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Corporate Governance Report

CORPORATE GOVERNANCE

BALMUDA Inc.

Last Update: March 28, 2025

BALMUDA Inc.

Gen Terao, President and Representative Director

Contact: +81-50-3733-9206

Securities code: 6612

The corporate governance of BALMUDA Inc. (the “Company”) is described below.

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

1. Basic Views

Corporate Governance is built on trust with stakeholders. The Company believes that trust with stakeholders is established through appropriate information disclosure aimed at fostering open and equitable relationships, as well as through a strong emphasis on compliance. Based on this belief, the fundamental approach of the Company to corporate governance is to build and operate organizational structures and systems that promote the development and deepening of trust-based relationships with stakeholders, including shareholders.

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

The Company has implemented all of the fundamental principles of the Corporate Governance Code.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Gen Terao	5,782,500	68.33
KOREA SECURITIES DEPOSITORY-SAMSUNG	261,000	3.08
Mitsuba Inc.	125,000	1.48
SIX SIS LTD.	50,500	0.60
Rakuten Securities, Inc.	44,000	0.52
(Individual)	30,700	0.36
Matsui Securities Co., Ltd.	24,200	0.29
(Individual)	24,000	0.28
(Individual)	22,500	0.27
SBI SECURITIES Co.,Ltd.	20,727	0.24

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	Gen Terao
Name of Parent Company, if applicable	—

Supplementary Explanation

The status of major shareholders is based on the shareholder register as of December 31, 2024.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Growth Market
Fiscal Year-End	December
Business Sector	Electrical Appliances
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	100 or more but fewer than 500
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

The Company maintains a management policy of ensuring a board composition that provides effective oversight in order to protect the interests of minority shareholders. In transactions with the controlling shareholder, decisions are made based on the same standards and decision-making procedures as those applied to ordinary transactions.

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

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

1. Organizational Composition and Operation

Corporate Governance System

Company with Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Reiko Katayama	From another company											
Kiyoaki Nakajima	From another company											
Mitsuhiko Mori	Tax Accountant								△			
Masashige Nagai	Lawyer											

*Categories for "Relationship with the Company".

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

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Member of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Reiko Katayama		○	—	She possesses deep insight based on her extensive experience as a senior executive and corporate manager over many years, and she currently serves as a Representative Director of a listed company. With the aim of strengthening the management structure of the Company by receiving advice from an external, managerial, and independent perspective, she has been appointed as an Independent Outside Director.
Kiyoaki Nakajima	○	○	—	He possesses deep insight into corporate governance, finance, and accounting, backed by his many years of experience at financial institutions and his proven track record as a corporate auditor, including at other companies. Believing that he can oversee the management of the Company from an independent external standpoint, he has been appointed as an Independent Outside Director who serves as an Audit and Supervisory Committee Member.
Mitsuhiko Mori	○	○	The Company previously had a tax advisory contract with the Tax Accountant Office, headed by him, but the contract was terminated in December 2016. The transaction amount was minimal.	He possesses deep insight into finance, accounting, and corporate management as a certified public tax accountant. Believing that he can oversee the management of the Company by leveraging his specialized knowledge and practical experience, he has been appointed as an Independent Outside Director who serves as an Audit and Supervisory Committee Member.
Masashige Nagai	○	○	—	He has an extensive career as an attorney and possesses specialized knowledge in legal fields, including corporate legal affairs. Believing that he can oversee the management of the Company by leveraging his legal expertise, he has been appointed as an Independent Outside Director who serves as an Audit and Supervisory Committee Member.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	3	1	0	3	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee

Not Appointed

Reasons for Adopting Current System

The Company has appointed a full-time Audit and Supervisory Committee Member and currently operates without assigning any personnel to assist the Audit and Supervisory Committee (hereinafter referred to as “Assistants to the Audit and Supervisory Committee”), as it is deemed that the Committee can adequately perform its duties without such support.

However, the Company has established a framework in which the Audit and Supervisory Committee may request the appointment of Assistants to the Audit and Supervisory Committee to the Board of Directors. If such a request is made, the Company can assign such assistants.

Personnel assigned as Assistants to the Audit and Supervisory Committee are subject to prior consent from the Audit and Supervisory Committee regarding their personnel transfers, evaluations, and disciplinary actions, thereby ensuring their independence from Directors.

Furthermore, the Audit and Supervisory Committee shall directly instruct the Assistants, who are required to perform their duties in accordance with those instructions.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit and Supervisory Committee holds regular meetings with the Accounting Auditor to exchange information and share issues. Additionally, the Committee engages in periodic discussions with the Internal Audit Office to strengthen collaboration, thereby ensuring the effectiveness of the Committee’s audits.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee’s Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	—	—	—	—	—	—	—	—
Voluntarily Established Committee Equivalent to Remuneration Committee	Compensation Committee	5	0	1	4	0	0	Inside Director

Supplementary Explanation

On January 21, 2022, the Company's Board of Directors resolved to establish a voluntary Compensation Committee, primarily composed of Outside Directors, as an advisory body to the Board. This was done to ensure the appropriateness of executive compensation and the transparency of the decision-making process.

Matters Concerning Independent Directors

Number of Independent Directors	4
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Other Matters Concerning Independent Directors

All Outside Directors who meet the qualifications for Independent Directors are designated as Independent Directors.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Stock Options Scheme
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Supplementary Explanation for Applicable Items

The Company has introduced a stock option system with the aim of enhancing motivation and morale toward improved performance, as well as promoting the medium- to long-term growth of business results and corporate value.

Persons Eligible for Stock Options	Inside Directors, Employees and Other
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Supplementary Explanation for Applicable Items

The Company has introduced a stock option system with the aim of enhancing motivation and morale toward improved performance, as well as promoting the medium- to long-term growth of business results and corporate value. The number of stock options granted is determined comprehensively, taking into account factors such as the individual's past contributions to the Company, their position, and the responsibilities they are expected to fulfill.

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors
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Supplementary Explanation for Applicable Items

As there are no individuals whose total compensation amounts to 100 million yen or more, individual disclosures are not provided. Compensation for Directors is disclosed in aggregate for each category of director (i.e., Internal Directors and Outside Directors).

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established a policy regarding the determination of the amount of executive compensation and the method for calculating such compensation.

At the Annual General Meeting of Shareholders held on March 23, 2022, it was resolved that the total annual amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed 300 million yen (of which no more than 30 million yen is allocated to Outside Directors; this amount excludes salaries for Directors who also serve as employees). The number of Directors at the time of the resolution was four. For Directors who are Audit and Supervisory Committee Members, the total annual amount of compensation was resolved to be no more than 50 million yen. The number of such Directors at the time of the resolution was three.

a. Executive Compensation for Directors with Executive Roles

To ensure the appropriateness and transparency of the decision-making process and outcomes regarding executive compensation, the Company consults the Compensation Committee, which serves as an advisory body to the Board of Directors and is composed of the Representative Director and four Outside Directors.

i. Basic Policy on Director Compensation

The Compensation Committee's basic policy on director compensation is as follows:

- It should contribute to the medium- to long-term enhancement of the Company's corporate value.
- It should be structured in a way that ensures accountability to stakeholders such as shareholders and employees.
- It should be set at a level that helps attract and retain talented personnel.
- It should be designed with transparency and objectivity, with a clearly defined decision-making process.

ii. Compensation Structure for Directors

The Company's approach to the compensation structure for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) is as follows:

(a) Fixed Compensation

The base compensation for Directors with executive roles is paid monthly as fixed compensation in return for the execution of their duties. The amount is determined at an appropriate and attractive level to help secure talented personnel, taking into consideration factors such as position, responsibilities, compensation levels at other companies, employee salaries, and the Company's performance.

(b) Performance-Linked Compensation (Short-Term Incentives)

This component is calculated by multiplying the fixed monthly compensation by a factor based on the average number of months of bonus payments made to employees^{*}, which is determined by the achievement of budget targets. The final amount also reflects each executive Director's individual contribution to performance.

^{*}Note: The eligibility and level of bonus payments made to employees are determined based on the previous fiscal year's budget achievement (e.g., operating profit).

(c) Non-Monetary Compensation (Stock-Based Compensation, etc.)

As a medium- to long-term incentive, stock-based compensation such as restricted stock or stock options may be granted. These non-monetary rewards are determined by the Board of Directors, based on the recommendation of the Compensation Committee, when deemed necessary for the Company Group's business growth and enhancement of corporate value. The decision takes into account factors such as position, responsibilities, contribution to performance, and the Company's overall performance.

b. Executive Compensation for Outside Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Considering that the role of Outside Directors is to supervise business execution, their compensation consists solely of fixed monthly payments. The amount is determined comprehensively, taking into account compensation levels at other companies and the Company's performance.

c. Executive Compensation for Directors Who Are Audit and Supervisory Committee Members

The amount of compensation for Directors who are Audit and Supervisory Committee Members is determined through discussions among those members, within the scope approved by the General Meeting of Shareholders. Factors such as whether the member is full-time or part-time and the scope of their responsibilities are considered. As these Directors are responsible for conducting audits from an objective standpoint, their compensation consists solely of fixed monthly payments.

Support System for Outside Directors

Support for Outside Directors is provided by the Investor Relations Office. Materials for Board of Directors meetings are distributed in advance to ensure sufficient time for review and consideration of the agenda items, and prior explanations are provided as necessary. In addition, for Outside Directors who are Audit and Supervisory Committee Members, the full-time Audit and Supervisory Committee Member facilitates information sharing among the Audit and Supervisory Committee, the Accounting Auditor, and the Internal Audit Office.

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

The Company transitioned from a Company with a Board of Corporate Auditors to a Company with an Audit and Supervisory Committee, based on a resolution passed at the Annual General Meeting of Shareholders held on March 23, 2022. By establishing an Audit and Supervisory Committee composed of Outside Directors, the Company aims to strengthen its oversight and supervisory functions over management, while also enabling swift decision-making through the separation of management oversight and business execution.

The structure and details of the Company's systems for business execution, auditing and supervision, nomination, and compensation decisions are as follows:

i. Board of Directors

The Board of Directors consists of three Directors who are not Audit and Supervisory Committee Members (including one Outside Director) and three Directors who are Audit and Supervisory Committee Members (all of whom are Outside Directors). The Board makes decisions on important matters related to management, such as management policies and matters stipulated by laws and regulations, and supervises the status of business execution. The Board of Directors is chaired by the President and Representative Director and is, in principle, held regularly once a month, with additional meetings convened as necessary. To enhance agility in response to changes in the business environment, the Company's Articles of Incorporation stipulate that the number of Directors (excluding those who are Audit and Supervisory Committee Members) shall be no more than 10, and the number of Directors who are Audit and Supervisory Committee Members shall be no more than 5, in order to maintain an optimal and effective Board size.

ii. Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three Directors who serve as Audit and Supervisory Committee Members, all of whom are Outside Directors, thereby ensuring independence from the executive management. The Committee is chaired by a full-time Audit and Supervisory Committee Member and, in principle, convenes once a month.

Each Committee Member conducts audits of business operations by attending meetings of the Board of Directors and other important meetings, interviewing Directors and key employees, and reviewing important documents. In terms of accounting audits, the Committee also holds hearings with the Accounting Auditor, thereby establishing a system that audits and supervises the execution of duties by Directors not only from a legal compliance perspective but also from the standpoint of appropriateness.

The Audit and Supervisory Committee appropriately exercises its right to express opinions on the nomination and compensation of Directors (excluding those who are Audit and Supervisory Committee Members). When necessary, the Committee exchanges information with Outside Directors who are not Audit and Supervisory Committee Members, collaborates with the Internal Audit Office and the Accounting Auditor, and requests audit reports as needed.

To enhance the effectiveness of audits and supervision, the Company appoints one full-time Audit and Supervisory Committee Member. This full-time member also attends internal meetings other than the Board of Directors, thereby establishing a system that enables thorough auditing of the execution of duties by Directors.

iii. Internal Audit Office

The Company has established an Internal Audit Office, which conducts internal audits of each department and subsidiaries regarding compliance with laws and internal regulations, as well as the efficiency of business operations. The results of these audits are reported to the Representative Director and the Board of Directors. The Internal Audit Office also provides recommendations to audited departments for business improvements, thereby promoting the proper conduct of operations.

iv. Management Meeting

The Company holds a Management Meeting, which consists of Directors (excluding Outside Directors), Executive Officers, and Department Heads. This meeting is held, in principle, once a week. It serves primarily as a forum for sharing information

on the status of operations from each department and discussing important matters related to specific management issues. A full-time Director who is an Audit and Supervisory Committee Member attends the meeting as an observer.

v. Risk and Compliance Committee

The Risk and Compliance Committee is composed of the Representative Director, full-time Directors, Executive Officers, the Secretariat, and Outside Directors as observers. It serves as a forum for reporting and discussing company-wide and comprehensive risk management measures related to the operations of the Company Group. Each Department Head is responsible for risk management within their respective departments as part of daily operations, and in the event of unforeseen circumstances, they are required to report to the Risk and Compliance Committee.

3. Reasons for Adoption of Current Corporate Governance System

The purpose of granting Audit and Supervisory Committee Members, who are responsible for auditing the execution of duties by Directors, voting rights at Board of Directors meetings, and granting the Audit and Supervisory Committee the right to express opinions on the nomination and compensation of Directors (excluding those who are Audit and Supervisory Committee Members), is to further strengthen the Board of Directors' supervisory function over the execution of duties by Directors. Through the mutual coordination of various bodies and committees—such as the Internal Audit Office, which monitors daily operations, the Risk and Compliance Committee, and the Compensation Committee—the Company believes it has established a system that ensures sound, efficient, and transparent management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company strives to send out the Notice of Shareholders' Meeting at an early stage to ensure that shareholders have sufficient time to review the proposals and exercise their voting rights appropriately.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The Company has a fiscal year ending in December and holds its Annual General Meeting of Shareholders every March. To facilitate greater shareholder participation, the Company strives to schedule the meeting on a date that avoids the peak period when many companies hold their shareholder meetings.
Electronic Exercise of Voting Rights	The Company has made it possible for shareholders to exercise their voting rights through an online voting system.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Taking into account the shareholder composition and other relevant factors, the Company will consider implementing such measures as necessary.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Taking into account the shareholder composition and other relevant factors, the Company will consider implementing such measures as necessary.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The relevant information is disclosed on the Investor Relations page of the Company's official website. https://corp.balmuda.com/policy/	
Regular Investor Briefings held for Individual Investors	The Company recognizes this as a matter for future consideration. In the meantime, we are working to enhance the accessibility of IR information for individual investors by, for example, publishing materials and summaries of Q&A sessions from financial results briefings for institutional investors on the IR page of the Company's website.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors on a quarterly basis. In addition, to accommodate those who are unable to attend the briefings, we publish the presentation materials and summaries of Q&A sessions on the IR page of the Company's website.	Held
Regular Investor Briefings held for Overseas Investors	Taking into account the shareholder composition and other relevant factors, the Company will consider implementing such measures as necessary. Currently, the Company conducts individual IR meetings with overseas institutional investors. In addition, since 2023, the Company has been working to enhance its English-language disclosures.	Not Held
Online Disclosure of IR Information	The Company discloses financial results reports, financial results briefing materials, securities reports, and timely disclosure documents on the IR page of the Company's website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Investor Relations Office	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company conducts its business activities with the belief that earning the trust of all stakeholders, including shareholders, is essential for business expansion. We are working to establish a management structure that enhances efficiency and agility, enables the continuous generation of profits, and contributes to the improvement of corporate value. At the same time, we are strengthening our management control systems to ensure transparency and objectivity in our business operations. Furthermore, we are committed to maintaining a robust compliance framework based on sound ethical standards, with the aim of meeting the expectations of our stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company recognizes this as a matter for future consideration.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company is committed to proactive information disclosure to stakeholders through the IR page of its website and financial results briefings.

IV. Matters Concerning the Internal Control System

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

The Company, in accordance with the Companies Act and the Regulation for Enforcement of the Companies Act, has established a basic policy on the development of internal control systems as a fundamental framework to ensure the appropriateness of business operations. Based on this policy, the Company operates under the following structure:

1. Systems to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
 - (1) The Company, as a Company with an Audit and Supervisory Committee, has established a policy for the development of internal control systems and strives to ensure thorough compliance with laws and regulations by Directors and employees.
 - (2) The Company has established compliance regulations, and Directors and employees are required to perform their duties with a strong awareness of compliance, in accordance with laws, the Articles of Incorporation, and internal rules.
 - (3) The Board of Directors makes decisions on business execution and supervises the performance of duties by Directors to ensure both legal compliance and appropriateness based on sound business judgment.
 - (4) The Audit and Supervisory Committee exercises its statutory authority to audit the execution of duties by Directors.
 - (5) The Company takes a firm and organized stance against anti-social forces that threaten the order and safety of civil society, in cooperation with legal counsel and relevant authorities.
 - (6) The Company has established internal rules for the operation of a whistleblowing system, including a consultation and reporting hotline for corporate ethics. This system (hereinafter referred to as the “Whistleblower System”) is designed to detect and correct any actual or potential violations of laws, the Articles of Incorporation, or internal rules at an early stage.
 - (7) The Internal Audit Office, which reports directly to the Representative Director, audits the development and operation of the internal control system. The results of internal audits are fed back to the audited departments and reported to the Representative Director and the Audit and Supervisory Committee.
2. Systems for the Preservation and Management of Information Related to the Execution of Duties by Directors
 - (1) The Company has established Document Management Regulations, under which important documents (including electronic records), such as minutes of key meetings and other information related to the execution of duties by Directors, are appropriately preserved and managed in accordance with the relevant rules.
 - (2) The Company has established Information Security Regulations to ensure the protection and management of its information assets.
3. Systems and Regulations for Managing Risks of Loss
 - (1) The Company has established Risk Management Regulations to identify, assess, and address various risks associated with its business operations.
 - (2) To prepare for unforeseen events such as natural disasters or corporate scandals, the Company has formulated a Business Continuity Plan (BCP) and has developed a system to prevent the escalation of losses and minimize their impact.
4. Systems to Ensure Efficient Execution of Duties by Directors
 - (1) The Board of Directors operates in accordance with laws, the Articles of Incorporation, and the Board of Directors Regulations, and is held regularly once a month and on an ad hoc basis as necessary.
 - (2) The Board of Directors makes decisions on important management matters and statutory issues, and supervises the execution of duties by Directors.
 - (3) Directors engage in close communication and information sharing to ensure efficient, agile, and prompt execution of their duties.
 - (4) The Company has established Organizational Regulations, Rules on Division of Duties, and Approval Procedures Regulations to build a framework for the execution of Directors’ duties.
5. Systems to Ensure the Appropriateness of Operations within the Corporate Group
 - (1) Subsidiaries are required to regularly report to the Company on their business performance, financial condition, and other important matters.
 - (2) The Company identifies and assesses various risks associated with the operations of its subsidiaries and works to implement appropriate countermeasures.
 - (3) To prepare for unforeseen events such as natural disasters or corporate scandals, the Company has established systems to prevent the escalation of losses and minimize their impact.

- (4) The Company has established Group Company Management Regulations that define general management policies for subsidiaries, thereby enhancing sound management across the corporate group.
- (5) Directors and employees of subsidiaries are expected to perform their duties with a strong awareness of compliance, in accordance with laws, the Articles of Incorporation, and internal regulations.
6. Matters Related to Employees Assigned to Assist the Audit and Supervisory Committee, When Requested
The Audit and Supervisory Committee may request the Board of Directors to assign employees to assist in the performance of its duties (hereinafter referred to as “Assistants to the Audit and Supervisory Committee”).
7. Independence of the Assistants to the Audit and Supervisory Committee from Directors
Personnel changes, performance evaluations, and disciplinary actions concerning the Assistants to the Audit and Supervisory Committee require the prior consent of the Audit and Supervisory Committee.
8. Ensuring the Effectiveness of Instructions Given to the Assistants to the Audit and Supervisory Committee
The Audit and Supervisory Committee shall directly instruct the Assistants, who shall perform their duties in accordance with those instructions.
9. Systems for Reporting to the Audit and Supervisory Committee
- (1) Directors and employees of the Company who are not members of the Audit and Supervisory Committee must report to the Committee without delay on statutory matters, as well as on any issues that may have a significant impact on the Company, matters resolved at important meetings, the status of the whistleblower system, and internal audit results. They must also promptly respond to any requests from the Committee for reports on the status of business execution.
- (2) Directors, Audit & Supervisory Board Members, and employees of subsidiaries who are not members of the Audit and Supervisory Committee must likewise report without delay to the Company’s Audit and Supervisory Committee on statutory matters, issues that may significantly affect the Company, matters resolved at important meetings, the status of the whistleblower system, and internal audit results. They must also promptly respond to any requests from the Committee for reports on the status of business execution.
10. Systems to Ensure That Individuals Who Report to the Audit and Supervisory Committee Are Not Treated Disadvantageously
The Company prohibits any disadvantageous treatment of Directors and employees of the Company and its subsidiaries (excluding Audit and Supervisory Committee Members), as well as Audit & Supervisory Board Members of subsidiaries, on the grounds that they have made reports to the Audit and Supervisory Committee in accordance with item 9 above. This policy is thoroughly communicated to all relevant personnel.
11. Policies Regarding Advance Payment or Reimbursement of Expenses Incurred in the Execution of Duties by Audit and Supervisory Committee Members (Limited to Duties Related to the Committee)
When an Audit and Supervisory Committee Member requests advance payment or reimbursement of expenses necessary for the execution of their duties, the Company shall promptly process such expenses or obligations.
12. Other Systems to Ensure Effective Audits by the Audit and Supervisory Committee
- (1) The Audit and Supervisory Committee regularly exchanges opinions with the Representative Director and, as necessary, confirms the status of business execution with Directors and employees.
- (2) Audit and Supervisory Committee Members attend not only Board of Directors meetings but also other important meetings.
- (3) The Audit and Supervisory Committee exchanges opinions with the Accounting Auditor.
- (4) The Audit and Supervisory Committee may independently seek assistance from external experts such as attorneys and certified public accountants.
- (5) The Audit and Supervisory Committee regularly exchanges opinions with the Internal Audit Office to strengthen collaboration.

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

1. Basic Policy on the Elimination of Anti-Social Forces

The Company has established a system to eliminate any relationships with anti-social forces. By taking both civil and criminal legal actions against unjust demands made by such entities, the Company aims to prevent any damage caused by anti-social forces and fulfill its social responsibilities.

2. Status of Measures for Eliminating Anti-Social Forces

(1) Development of Internal Regulations

The Company has established the “Regulations for the Elimination of Anti-Social Forces,” which define the internal systems and response measures necessary to eliminate any relationships with anti-social forces.

(2) Responsible Department and Person in Charge of Preventing Unjust Demands

The Company has designated the Human Resources and General Affairs Department as the department responsible for overseeing responses to anti-social forces. The Department Director has been appointed as the person responsible for managing such responses.

(3) Response Measures for Eliminating Anti-Social Forces

(a) New Business Partners, Shareholders, and Directors/Employees

New business partners are screened through media searches and information from credit research agencies. The Head of the IR Office determines whether the party falls under the category of anti-social forces. Contracts with business partners include clauses that allow for termination if the partner is found to be an anti-social force. Directors and employees are screened at the time of appointment or hiring. Shareholders are also screened as necessary.

(b) Existing Business Partners

In principle, the Company conducts annual investigations of ongoing business partners if more than one year has passed since the last investigation.

(c) If an Existing Partner is Found or Suspected to be an Anti-Social Force

The Company has a system in place to promptly terminate all relationships, including ongoing transactions, with such parties.

(4) Cooperation with External Specialized Organizations

The Company maintains cooperative relationships with external organizations such as the local police and the Tokyo Center for Elimination of Boryokudan. Through regular training provided by these organizations, the Company enhances its response capabilities and establishes systems for legal consultation, reporting, and legal procedures.

(5) Collection and Management of Information on Anti-Social Forces

The Company centrally manages and accumulates information on anti-social forces. Based on preliminary checks and information from external organizations or other companies, the Company strives to keep this information up to date.

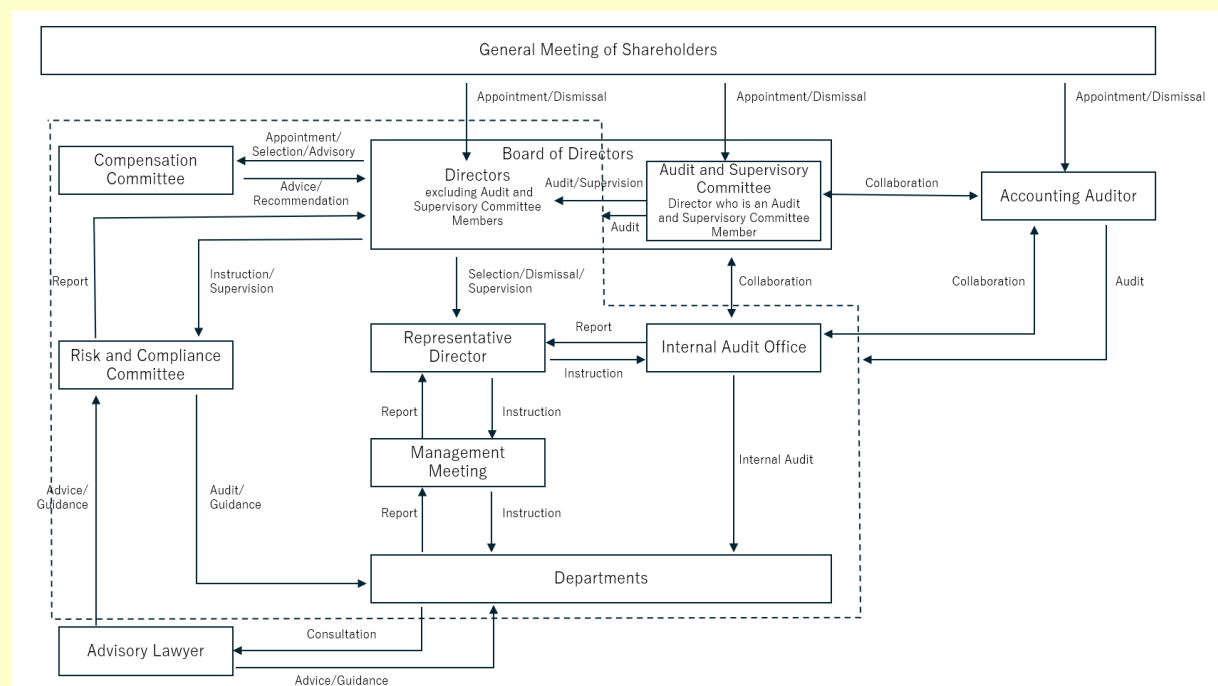
(6) Implementation of Training Activities

Based on the “Anti-Social Forces Elimination (Countermeasure) Response Manual,” the Company regularly conducts training for all officers and employees to maintain and strengthen its internal systems for eliminating anti-social forces.

1. Adoption of Anti-Takeover Measures

Supplementary Explanation for Applicable Items

The Company's corporate governance structure is illustrated as follows.



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