

# Corporate Governance Report

Last Updated: February 2, 2026

## TSURUHA HOLDINGS INC.

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Securities code: 3391  
<https://www.tsuruha-hd.com/>

The corporate governance of TSURUHA HOLDINGS INC. (the “Company”) is described below.

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

#### 1. Basic Views

The Company believes that corporate governance forms the foundation upon which the Company seeks to achieve sustainable growth and improve corporate value over the medium to long term. To that aim, all officers and employees of TSURUHA Group (the “Group”) understand the business philosophy and objectives, recognize the social role as a listed company, strive to maintain good relationships with each stakeholder, and seek to become a company that deepens and improves the community links and earns universal support.

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

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

#### [Disclosure Based on the Principles of the Corporate Governance Code]

Updated

[Principle 1.2 Exercise of Shareholder Rights at General Meetings of Shareholders]  
[Supplementary Principle 1.2.4]

To further facilitate the voting process for our international institutional investors, we provide our Shareholders' Meeting Convening Notices in English. This includes the business report, financial statements, and all other relevant documents. We aim to ensure that overseas institutional investors can exercise their voting rights as smoothly as possible.

[Principle 1.4 Cross-Shareholdings]

1. View on holding

The Group will hold shares in other listed companies as cross-shareholdings only if deemed necessary for its business activities in terms of maintaining and strengthening business alliances and relationships with the business partners, among others. However, the basic policy is to gradually sell off and reduce cross-shareholdings that have become less significant.

Each year, the Board of Directors examines the suitability of the motives for each cross-shareholding, verifies whether the benefits and risks of holding those shares are worth the capital costs, and reviews whether it

should continue to hold those shares and in what volume. Regarding voting rights on cross-shareholdings, the Group exercises these voting rights after a comprehensive consideration as to whether a particular proposal will help build an appropriate corporate governance system and boost the issuing company's medium-term corporate value, while also considering any potential impact on the Company, among other factors.

## 2. Verification methods

- Qualitative aspects: Significance of the holding from a business strategy perspective.
- Quantitative aspects: Comparative verification of the five-year average for total shareholder return (TSR) based on the Company's cost of capital (WACC). The Company conducts qualitative and quantitative analysis for each stock holding to facilitate a comprehensive assessment.

## 3. Verification results

Based on the holding philosophy and verification methods mentioned above, and after a comprehensive assessment, our Board of Directors decided at its meeting held on April 23, 2025, to sell a portion of the shares we hold.

### [Principle 1.7 Related Party Transactions]

The Company has established Related Party Transaction Management Rules, and periodically checks whether there are any conflict-of-interest transactions or competitive transactions relating to the Group officers. In addition, if Company officers are conducting transactions with related parties, these transactions must be preapproved by the Board of Directors, and if they are considered to be significant, those transactions will be disclosed following due consultation with the auditing firm.

### [Supplementary Principle 2.4.1 Ensuring internal diversity including the promotion of women's participation and advancement]

The Company is committed to actively ensuring diversity in its core human resources. Regarding the appointment of female employees to managerial positions, in particular, the Company is aiming to achieve 37% of managerial positions filled by female employees in 2030 based on the medium-term management plan (24.3% ratio as of February 28, 2025). The Company also formulates a recruitment plan for mid-career hires each year and actively promotes and appoints mid-career employees according to their abilities and level of contribution to the Company. The Company formulates an annual recruitment plan as a measurable target and verifies the progress status of the plan every six months (the ratio of mid-career hires to total new hires in the fiscal year ended February 28, 2025, stood at 30.4%).

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

The Group has introduced defined benefit corporate pensions at some of its subsidiaries. The Company's finance department periodically checks the status of the corporate pension management as part of the required function as the owner of the corporate pension assets.

### [Principle 3.1 Full Disclosure]

#### (i) Company's goals (e.g., business philosophy), management strategies, and management plans

The Company entered into a final agreement on a capital and business alliance with AEON Co., Ltd. and Welcia Holdings Co., Ltd. ("Welcia HD") on April 11, 2025. Subsequently, through a share exchange with Welcia HD effective December 1, 2025, the Company completed a management integration with Welcia HD, creating a drugstore chain with combined net sales exceeding ¥2 trillion. Guided by the Company's management philosophy of enriching and providing comfort to our customers' lives, and by Welcia HD's corporate philosophy of promoting a higher quality of life and healthy lifestyles for its customers, both companies have served as a lifeline for their local communities by supporting customers in living healthy and fulfilling lives. We have also contributed to local communities by providing a foundation for daily life as well as opportunities for employment and economic activity, and by pursuing corporate initiatives aimed at becoming the leading health station in each region. Through this management integration, we will become the largest drugstore chain in Japan. Both companies will continue to strive to ensure their business activities remain worthy of local customers' choice, and maximize the synergies by strongly bearing the management philosophy of enriching and providing comfort to our customers' lives in mind.

Under the post-integration vision, we aim to build a network of stores and services that is integrated into every aspect of daily life so that customers can lead healthy and wholesome lives. We also seek to evolve into a “Life Store” that supports customers throughout their lives—from infancy through adolescence and into old age—and to become a leading global drugstore chain in Asia that contributes to local communities through “health” and “beauty.” To achieve these goals, we have established the Group Vision and Code of Conduct.

(1) Group Vision

“From a drugstore to a life store which goes alongside you through life”

We will become essential infrastructure that contributes to solving social issues through healthier living. Leveraging our nationwide network of approximately 5,600 stores, our workforce of around 50,000 qualified professionals—including pharmacists, registered salespersons, and registered dietitians—healthcare data totaling approximately 100 million records, and one of Japan’s largest and most powerful procurement capabilities, we will continue to support people throughout their lives.

(2) Value (Code of Conduct)

“Every action is for the customers’ ‘I’ll come back again’”

All employees act with the foremost priority of ensuring that customers will want to visit Tsuruha Group and Welcia Group stores again.

(3) Brand Promise (Our Commitment to Society)

“Deliver outstanding value that moves every customer”

By embodying these values, we will deliver exceptional value to all stakeholders across every field and situation.

(4) Slogan

“Let’s build the future together”

The Tsuruha Group and the Welcia Group will transform from ‘the greatest rivals’ into ‘the strongest team.’ All employees will unite as one in pursuit of becoming a leading global drugstore chain in Asia.

In addition, the Company is currently formulating a new mid-term management plan following the management integration, which will be announced once finalized.

(ii) Board of Director’s policies and procedures in determining the remuneration of the senior management and Directors

Please refer to “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” in II 1. [Director Remuneration] of this report.

(iii) Board of Director’s policies and procedures in the appointment/dismissal of the senior management and the nomination of Directors and Directors who are Audit and Supervisory Committee Members candidates

When the Board of Directors adopts a resolution to submit a proposal for appointment of the candidates to the General Meeting of Shareholders, the procedure for obtaining approval involves the chairperson ascertaining that the candidates have sufficient knowledge and experience to fulfill their duties and are considered to be able to contribute to the improvement of the Company’s corporate value based on the report submitted by the Nomination and Remuneration Committee, explaining why the candidates are being recommended for appointment, and asking for shareholders’ approval. The Board of Directors resolves to remove an executive based on the following dismissal criteria: (Dismissal Criteria) (1) an officer has committed an act that is contrary to public order and ethics, (2) it becomes difficult for an officer to continue to fulfill his/her duties due to health reasons, (3) the Company’s corporate value is significantly damaged by an officer’s neglect of his/her duties, or (4) an officer’s qualifications as an executive are not recognized.

(iv) Explanations with respect to the individual appointments/dismissals and nominations when the Board of Directors appoints/dismisses the senior management and nominates Directors and Directors who are Audit and Supervisory Committee Members candidates

The Company strives to ensure fairness and objectivity by nominating candidates based on the following concepts:

1. Basic policy on the composition of the Board of Directors

The Company shall have not more than seven Directors excluding Directors who are Audit and Supervisory Committee Members, and not more than four Directors who are Audit and Supervisory Committee Members, in order to maximize the Group's overall corporate value and strengthen and thoroughly enforce corporate governance as a holding company. The Company seeks to appoint multiple Outside Directors and utilize their high-level capabilities in their individual specialized fields to promote the Company management. The Company also considers the need for diversity by appointing female executives and executives with experience in different industries and strives to create an effective Board of Directors at the optimal scale.

2. Policies and procedures for nominating candidates for Directors and for dismissing Directors

In nominating candidates for Director, the Company believes that it should nominate people with the appropriate qualities to conduct general management for promoting the sustainable growth of the Company and enhancing the Company's corporate value over the medium to long term.

When selecting candidates, the Company does not focus on gender, nationality, age, or other similar factors, but instead considers the need for diverse and balanced knowledge, experience, and capabilities. The Company evaluates a candidate's personality, achievements, and insights, his/her ability to appropriately fulfill decision-making and supervisory functions on the Board of Directors, and whether he/she is able to help achieve the Company's corporate philosophy and enhance the Company's corporate value over the medium to long term. To ensure transparency in the selection process, the Company has established a Nomination and Remuneration Committee as a voluntary advisory body comprising a majority of independent Outside Directors, and carries out the operation of the Committee.

In addition, an independent outside director serves as the chairperson of this committee, ensuring a structure that secures objectivity and transparency.

[Supplementary Principle 3.1.2]

Considering that overseas institutional investors hold a considerable percentage of the Company's shares, the Company is working to establish a system that promotes the disclosure and provision of information in English.

- Items that are already disclosed in English include: (1) Notice of the Ordinary General Meeting of Shareholders, (2) SR materials for overseas institutional investors, (3) Website, (4) Consolidated Financial Results, and (5) Corporate Governance Report

- Items the Company is currently considering for future English-language disclosure: (1) Securities Report [Supplementary Principle 3.1.3 Sustainability Initiatives, Etc.]
  1. Please click the following link to the Company's website for details on our own sustainability initiatives.  
<https://www.tsuruha-hd.com/sustainability/>
  2. Please click the following link to the Company's website for details on our human capital initiatives.  
[https://www.tsuruha-hd.com/content/files/pdf/fcm/20230721\\_jp.pdf](https://www.tsuruha-hd.com/content/files/pdf/fcm/20230721_jp.pdf)
  3. Please click the following link to the Company's website for details on our climate change issue awareness and response policy.  
<https://www.tsuruha-hd.co.jp/sustainability/climate/#h31884ac573>
  4. Please click the following link to the Company's website for disclosure based on the Task Force on Climate Related Financial Disclosures ("TCFD").  
<https://www.tsuruha-hd.co.jp/sustainability/climate/#hbe0e39051d>

[Principle 4.1 Roles and Responsibilities of the Board of Directors (1)]

[Supplementary Principle 4.1.1]

In addition to matters stipulated in the Articles of Incorporation and laws and regulations, our company defines matters to be resolved by the Board of Directors in our Regulations of the Board of Directors. Furthermore, as a company with an Audit and Supervisory Committee, we delegate a portion of the decisions regarding important business execution to executive directors.

[Supplementary Principle 4.1.3]

An extremely important issue regarding the Company's efforts to achieve sustainable growth and maintain and enhance corporate value is the grooming and selection of the successors for top management.

In this regard, the Company considers suitable candidates to be those individuals who possess a strong will and enthusiasm to realize the Company's corporate philosophy of "making life better for our customers," and who can make flexible and decisive management decisions in an intensifying competitive environment.

The Company holds discussions on succession planning for future senior management, including the Chief Executive Officer (President) within the Nomination and Remuneration Committee with the aim of sustainable corporate growth and medium- to long-term enhancement of corporate value.

In the fiscal year ended February 2025, we focused on leadership development for our executive officers. This initiative leveraged multi-rater assessment results from external organizations, which were informed by the objective evaluation criteria for our executive management that the Nomination and Remuneration Committee extensively discussed and developed in the fiscal year ended May 2024.

Moving forward, based on these evaluation criteria, the Company will continue discussions within the Nomination and Remuneration Committee, considering the external body's individual assessments and multifaceted evaluations of senior management and their candidates, and work on cultivating personnel with a medium- to long-term perspective for succession planning.

[Principle 4.8 Effective Use of Independent Outside Directors]

The Company has six independent Outside Directors. The Company believes that the six independent Outside Directors will fulfill their advisory and supervisory functions from an objective standpoint and play a role in enhancing the Company's corporate value. Independent outside directors constitute a majority of the total number of directors. The Company believes that the Board will engage in active discussions based on their independent standpoints, and that it will have a sufficient system to ensure the effective use of independent Directors.

[Supplementary Principle 4.8.3]

As Independent Outside Directors constitute a majority of the Board, the Company concludes that the Board maintains its independence from the controlling shareholder.

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

At the Board of Directors meeting held on April 6, 2021, the Company established criteria for selecting outside officers as a specific standard designed to ensure the transparency and objectivity of the Board of Directors.

<Selection criteria>

The Company adopts the following independence standards (i.e. people should fall into none of the items (1) to (13) listed below) as criteria for the appointment of outside officer (candidates) at the General Meeting of Shareholders.

The Company's Board of Directors certifies that Outside Directors or Outside Directors who are Audit and Supervisory Committee Members (hereafter collectively referred to as "Outside Officers") are deemed independent if they do not fall under any of the categories listed below.

Furthermore, Outside Officers must strive to maintain the independence stipulated in the independence standards until their retirement, and are obliged to immediately notify the Company if they no longer meet the independence standards.

- (1) An executive of the Company or its subsidiaries (hereafter collectively referred to as "the Group") at present and for the past 10 years
- (2) A party whose major client or supplier (Note 1) is the Group or an executive thereof
- (3) Major client or supplier of the Group (Note 2) or an executive thereof
- (4) A major shareholder of the Company (who directly or indirectly holds 10% or more of the voting rights in the Company) or an executive thereof
- (5) An executive of a party of which the Group is a major equity holder (who directly or indirectly holds 10% or more of the voting rights in the Company)
- (6) An executive of a lender of the Company that exceeds the standards stipulated by the Company (Note 3)
- (7) A recipient of a substantial amount of donations from the Group (Note 4) or an executive thereof
- (8) A consultant, accountant such as a certified public accountant or legal professional such as a lawyer who receives a large amount of monetary consideration or other property from the Group besides remuneration as a director (Note 5) (If the entity that has received those assets is a corporation or a union, the condition then applies to anyone who belongs to the organization in question)
- (9) A person who belongs to an auditing firm that conducts statutory audits for the Company
- (10) An executive at another company in which an executive of the Group is currently serving or has served in the past three years as an outside officer
- (11) A person who has fallen into any of the above items (2) through (9) over the past three years
- (12) Close relatives, etc. of the following persons (Note 6)
  - a. A person who falls into any of the above-listed items (2) through (9)
  - b. A person to whom item (2), (3), or (8) has applied over the past year (excluding persons who do not play a major role)
  - c. Important executors of Group business or important Directors who do not execute Group business
  - d. A person to whom point c. above has applied over the past three years
- (13) A person who has been assigned by the Company for a total of more than 10 years at the time of appointment as an Outside Officer of the Company

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(Note 1) The annual value of transactions with the Group in the most recent fiscal year is 2% or more of consolidated sales

(Note 2) The annual value of transactions with the Group in the most recent fiscal year is 2% or more of consolidated sales

(Note 3) Lenders that exceed the standards stipulated by the Company are entities whose borrowings from the Company exceed 2% of total consolidated assets.

(Note 4) Persons who have received donations from the Group totaling ¥10 million or more in the most recent fiscal year

(Note 5) Persons who have received payments from the Group totaling ¥10 million or more in the most recent fiscal year

(Note 6) Close relatives, etc. refer to relatives within the second degree of kinship and interested parties who share the same livelihood.

[Principle 4.10 Use of Optional Approach]

[Supplementary Principle 4.10.1]

In order to strengthen the independence, objectivity, and accountability of the Board functions in relation to the nomination and remuneration of the senior management and Directors, the Company has established an independent Nomination and Remuneration Committee under the jurisdiction of the Board of Directors. The Committee consists of a total of five members, which include one independent Outside Director who serves as the chairperson of the Committee, two other independent Outside Directors, the President & Representative Director, and one Inside Director. The Committee is able to appropriately engage and advise on the

consideration of important matters such as nomination and remuneration. The majority of Nomination and Remuneration Committee members are independent Outside Directors, which maintains the Committee's independence and ensures fairness and transparency.

**[Principle 4.11 Preconditions for Board of Directors and Board of Corporate Auditors Effectiveness]**

The Company's Board of Directors maintains a good balance of abilities and experience overall, whether internal or external, and ensures a diversity of values. Each Director strives to improve the functioning of the Board of Directors by utilizing the expertise and experience expected of them. Regarding securing diversity in gender representation and internationality, there are two positions set aside for female Outside Directors, and the Company also appoints an independent Outside Director who has considerable overseas experience and who can contribute to the Company from the perspective of internationality.

Our Audit and Supervisory Committee consists of four independent outside directors who also serve as Audit and Supervisory Committee Members. Two of these members are certified public tax accountants and lawyers, respectively, possessing deep expertise in tax and legal matters. Furthermore, one of these directors has been involved in the retail industry for many years, possessing deep knowledge of the sector and insights into corporate governance gained from his experience as a business leader. The other has extensive operational experience across diverse fields including security, fire prevention, the medical field and cybersecurity, alongside broad expertise in overall company management.

The effectiveness of the Board of Directors is evaluated annually, with all directors participating in the assessment. The President then summarizes the findings and discloses them.

**[Supplementary Principle 4.11.1]**

The Board of Directors has identified the skills that each Director should possess in view of the Group's management strategies and developed a skills matrix in consultation with the Nomination and Remuneration Committee that compiles the knowledge, experience, and abilities of each Director. This skills matrix was disclosed in the Notice of the Ordinary General Meeting of Shareholders held on May 26, 2025.

**[Supplementary Principle 4.11.2]**

The number of other listed companies where Directors hold concurrent positions is within a reasonable range and disclosed in the annual business report.

**[Supplementary Principle 4.11.3]**

In order to analyze and evaluate the effectiveness of the Board of Directors, all Directors of the Company conduct self-evaluations on a number of specific evaluation items with the Questionnaire to Evaluate the Effectiveness of the Board of Directors. The Board of Directors then debates the results of the questionnaire analysis and decides the level of Board effectiveness based on those opinions. In the implementation of this process, the Company also carries out analysis, introducing structures for involving independent third parties to ensure objectivity. The overview of the evaluation of the effectiveness of the Board of Directors is submitted promptly to the Tokyo Stock Exchange.

For the fiscal year 2025, the evaluation items for the effectiveness assessment included questions related to: (1) Board composition, (2) Board operation and discussions, (3) Board monitoring function, (4) Support system and training for the Board, and (5) Dialogue with shareholders (investors).

**【Analysis and Evaluation Results of Board Effectiveness for Fiscal Year 2025】**

Based on the analysis of the aforementioned questionnaire, the responses to each question were generally positive. We evaluated that our Board of Directors has largely fulfilled and secured the effectiveness required by the Corporate Governance Code.

However, we recognize that the following points present challenges and areas for improvement, and we, as a company and Board of Directors, will focus on addressing them.

**【Challenges and Future Discussion Themes】**

**(1) Initiatives for Key Challenges Identified in Previous Effectiveness Assessments**

Regarding succession planning for top management, we have formulated concrete plans with the cooperation of third-party organizations and are implementing them after discussions within the Nomination and Remuneration Committee.

Concerning training for directors, we regularly hold seminars with external lecturers on important management themes. We will also enhance training aimed at improving knowledge in areas such as

management strategy, financial strategy, legal affairs, compliance, DX, and risk management.

**(2) Future Discussion Themes Based on the Current Board Effectiveness Assessment**  
Enhancement of Board discussions and monitoring functions

The Board of Directors will continue to deepen discussions and strengthen its monitoring functions regarding management strategies that balance both economic and social value for stakeholders, realizing management conscious of capital cost and stock price, ensuring alignment between human and intellectual property investments and management strategy, and overseeing group internal controls.

[Principle 4.14 Director and Corporate Auditor Training]

[Supplementary Principle 4.14.2]

Director training policy

1. To enable Directors to fulfill their required roles (fiduciary responsibilities) and legal responsibilities, the Company provides opportunities for Directors to develop a sufficient understanding of laws and regulations relating to the Companies Act and corporate governance principles.
2. Directors acquire the knowledge they need to fulfill their responsibility through self-improvement. However, the Company also offers training to help hone management skills through participation in external seminars, overseas inspections, etc. The cost of these activities is supported by the Company. The training offered is not uniform, but is designed to suit the roles, responsibilities, and required knowledge of each individual officer.
  - 1) Explaining the legal roles and responsibilities of Directors to newly appointed internal officers.
  - 2) Explaining the Group's business, finances, organizational structures, and other items to newly appointed Outside Officers
  - 3) Explaining important management changes and latest industry trends to reappointed officers, and Outside Officers in particular.
  - 4) Facilitating the participation of Outside Officers in meetings attended by executives.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company actively engages in dialogue with shareholders and strives to build solid relationships of trust in order to help achieve sustainable growth and enhance corporate value.

1. Appointing a member of the management or a Director to be responsible for overseeing constructive dialogue with shareholders

The Company has assigned the officer in charge of public relations and investor relations as the person in charge of overseeing shareholder dialogue.

2. Measures to encourage organic cooperation between internal departments to support constructive dialogue

As part of the measures to promote cooperation between internal departments, the IR and Budget Management Group of the Accounting Division cooperates with each department and Group company and compiles materials to organically promote constructive dialogue with shareholders, while also providing opportunities for internal discussion on the content of dialogues. The IR Group also coordinates and plans interviews with shareholders and institutional investors in Japan and overseas.

The General Affairs Group of the General Affairs Division is responsible for information disclosure, and the Company has systems in place to facilitate the timely and appropriate disclosure of Company-related information to the stakeholders.

3. Initiatives for ensuring a wider range of dialogue opportunities in addition to individual interviews

In addition to individual interviews, the Company strives to promote dialogue with stakeholders through a variety of other methods

(1) Holding briefings for investors and analysts

(2) Conducting web conferences with domestic and overseas institutional investors

(3) Holding briefings for individual investors across Japan

(4) Conducting store tours for institutional investors

4. Providing feedback to the Board of Directors

The Company holds financial results briefings and visits institutional investors to explain the financial results announcements on a quarterly basis. The officer in charge will report on the investors' reactions at the meeting of the Board of Directors that takes place directly after the visits.

**5. Measures for managing insider information when participating in dialogues**

The Company has established the Insider Trading Regulations and ensures their strict operation. The Company does not share undisclosed important information with any specific people individually.

**6. Other**

The Company conducts periodic shareholder identification surveys because it recognizes the importance of fully understanding the shareholder ownership structure and composition in order to promote constructive dialogue with shareholders.

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

Under the business philosophy of “making life better for our customers,” the Company aims to become Japan’s number one drug store chain loved and appreciated by local communities. To deliver services that are more accessible and reassuring and act as a leader in community healthcare, the Company is building stores from a customer-first perspective.

The Company has also made its mission to always practice a “Courtesy first” and “Credibility first” approach when interacting with customers by applying the Company’s renowned customer service skills and a high level of product knowledge, and to provide products that customers need with high quality and at affordable prices, so that the Company becomes an indispensable presence to its customers and local communities.

Additionally, we are currently formulating a new mid-term management plan following the business integration with Welcia Holdings Co., Ltd. via a stock exchange, effective December 1, 2025. This plan will be announced once it has been finalized.

**[Measures to promote management with an awareness of cost of capital and share price]**

Our fundamental policy for sustainable corporate value enhancement is to maintain a high sales growth rate and expand profits that exceed our cost of capital. We're also committed to promoting sustainability, strengthening governance, and feeding back management issues into our operations through IR and SR activities to reduce our cost of capital.

Regarding our capital allocation policy, we aim to balance the distribution of operating cash flow between growth investments and shareholder returns.

As for specific cost of capital targets and our dividend policy, these are currently under discussion and review, taking into account the business integration with Welcia Holdings, as mentioned previously.

**[Supplementary Principle 5.2.1]**

Having clarified the business to be focused on and the expansion of its business domain in the new medium-term management plan, the Company will continue to consider the optimization of more specific business portfolio in order to ensure the appropriate and efficient allocation of management resources.

## 2. Capital Structure

Foreign Shareholding Ratio	Updated	From 20% to less than 30%
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### [Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
AEON CO., LTD.	9,675,200	19.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,109,300	12.55
CEP LUX-ORBIS SICAV	2,576,679	5.29
Nomura Securities Co., Ltd.	1,947,704	4.00
Custody Bank of Japan, Ltd. (Trust Account)	1,521,900	3.12
Tatsuru Tsuruha	1,413,640	2.90
Hiroko Tsuruha	1,371,500	2.81
STATE STREET BANK AND TRUST COMPANY 505001	1,137,780	2.33
Akiko Tsuruha	1,043,314	2.14
Nomura Securities Co., Ltd. Own Transfer Account	980,000	2.01

Controlling Shareholder (except for Parent Company)	---
Parent Company	AEON CO., LTD. (Listed on the Tokyo Stock Exchange; Securities Code: 8267)

### Supplementary Explanation Updated

Regarding the Company's capital structure, please refer to the " Notice Regarding Planned Acquisition of Shares After the Tender Offer for the Company's Shares by AEON Co., Ltd. " published on January 7, 2026.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	February
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥Between 100 billion and 1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

In the event that the Company Group enters into transactions with the Aeon Group, we ensure that the necessity of such transactions and the appropriateness of the transaction terms are carefully examined from the perspective of protecting minority shareholders.

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

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Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office of Directors Stipulated in Articles of Incorporation	One year
Chairperson of the Board of Directors	President
Number of Directors <span style="border: 1px solid red; padding: 2px;">Updated</span>	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	6
Number of Independent Directors among Outside Directors	6

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

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
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#### [Directors]

Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j
Harumi Sato	Tax Accountant										
Takuya Okazaki	Lawyer										
Wakana Tanaka	Other										
Hiroshi Okuno	Other										
Tatsuichi Asada	Other										
Yasuo Nakayama	Other										

\* Categories for “Relationship with the Company”

\* “○” 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;

“▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/corporate auditor

- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)	Updated
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Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Harumi Sato	<input checked="" type="radio"/>	<input checked="" type="radio"/>	---	As a certified tax accountant, Ms. Harumi Sato has expertise in tax affairs. In addition to her abundant experience and high-level insight as a tax accountant, she has a valuable female point of view on the managerial decisions of the Company, and has provided various recommendations from an objective perspective to the management of the Company. She has no special interests in the Company, and there is no risk of conflict of interest with general shareholders. For that reason, the Company has judged her independence to be sufficiently secure and designated her as an Independent Director.

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takuya Okazaki	○	○	---	As a lawyer, Mr. Takuya Okazaki has abundant business experience and expertise. He has been appointed to strengthen the decision-making functions and audit and supervision functions of the Board of Directors through providing advice from an independent standpoint based on deep insight. He has no special interests in the Company, and there is no risk of conflict of interest with general shareholders. For that reason, the Company has judged his independence to be sufficiently secure and designated him as an Independent Director.
Wakana Tanaka		○	---	Ms. Wakana Tanaka has a high level of management consulting and brand marketing expertise cultivated at pharmaceutical and global IT companies and has served as a member of a special government project. She has been appointed to utilize these wide-range of knowledge and experience to the promotion of DX and the globalization of the Company. She has no special interests in the Company, and there is no risk of conflict of interest with general shareholders. For that reason, the Company has judged her independence to be sufficiently secure and designated her as an Independent Director.

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hiroshi Okuno		○	---	Mr. Hiroshi Okuno has a long history of working at a global financial institution. He has been appointed as he is expected to add new value to the Company's strategies on finance, M&A, etc. from a highly specialized perspective in the field of finance, as well as to advise and supervise the Company's management in regard to internationality and business development as a consultant based on his overseas experience. He has no special interests in the Company, and there is no risk of conflict of interest with general shareholders. For that reason, the Company has judged his independence to be sufficiently secure and designated him as an Independent Director.

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tatsuichi Asada	○	○	---	<p>Mr. Tatsuichi Asada has been engaged in the retail industry over many years and has a thorough knowledge of the industry, and has knowledge of corporate governance from his experience as a company manager.</p> <p>We have determined that he will be able to contribute to the enhancement of corporate governance and human capital management based on his accumulated knowledge and experience, and thus he has been appointed as an Outside Director who is an Audit and Supervisory Committee Member. He has no special interests in the Company, and there is no risk of conflict of interest with general shareholders. For that reason, the Company has judged his independence to be sufficiently secure and designated him as an Independent Director.</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuo Nakayama	○	○	---	<p>As former President and Representative Director of SECOM Co., Ltd, Mr. Yasuo Nakayama possesses extensive operational experience in safety and security services across various fields, as well as insight into overall corporate management.</p> <p>We have determined that he will be able to contribute to the enhancement of corporate governance and human capital management based on his accumulated knowledge and experience, and thus he has been appointed as an Outside Director who is an Audit and Supervisory Committee Member. He has no special interests in the Company, and there is no risk of conflict of interest with general shareholders. For that reason, the Company has judged his independence to be sufficiently secure and designated him as an Independent Director.</p>

#### [Audit and Supervisory Committee] Updated

##### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	-	-	4	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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##### Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

Employees assigned to assist the Audit and Supervisory Committee in its duties shall conduct their business under the direction of the Audit and Supervisory Committee, and the Company shall ensure that those employees can operate independently from other Directors (excluding Directors who are Audit and Supervisory Committee Members).

**Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments**

The Audit and Supervisory Committee receives reports from the internal audit departments on audit plans, audit results, and other items and periodically exchanges information with the Audit Office. The Audit and Supervisory Committee also receives audit plans and audit results from the Accounting Auditor, and the two parties periodically exchange information to promote mutual cooperation.

**[Voluntary Establishment of Committee]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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**Committee's Name, Composition, and Attributes of Chairperson**

Committee's Name	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

## Supplementary Explanation

### (Purpose)

The purpose of the Committee is to appoint and dismiss the Company's senior management (Representative Directors and Directors with Special Titles), nominate candidates for Director and Executive Officers, and strengthen the independence, objectivity, and accountability of the Board of Directors functions in respect of the compensation of senior management, Directors, and Executive Officers, among other matters.

### (Members)

1. The members of the Nomination and Remuneration Committee shall be appointed by resolution of the Board of Directors.
2. The Nomination and Remuneration Committee shall comprise of three or more members, the majority of whom must be independent Outside Directors.
3. The chairperson of the Nomination and Remuneration Committee shall be appointed from among the members by resolution of the Nomination and Remuneration Committee.

### (Roles and responsibilities)

The Nomination and Remuneration Committee deliberates on the following matters in response to inquiries from the Board of Directors, and then reports its decisions back to the Board of Directors:

- (1) Draft proposals for the election and dismissal of Directors to be submitted to the Board of Directors of the Company and Group companies as proposals for each company's General Meeting of Shareholders
- (2) Policies and procedures for the election and dismissal of the Company's Representative Directors and Directors with Special Titles
- (3) Proposals on the selection or dismissal of the Company's Executive Officers to be submitted to the Board of Directors
- (4) Proposals on the selection or dismissal of Executive Officers to be submitted to the Boards of Directors of Group companies (where there is no change in the current number of officers, a report only)
- (5) Changes to the design or contents of the Executive Officer System of the Company or its Group companies
- (6) Succession planning for the Chief Executive Officer (President) and senior management of the Company
- (7) Draft proposals for remuneration, etc. of Directors to be submitted to the Company's General Meeting of Shareholders
- (8) Policies on determining individual remuneration for the Company's Directors
- (9) Policies on determining individual remuneration for the Company's Executive Officers
- (10) Policies on determining individual remuneration for the Directors and Executive Officers of Group companies
- (11) Drafting proposals on the contents of individual remuneration for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers
- (12) Drafting proposals on the contents of individual remuneration for Directors and Executive Officers of Group companies
- (13) Other matters deemed necessary by the Board of Directors in relation to the preceding items

### (Holding and convening)

1. The Nomination and Remuneration Committee convenes according to an annual schedule that is determined in advance at the Nomination and Remuneration Committee meeting held directly after the Ordinary General Meeting of Shareholders, and may also meet at other additional times if necessary.
2. The Nomination and Remuneration Committee convenes in the Company's head office. However, meetings can be held elsewhere when required.

### (Report to the Board of Directors)

The chairperson shall report the status of execution of duties of the Nomination and Remuneration Committee to the Board of Directors without delay in a manner that is deemed appropriate in accordance with the details.

**[Independent Directors]**

Number of Independent Directors	6
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**Matters relating to Independent Directors**

The Company has established Independence Standards of Independent Directors as described in the Corporate Governance Code [Principle 4.9], and designates all Outside Directors who meet the standards as Independent Directors.

**[Incentives]**

Incentive Policies for Directors	Other
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**Supplementary Explanation**

By resolution of the 59th Ordinary General Meeting of Shareholders held on August 10, 2021, the Company has introduced the Restricted Share Remuneration Plan for Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors).

Recipients of Stock Options	
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**Supplementary Explanation**

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**[Director Remuneration]****Updated**

Disclosure of Individual Directors' Remuneration	No individual disclosure
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**Supplementary Explanation**

The Company discloses annual remuneration both for Directors excluding Directors who are Audit and Supervisory Committee Members and for Directors who Are Audit and Supervisory Committee Members (including breakdowns of remuneration for Inside Directors and Outside Directors).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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The policy for determining remuneration, etc. for Directors is as follows:

### 1. Basic Policies

The Company has designed a systematic remuneration system in consideration of each element of the following basic policies, as it regards the remuneration for Directors as an important incentive for achieving its management philosophy.

- (i) It shall promote the corporate philosophy of “making life better for our customers.”
- (ii) The amount and design shall be at a level that can support participation and activities of talented management team.
- (iii) It shall raise awareness of the need for contribution to mid- to long-term growth of the Company.

- (iv) It shall be linked to business results of the Company and have a mechanism that controls overemphasis on short-term performance.
- (v) It shall be designed to have transparency, fairness and reasonability and determined through an appropriate process to ensure such factors from a viewpoint of accountability to stakeholders including shareholders and employees.

Specifically, remuneration for Directors consists of fixed remuneration, performance-linked bonuses and restricted share remuneration.

The level of remuneration for Directors is verified every year in reference to the levels of officers' remuneration of companies in the same industry with a similar size (selected in terms of net sales, market capitalization, consolidated operating income and other factors) and other companies in different industries based on objective remuneration survey data by external bodies and other data for promptly responding to changes in external environments and market environments.

## 2. Details of Directors' remuneration and composition, etc.

Remuneration for Directors consists of 1) "fixed remuneration" (monetary remuneration) as basic remuneration in accordance with their job title (position), 2) "bonuses" (monetary remuneration) based on business results for each fiscal year and their individual evaluations, etc. and 3) "stock remuneration" (restricted share remuneration) in accordance with their job title (position). The composition of remuneration is different for Directors who are Audit and Supervisory Committee Members, Outside Directors, and other Directors, who all have very different responsibilities.

Regarding the composition of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors), a ratio of basic remuneration, bonuses and stock remuneration is determined, so that it functions as important incentives to achieve the management policy.

Specifically, the following ratio is applied:

Basic remuneration: Bonuses: Stock remuneration = 35% : 50% : 15%

In this regard, shares of the Company shall be granted as stock remuneration.

Overview of Remuneration Composition for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)

Type of remuneration	Payment criteria	Payment method	Composition of remuneration
Basic remuneration	Determined for each person based on the standard amount for each job title	Cash Once a month	35%
Bonuses	The amount is calculated for each person as monetary remuneration reflecting business results of a single fiscal year, after determination of whether or not payment is made and the total amount if paid, based on consolidated business performance indicators, etc. of the previous fiscal year.	Cash Once a year	50%
Stock remuneration	The number of shares to be granted to each Director is determined in comprehensive consideration of various factors including the degree of contribution by each eligible person to the Company and their responsibilities based on the share price and the standard for job title.	Shares Once a year	15%

(Bonuses)

The amount of bonuses as performance-linked remuneration is calculated for each person as monetary remuneration reflecting business results of a single fiscal year, after determination of whether or not payment is made and the total amount if paid, based on consolidated business performance indicators, etc. of the previous fiscal year. “Operating income and net income” of the consolidated results and mission accomplishment by individual are used as indicators for calculating bonuses from the viewpoint of attaching importance to the degree of achievement in profit growth. The payment is made once a year following the completion of the necessary internal procedures and the conclusion of the Ordinary General Meeting of Shareholders.

(Stock remuneration) \*Restricted share remuneration

The number of shares to be granted for restricted share remuneration is determined in comprehensive consideration of various factors including the degree of contribution by each eligible person to the Company and their responsibilities, based on the number of shares to be granted to each Director set in accordance with the share price and standard allocation for job title.

The timing of the allotment of the shares is determined by the Board of Directors held in June after the Ordinary General Meeting of Shareholders.

Restricted shares to be allotted to Directors of the Company are granted in advance.

The Company only pays basic remuneration to Directors who are Audit and Supervisory Committee Members and Outside Directors, based on their independence from business execution.

Overview of Remuneration Structure for Directors who are Audit and Supervisory Committee Members and Outside Directors

Type of remuneration	Payment criteria	Payment method	Composition of remuneration	
			Directors who are Audit and Supervisory Committee Members	Outside Directors
Basic remuneration	Determined for each person based on the standard amount for each job title	Cash Once a month	100%	100%

3. Process for determining remuneration for Directors

(1) The authority for determining the specifics of the remuneration amount for each Director (excluding Directors who are Audit and Supervisory Committee Members) is delegated to the President & Representative Director, based on a resolution by the Board of Directors within the total amount preapproved by the General Meeting of Shareholders. Such authority includes the determination of the amount of basic remuneration for each Director and the amount of bonus distribution for each Director based on the payment criteria. For stock remuneration, the number of shares allotted to each Director is resolved at a meeting of the Board of Directors.

To ensure the appropriateness of the level and amount of remuneration and transparent remuneration of the determination process, the specific amount of remuneration to be paid is deliberated at the Nomination and Remuneration Committee which is a consulting body for remuneration of the Company's officers, in consideration of trends among other companies in the same industry and companies with a similar scale as well as suggestions about the necessity for the Company's corporate management, and opinions of experts. Then, the Personnel Division develops remuneration plans for each Director and the Officer responsible for Administration discusses them sufficiently with the President.

\*Matters to be deliberated at meetings of the Nomination and Remuneration Committee

- Draft proposals relating to Director remuneration to be submitted to the General Meeting of Shareholders
- Policies on determining individual remuneration for Directors (including Executive Officers and Group executives)
- Draft proposals on the content of individual remuneration for Directors (including Executive Officers and Group executives)

(2) The amount of individual remuneration for Directors who are Audit and Supervisory Committee Members is discussed at Audit and Supervisory Committee meetings by Directors who are Audit and Supervisory Committee Members and determined through the agreement of all members within the scope of the remuneration limits previously determined by the General Meeting of Shareholders.

### 3. Reasons for Adoption of Current Corporate Governance System

At the 59th Ordinary General Meeting of Shareholders held on August 10, 2021, the Company transitioned to a Company with an Audit and Supervisory Committee. Following this move, the Company intends to further strengthen the audit and supervisory functions and further deepen the corporate governance system as well as expedite management decision-making by delegating decision-making authority from the Board of Directors to Executive Directors.

## III. Implementation of Measures for Shareholders and Other Stakeholders

Updated

### 1. Measures to Vitalize the General Meetings of Shareholders and Smooth Exercise of Voting Rights

Supplementary Explanation	
Early Notification of General Meeting of Shareholders	Start Date of Electronic Provision Measures: 24 days prior to the General Shareholders' Meeting Dispatch Date of Convocation Notice: 17 days prior to the General Shareholders' Meeting
Allowing Electronic Exercise of Voting Rights	Can be exercised through the Company's voting rights exercise website.
Participation in Electronic Voting Platform or Other Initiatives to Improve the Environment for Exercising Voting Rights	Voting rights can be exercised through the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice (Summary) in English	Displayed on the Company's website, the Tokyo Stock Exchange website, and on the electronic voting platform.
Other	Streaming of the General Meeting of Shareholders on the website

## 2. IR Activities

	Supplementary Explanation	Explanations by Representatives
Preparation and Publication of Disclosure Policy	The IR policies are posted on the Company's website. ( <a href="https://www.tsuruha-hd.com/ir/policy/">https://www.tsuruha-hd.com/ir/policy/</a> )	
Regular Investor Briefings for Individual Investors	The Company holds briefings for individual investors in every region several times a year.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds regular briefing conferences after each quarterly financial results announcement.	Yes
Posting of IR Materials on Website	The Company displays information about the financial highlights and the status of the IR activities on the Company's website along with news releases, consolidated financial results, securities reports, quarterly reports, financial results briefing materials, and other documents (including English versions).	
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR and Budget Management Group of the Accounting Division as a specialist investor relations department.	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The TSURUHA Group has pursued business activities based on its business philosophy of “making life better for our customers.” In order to continue fulfilling the responsibilities as a company, we aim to contribute even more to local communities through the business activities, help address various issues relating to society and the environment, and seeks to become a company that can help develop the Sustainable Development Goals (SDGs) through constructive dialogue with all our stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	In order to convey its sustainability-related initiatives to people outside the Company in a readily understandable way, the Company clearly declares the initiatives and directions for material issues in the ESG area on the Company's website, and frequently publish the latest status of the activities designed to help achieve the SDGs. ( <a href="https://www.tsuruha-hd.com/sustainability/">https://www.tsuruha-hd.com/sustainability/</a> )
Development of Policies on Information Provision to Stakeholders	The Company strives to disclose corporate information in a timely and fair manner and to avoid concentrating any information disclosure on specific individuals and organizations. This is done in accordance with the Financial Instruments and Exchange Act and the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities (hereafter referred to as “Timely Disclosure Rules”) stipulated by the Tokyo Stock Exchange. The Company also publishes information that is not stipulated in the Timely Disclosure Rules on the website in response to investor requests and in order to illustrate the proactive stance toward ensuring more accurate, fair, and prompt information disclosure. ( <a href="https://www.tsuruha-hd.com/ir/policy/">https://www.tsuruha-hd.com/ir/policy/</a> )

## **IV. Matters Related to the Internal Control System**

### **1. Basic Views on Internal Control System and the Progress of System Development**

In order to respond to the various stakeholders connected to the Company based on the business philosophy of "making life better for our customers," the Company recognizes that strengthening and enhancing corporate governance is one of the most important management issues for achieving sustainable growth and increasing corporate value.

The Company believes that building internal control systems to strengthen and enhance corporate governance and to ensure the appropriateness of the business administration is an important process for the Company, and has established the following basic policy regarding the establishment of internal control systems:

#### **Basic Policy on Establishment of Internal Control System**

1. System to ensure that execution of duties by Directors and employees of the Company and its subsidiaries complies with laws and regulations, and the Articles of Incorporation

- (1) The Company shall determine the Regulation of Authority and Duties and the Division of Duties and Authority to clarify the scope of professional duties of Directors and employees of the Company and its subsidiary companies, and establish a framework to ensure that the performance of those duties conforms with laws, regulations, and the Articles of Incorporation.
- (2) The Company shall determine the Compliance Regulations and establish a framework that upholds laws and regulations (including administrative notices and guidelines), internal rules, and corporate ethics.
- (3) The Company shall determine the Whistleblowing Regulations, establish the reporting system that is separate from the regular work-related communication channels and operates independently from the business execution departments, and establish a framework in which the content of those reports is appropriately communicated to Directors if required.

2. System regarding management and storage of information related to the execution of duties by Directors of the Company

The Company shall determine the Document Management Regulations, appropriately store documents pertaining to the execution of business by Directors, including the minutes of meetings of the Board of Directors, from current and previous fiscal years, and manage that information in a manner so that information can be viewed swiftly when necessary and Directors can always obtain the information they require.

3. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries

The Company shall classify risks surrounding the Company and its subsidiaries into the following categories, institute the Risk Management Regulations to address these risks, and establish a system for grasping risks at an early stage and addressing them promptly.

- (1) Risks relating to physical goods (company assets, etc.)
- (2) Risks relating to people (managers, employees)
- (3) Risks relating to management
- (4) Risks relating to information
- (5) Other risks relating to violations of laws and regulations

4. System to ensure efficient execution of duties by Directors of the Company and its subsidiaries

- (1) The Company shall determine the Internal Regulation of Duties and the Division of Duties and Authority to clarify the scope of professional duties of Directors and employees of the Company and its subsidiary companies, and establish a framework to ensure those duties are performed efficiently.
- (2) The Company shall determine the Board of Directors Regulations and establish a system for ensuring Directors of the Company and its subsidiaries make prompt management decisions.
- (3) The Company shall determine the Group Execution Meeting Regulations and establish a system in which Directors of the Company and its subsidiaries smoothly communicate basic business execution policies, basic plans, and other important management-related matters.

5. System to ensure proper business operations of the enterprise group consisting of the Company and its subsidiaries

- (1) The Company shall apply the Basic Policy on Establishment of Internal Control System and build an internal control system for the Company and its subsidiaries.

(2) The Company shall institute the Group Execution Meeting Regulations and establish a system in which officers, general managers, and office managers of the Company and its subsidiaries can smoothly communicate basic business execution policies, basic plans, and other important management-related matters.

6. Matters regarding Directors and employees that support the Audit and Supervisory Committee in execution of duties and matters regarding their independence from Directors and employees of the Company and its subsidiaries

The Company shall establish and appropriately implement internal rules that include the following contents for cases where employees are needed to support the duties of the Company's Audit and Supervisory Committee.

- (1) The hiring, transfer, personnel review, compensation, and disciplinary actions for employees supporting the duties of the Audit and Supervisory Committee shall obtain the approval of the Audit and Supervisory Committee.
- (2) Employees supporting the duties of the Audit and Supervisory Committee shall execute their duties following the instructions of the Audit and Supervisory Committee to ensure their independence from the Company's Directors, Executive Officers, and other employees.

7. Matters regarding ensuring the effectiveness of instructions by the Audit and Supervisory Committee to Directors and employees that support the Audit and Supervisory Committee in execution of duties

The Company shall establish and appropriately implement internal rules that include the following contents related to the effectiveness of the instructions given by the Audit and Supervisory Committee to Directors and employees supporting the duties of the Audit and Supervisory Committee.

- (1) Those belonging to the Audit and Supervisory Committee as well as employees supporting the duties of the Audit and Supervisory Committee shall follow the instructions of the Audit and Supervisory Committee in supporting its duties.

8. Other systems to ensure that the auditing of the Company's Audit and Supervisory Committee is conducted effectively.

The Company shall establish and appropriately implement internal rules that include the following contents to ensure a system by which the Audit and Supervisory Committee's audits are conducted effectively.

- (1) Audit and Supervisory Committee Members as well as employees supporting the duties of the Audit and Supervisory Committee may attend important meetings and collect necessary information. Moreover, the Company and its subsidiaries guarantee that their Audit and Supervisory Committee Members and employees supporting the duties of the Audit and Supervisory Committee will attend such meetings.
- (2) Where deemed necessary for audit operations, Audit and Supervisory Committee Members as well as employees supporting the duties of the Audit and Supervisory Committee may receive advice from external experts, such as lawyers, certified public accountants, or tax accountants. Moreover, the Company and its subsidiaries guarantee that their Audit and Supervisory Committee Members and their employees supporting the duties of the Audit and Supervisory Committee will have opportunities to receive advice from external experts such as lawyers, certified public accountants, or tax accountants.
- (3) Executive Directors shall meet regularly with Audit and Supervisory Committee Members to exchange opinions on important issues related to management.

9. System for reporting to the Audit and Supervisory Committee, including for reports by Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company and its subsidiaries, Executive Officers and employees and system for ensuring that a person who makes said report shall not be subject to any unfavorable treatment for reason of having made said report

The Company shall establish and appropriately implement internal rules that include the following contents to ensure a system for the Executive Officers and employees of the Company as well as the Executive Officers and employees of the Company's subsidiaries to report to the Audit and Supervisory Committee, Audit and Supervisory Committee Members, and employees supporting the duties of the Audit and Supervisory Committee.

- (1) Regular reports shall be made on the status of the execution of management duties and financial conditions.

- (2) The internal audit departments shall make regular reports on the contents of their auditing.
- (3) The divisions responsible for whistleblowing shall make regular reports on the contents of the whistleblowing reports that they receive.
- (4) Immediate reports shall be made on incidents that risk creating serious losses for the Company including management risks and where material items related to management are discovered.
- (5) Immediate reports shall be made where improper actions by Directors in their execution of duties or serious incidents violating laws and regulations or the Articles of Incorporation are discovered.
- (6) When asked to submit a report by the Audit and Supervisory Committee, Audit and Supervisory Committee Members, or employees assigned to assist with Audit and Supervisory Committee duties, an appropriate report shall be promptly provided.
- (7) The Company shall establish a system that ensures any person who reports to the Audit and Supervisory Committee, Audit and Supervisory Committee Members, or employees assigned to assist with Audit and Supervisory Committee duties does not suffer any damage as a result.

10. Matters regarding the policy for handling expenses or payables in relation to execution of duties of Audit and Supervisory Committee Members (limited to those related to the execution of duties of the Audit and Supervisory Committee), such as procedures for advance payment or reimbursement in relation to execution of such duties

The Company shall establish and appropriately implement internal rules that include the following contents related to the handling of expenses incurred in the execution of duties by Audit and Supervisory Committee Members and employees who assist with Audit and Supervisory Committee duties.

- (1) If Audit and Supervisory Committee Members or the employees who assist with Audit and Supervisory Committee duties deem it necessary for their auditing work to seek advice from external experts, such as lawyers, certified public accountants, or tax accountants, the cost of those consultations and any other costs arising from the conducting of auditing duties shall be borne by the Company.
- (2) The same reimbursement rules apply to any prepaid commencement fees or expenses that are incurred after the delivery of a service in relation to items in (1) above.

11. System to ensure fairness of financial reporting

The Company shall establish the “Internal Control Committee” to ensure the reliability of financial reporting of the Company and its subsidiaries and build a system for ensuring the fairness of financial reporting required under the Financial Instruments and Exchange Act, other related laws and regulations.

12. System toward elimination of anti-social forces

The Company shall have no relationship with any forces threatening the social order and sound activities of companies and resolutely take countermeasures against any unreasonable demand, if received, in an organizational way.

## 2. Basic Views on Eliminating Anti-Social Forces

Please refer to “1.12. System toward elimination of anti-social forces” above.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

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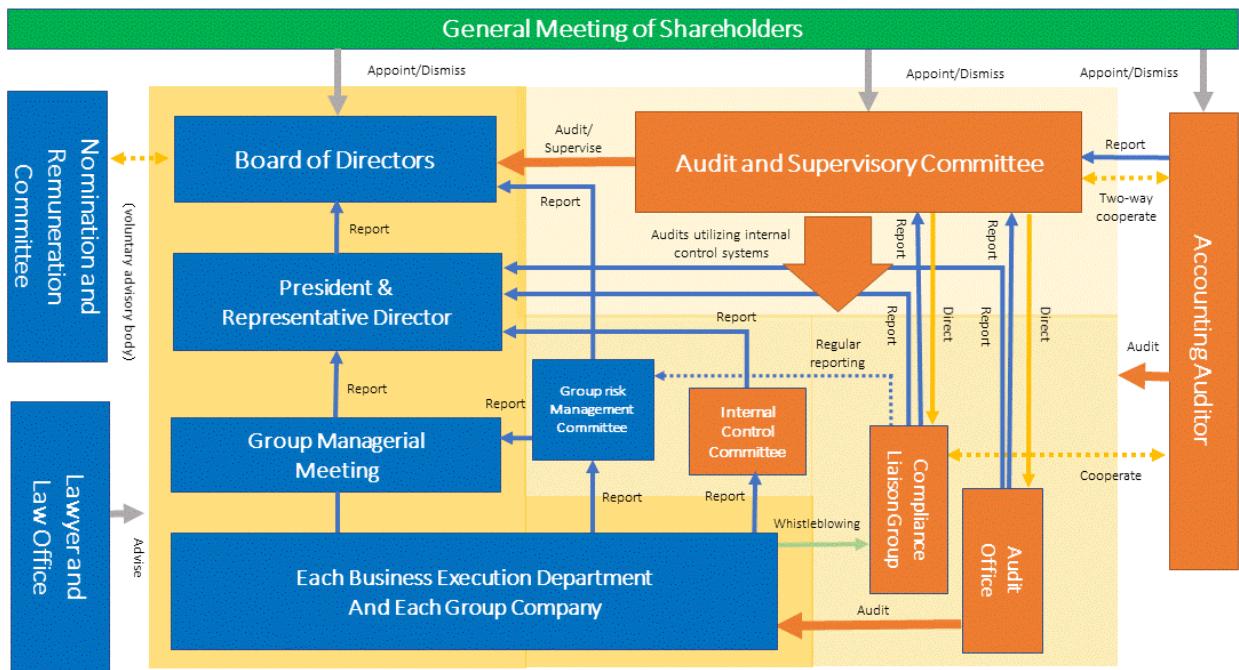
## **2. Other Matters Concerning to Corporate Governance System**

The Company system is designed to enable us, as the umbrella company, to swiftly grasp all types of information within Group companies primarily through the General Affairs Division, which has been designated as the department in charge of information disclosure. The system facilitates the reporting of factors and important items that emerge during daily operations at each Group company from employees to department heads, and then to the Executive Officer and Chief Administrative Officer, who is the person in charge of information disclosure. The Company promptly executes timely disclosure by swiftly identifying any problematic areas in terms of information disclosure.

In terms of determined facts, the Company has also established a system for facilitating the prompt disclosure of decisions made by the Board of Directors as the Company's main decision-making body.

Furthermore, the Company strives to raise awareness of the importance of legal compliance within the Company in order to ensure thorough compliance. The Company also consults in detail and cooperates with Audit and Supervisory Committee Members, the auditing firm, and legal counsels.

## Corporate Governance System



## Timely Disclosure System

