechnoPro Group has functions in place to ensure the group- and process-level internal controls related to financial reporting. These controls are based on the Financial Instruments and Exchange Act and other related laws to ensure the reliability of our financial reporting.
- The TechnoPro Group conducts annual assessment of risks at the ERM Committee in order to strengthen internal control functions related to TechnoPro Group financial reporting. This committee is responsible for important decisions to create and operate internal controls systems related to financial reporting.

### 2-4. Internal Controls Related to Information Systems and Information Security

- TechnoPro Group executives and employees may have access to secret information related to customer research and development or personal information related to employment candidates or executives and employees of the TechnoPro Group. In light of these circumstances, the TechnoPro Group has implemented a strict information security management system.
- The TechnoPro Group has created and operates rules related to information systems and information security, providing education and training to executives and employees in order to instill the appropriate handling of information and information equipment.
- By strengthening the infrastructure of network security, etc., we engage in measures against data loss or leakage.

## 2. Basic Approach to the Elimination of Antisocial Forces and Status of Measures

Our Group has outlined the "Antisocial Force Response Regulations" and "Antisocial Force Response Manual". Designating the CSR Promotion Department as the department in charge, we have established and operate a system to eliminate any relations with antisocial forces.

For contracts with business partners, we require the inclusion of an antisocial force elimination clause (clause stipulating the right to cancel a contract if it is determined that the opposing party is an antisocial force) in an agreement and as a requirement of memorandums and contracts. Furthermore, directors and employees are required to submit a pledge stating that they do not constitute an antisocial force and that they have no involvement with antisocial forces.

## V Other

### 1. Incorporation of Measures to Prevent TOB

<b>Incorporation of measures to prevent TOB</b>	None
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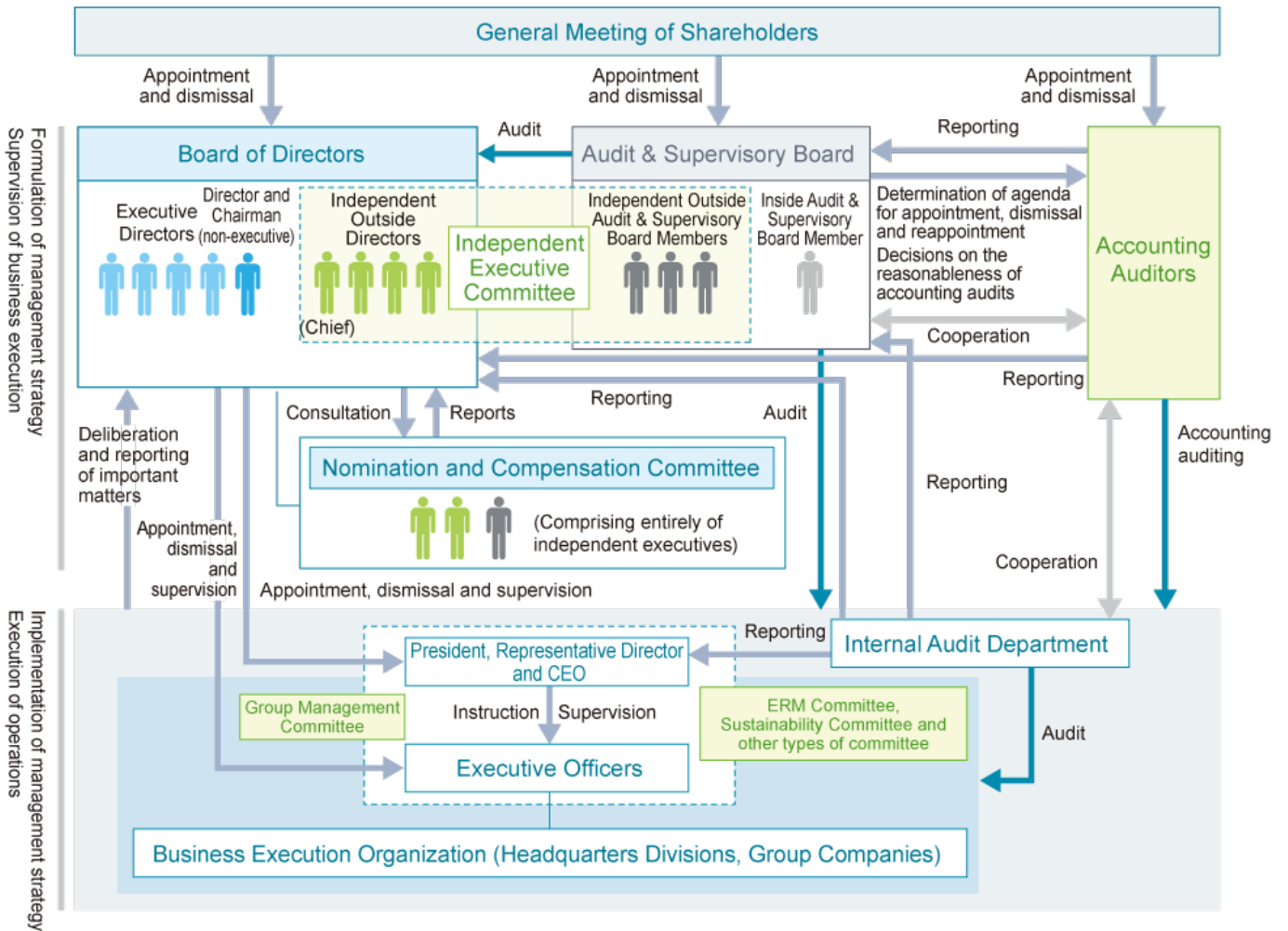
Supplemental information concerning relevant items

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### 2. Other Matters related to Corporate Governance System, etc.

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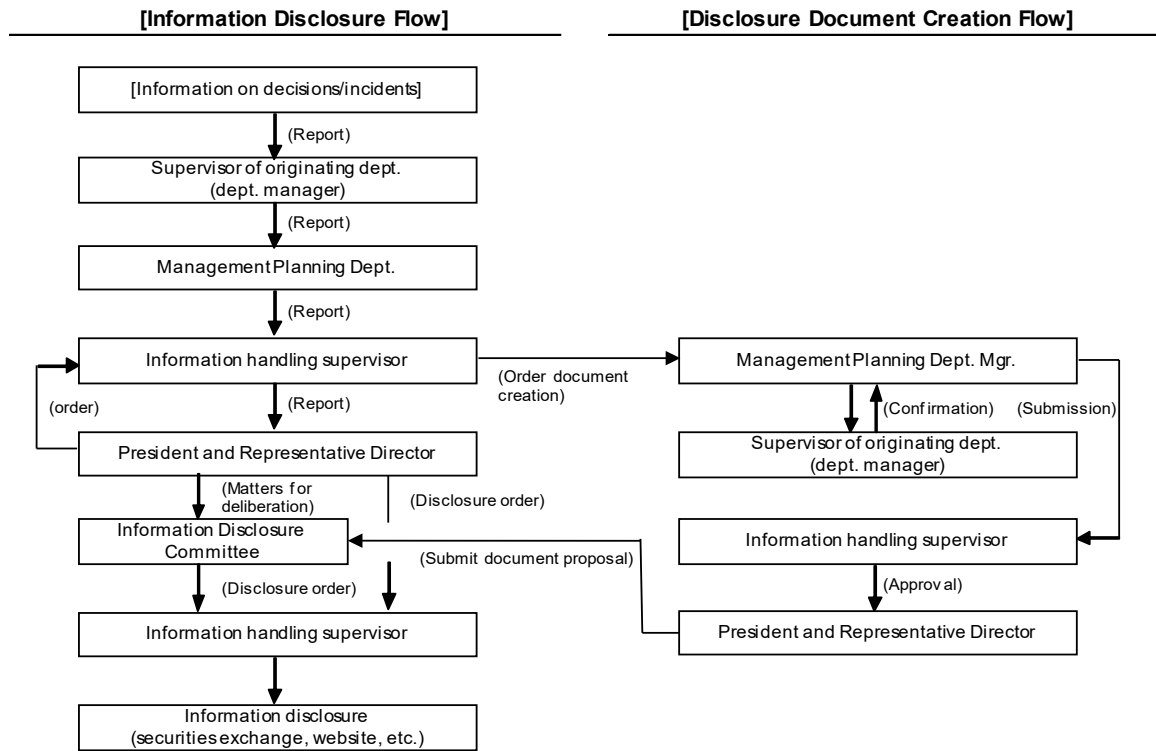
**[Flow Chart (Reference Materials)]**



Note: The Board of Directors is chaired by the Director and Chairman. The Audit & Supervisory Board is chaired by an inside member of the The Audit & Supervisory Board. The Nomination and Compensation Committee is chaired by an independent outside member of the Audit & Supervisory Board. The Independent Executive Committee is chaired by the chief Independent Outside Director.

**[Summary of timely information disclosure system (flow chart)]**

**[Information on Decisions/Incidents]**



**[Financial Information]**

