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Charm Care Corporation

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<https://www.charmcc.jp/corp/>

The status of our corporate governance is as follows.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Policy

We regard corporate governance as one of the most important management issues, and while placing emphasis on the interests of all stakeholders, we are working to establish management organizations and systems, improve management efficiency, strengthen management oversight functions, and ensure thorough compliance with laws and regulations.

Under our philosophy of "Focusing on senior living services, we value the individual values of each customer and propose attractive lifestyles tailored to each customer," we operate fee-based homes for the elderly where residents can live in peace of mind, and provide Long-Term Care services (Care) that are attractive (Charm) to our customers.

We view the aging of society positively and aspire to be a company that can contribute to society.

[Reasons for Not Implementing Each Principle of the Corporate Governance Code]

Update

Supplementary Principle 3-1(iii) Disclosure of Initiatives on Sustainability

We recognize that appropriately addressing various sustainability issues, including social and environmental matters, is an important management issue. To allow our stakeholders to view our sustainability initiatives, we have established a sustainability page on our corporate website (<https://www.charmcc.jp/corp/company/sdgs/>). Regarding the collection and analysis of data on the impact of climate change-related risks and revenue opportunities on our business activities and revenue, as well as enhancing disclosures based on the TCFD or an equivalent framework, we intend to continue considering these matters going forward.

Supplementary Principle 4-1(iii) Succession Planning for the Chief Executive Officer, etc.

At present, we have not clearly established a succession plan for the representative director, chairman, and CEO, who is our chief executive officer. However, going forward, the Nomination

Committee will take the lead in thoroughly deliberating the qualities, experience, and development background required for the chief executive officer and others, and as the Board of Directors, we will consider how to appropriately supervise the selection and development process for successor candidates.

[Disclosure Based on Each Principle of the Corporate Governance Code] **Update**

Principle 1-4 Policy Shareholdings

The Company holds policy shareholdings when it determines that such holdings will contribute to the medium- to long-term enhancement of corporate value, from the perspective of maintaining and strengthening business relationships. With respect to such holdings, the Board of Directors annually examines the significance of holding each individual stock and the actual status of transactions, and verifies the economic rationality of transactions with policy shareholders to ensure that such transactions do not harm the interests of policy shareholders, the Company, or other shareholders. If, as a result of this verification, it is determined that there is no significance in holding certain shares, the Company will consider selling them.

Principle 1-7 Transactions with Related Parties "Framework for Procedures Related to Transactions with Related Parties"

The Company stipulates in the "Board of Directors Regulations" that competitive transactions and conflict-of-interest transactions with directors and corporations substantially controlled by directors require deliberation and resolution by the Board of Directors. In addition, to clarify the procedures for transactions with related parties, the Company has established the "Related Party Transaction Management Regulations" and, based on these regulations, conducts an annual survey on the existence of related party transactions and has established a system to manage such transactions.

Supplementary Principle 2-4(i) Ensuring Diversity in the Appointment of Core Personnel, etc.

<Approach to Ensuring Diversity>

The Company believes that securing and developing diverse human resources is essential for achieving further development and growth in the future.

<Voluntary and Measurable Goals and Progress for Ensuring Diversity>

(1) Promotion of Women to Managerial Positions

The Company has set a goal of increasing the ratio of women in managerial positions to 40% or more by June 30, 2026, and as of June 30, 2025, the ratio of female managers is 25.7%.

(2) Promotion of Foreign Nationals to Managerial Positions

Currently, the Company does not have any foreign nationals in managerial positions, but it intends to appoint talented personnel to managerial positions regardless of nationality.

(3) Promotion of Mid-career Hires to Managerial Positions

The Company has been actively hiring mid-career personnel, and the ratio of mid-career hires in fiscal year 2024 is 86.5%. In addition, most of the Company's managers have been promoted from mid-career hires, and a considerable number of managers have been hired directly as managers. The Company will continue to actively appoint mid-career hires, including those hired as managers.

<Human Resource Development Policy and Internal Environment Improvement Policy for Ensuring Diversity and Their Implementation Status>

The status of human resource development and workplace environment improvement is disclosed on the Company's corporate website.

Principle 2-6 Exercising the Function as an Asset Owner of Corporate Pension

The Company does not currently have a corporate pension system and has no plans to introduce one.

Principle 3-1 Enhancement of Information Disclosure

(i) The Company's Aims (Management Philosophy, etc.), Management Strategy, and Management Plan

The Company discloses various information such as its corporate philosophy and management plan through its website and this report.

- Management Philosophy: Disclosed in this report "I-1. Basic Approach" and on the Company's website "Our Philosophy" (<https://www.charmcc.jp/corp/company/vision/>).

- Management Strategy and Management Plan: Disclosed on the Company's website "Financial Results Presentation Materials" (<https://www.charmcc.jp/corp/ir/presentation/>).

(ii) Basic Approach and Basic Policy on Corporate Governance Based on Each Principle of This Code (Draft)

Disclosed in the annual report and in this report "I-1. Basic Approach".

(iii) Policy and Procedures for Determining Remuneration for Executive Officers and Directors by the Board of Directors

The Company discloses its policy on determining remuneration for directors, etc. in the annual report and in this report "II-1. Matters Concerning Organizational Structure and Operation [Director Remuneration]".

(iv) Policy and Procedures for the Appointment and Dismissal of Executive Officers and the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors

(Policy and Procedures for the Nomination of Director Candidates)

For full-time directors, the Company requires familiarity with the business and assigned duties, as well as outstanding management ability. For outside directors, the Company seeks individuals with experience in management, a broad perspective and insight, and the ability to provide meaningful advice on the Company's management. Candidates are deliberated and nominated by the Board of Directors and submitted to the shareholders' meeting.

(Policy and Procedures for the Nomination of Audit & Supervisory Board Member Candidates)

For Audit & Supervisory Board members, the Company, based on Article 10 of the Audit & Supervisory Board Member Audit Standards (Criteria for Selection of Audit & Supervisory Board Member Candidates), strives to maintain independence and always maintain a fair and impartial attitude, and appoints individuals who are expected to act based on their own beliefs. The Chairman and CEO prepares candidate proposals, obtains the consent of the Audit & Supervisory Board, and submits them to the shareholders' meeting.

(Policy and Procedures for the Dismissal of Executive Officers)

If an executive officer violates laws, the Articles of Incorporation, or Company regulations, or causes significant loss or operational disruption to the Company, making it difficult to perform their duties, they are subject to dismissal. Prior to dismissal, the reasons for dismissal are explained to independent outside directors, and after obtaining appropriate involvement and advice, a resolution is made by the Board of Directors and submitted to the shareholders' meeting.

(v) Explanation of Individual Appointments, Dismissals, and Nominations of Executive Officers, Directors, and Audit & Supervisory Board Member Candidates by the Board of Directors Based on (iv) Above

The reasons for the appointment of director and Audit & Supervisory Board member candidates are stated individually in the notice of convocation of the shareholders' meeting. The reasons for the appointment of outside director and outside Audit & Supervisory Board member candidates are disclosed in this report "II-1. Matters Concerning Organizational Structure and Operation [Director Matters] [Audit & Supervisory Board Member Matters]". In addition, if a dismissal is made in accordance with the above policy for the dismissal of executive officers, it will be disclosed appropriately as necessary.

Supplementary Principle 4-1(i) Scope of Delegation to Management

The Company defines the scope of decision-making by the Board of Directors, in addition to matters stipulated by laws and the Articles of Incorporation, by specifying important decision-making items in the "Board of Directors Regulations". For other business execution, the decision-maker is clearly defined according to the importance of the matter, based on the "Authority Regulations".

Principle 4-9 Criteria for Independence and Qualifications of Independent Outside Directors

The Company selects candidates who meet the "Independence Criteria" established by the Tokyo Stock Exchange. Details are disclosed in this report under "II-1. Matters Related to Organizational Structure and Operation [Director-related]".

Supplementary Principle 4-10(i) Establishment of Advisory Committees Mainly Composed of Independent Outside Directors

The Company has established voluntary Nomination and Remuneration Committees, the majority of whose members are independent outside directors. The status of establishment of voluntary committees is described in this report under II.1 [Director-related] "Existence of Voluntary Committees Equivalent to Nomination or Remuneration Committees."

Supplementary Principle 4-11(i) Approach to the Balance, Diversity, and Size of the Board of Directors and Policy and Procedures for the Appointment of Directors

The Company stipulates in its Articles of Incorporation that the number of directors shall not exceed 10, and currently has 7 directors (including 3 independent outside directors, of whom 1 is female).

This is an appropriate size to respond to management issues and changes in the management environment surrounding the Company and to promote prompt decision-making. In addition, by appointing 3 independent outside directors with diverse backgrounds, including those with management experience at other companies, we believe that both balance and diversity are ensured. The policy and procedures for the appointment of directors are disclosed in this report under "I-1. Basic Approach Principle 3-1 Enhancement of Information Disclosure (iv)."

Furthermore, a skill matrix listing the knowledge, experience, and abilities of directors and auditors is included in the reference materials for the notice of the annual shareholders' meeting.

Supplementary Principle 4-11(ii) Concurrent Positions of Outside Officers

The status of concurrent positions held by outside directors and outside auditors is disclosed in the notice of the shareholders' meeting and the annual report.

Supplementary Principle 4-11(iii) Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company conducts analysis and evaluation of the effectiveness of the Board of Directors every year.

(1) Evaluation Method

The Company conducts a questionnaire on the effectiveness of the Board of Directors once a year for all directors and auditors. Based on the results of the questionnaire, the composition, operation, deliberation, and overall management of the Board of Directors are analyzed and evaluated to

improve its effectiveness.

(2) Evaluation Items

Operation of the Board of Directors, composition of the Board of Directors, deliberations of the Board of Directors, overall management

(3) Overview of Analysis and Evaluation

The analysis and evaluation are conducted at the Board of Directors, and it was confirmed that the Board of Directors is generally functioning effectively and its effectiveness is ensured. However, issues regarding the operation, composition, and content of deliberations of the Board of Directors were shared, and continuous improvement will be pursued going forward.

Supplementary Principle 4-14(ii) Policy on Training for Directors and Auditors

The Company provides the following support to directors and auditors to enable them to fulfill their roles and responsibilities:

- (All officers) Timely and appropriate provision of information on economic conditions, industry trends, the long-term care insurance system, and other important matters.
- (All officers) Opportunities to participate in seminars, training sessions, and e-learning provided by the Tokyo Stock Exchange, Japan Audit & Supervisory Board Members Association, financial institutions, etc., as appropriate. Participation in industry associations and cross-industry exchange meetings is also encouraged to acquire necessary knowledge, self-development, and improvement.
- (New officers) Upon appointment, explanations are provided by the responsible officers or relevant departments regarding the Company's corporate philosophy, medium-term management plan, finance, accounting, etc. In addition, visits to fee-based homes for the elderly operated by the Company are conducted as desired.

Principle 5-1 Policy on Constructive Dialogue with Shareholders

The officer in charge of the Corporate Planning Office takes the lead in promoting dialogue with shareholders and investors, supported by the IR department (Corporate Planning Office). As means of dialogue, financial results briefings and individual meetings are held, and timely and appropriate disclosure is ensured through the Company's website.

[Measures Toward Achieving Management with an Awareness of Capital Costs and Stock Prices]

Contents of Description Update	Disclosure (Update) of Initiatives
Presence or absence of English disclosure Update	Available

Presence of controlling shareholder (excluding parent company)	-----
Presence or absence of a parent company	None
Update date Update	August 7, 2025

Explanation regarding the relevant item **Update**

Regarding Management with an Awareness of Capital Costs and Stock Prices, we have started disclosing information in our financial results presentation materials, which are published quarterly, beginning with the materials for Q2 of the fiscal year ending June 2024 (published on February 5, 2024), and we update this information as needed.

■ Financial results presentation materials publication page:

<https://www.charmcc.jp/corp/ir/presentation/>

In the most recent financial results presentation materials for the fiscal year ending June 2025, this information is provided on page 21. We believe that over the past five years, our ROE has consistently exceeded the cost of shareholders' equity. Going forward, we will continue to aim for medium- to long-term improvement in ROE and will proceed with specific initiatives to achieve this goal.

2. Capital structure

Foreign shareholding ratio	10% or more but less than 20%
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[Status of Major Shareholders] **Update**

Name	Total number of shares issued (shares)	Percentage (%)
STK Corporation	9,600,000	29.39
Shimomura Takahiko	5,302,300	16.23
Custody Bank of Japan, Ltd. (Trust Account)	3,534,400	10.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,262,300	6.93
GOVERNMENT OF NORWAY	430,100	1.32
Tokyu Land Corporation	396,500	1.21
JPMorgan Securities Japan Co., Ltd.	371,071	1.14
STATE STREET BANK AND TRUST COMPANY 505044	350,300	1.07
Charm Care Corporation Employee Shareholding Association	336,200	1.03
Keizo Marumoto	322,400	0.99

Supplementary Explanation

3. Corporate Attributes

Public listing exchange and market segment	Tokyo Prime
financial results period	June
Industry	Service industry
Number of (consolidated) employees at the end of the previous fiscal year	More than 1,000 people
Sales revenue (consolidated) in the most recent fiscal year	10 billion yen or more but less than 100 billion yen
Number of consolidated subsidiaries at the end of the previous fiscal year	Less than 10 companies

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

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

II. Status of Management Control Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Execution, and Supervision

1. Matters related to institutional structure and organizational management

Organizational structure	Company with Audit & Supervisory Board
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[Matters related to directors]

Number of directors stipulated in the Articles of Incorporation	10 people
Term of office of directors as stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of directors	7 people
Status of Appointment of Outside Directors	Appointed
Number of outside directors	3 people
Number of outside directors designated as independent officers	3 people

Relationship with the company (1)

Name	Attribute	Relationship with the company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Tomokazu Yamazawa	People from other companies								△			
Kenji Nishikado	People from other companies					△			○			
Kimiko Tanaka	People from other companies											

* Selection items regarding the relationship with the company

* If the individual currently or recently falls under each item, mark "○"; if in the past, mark "△"

* If a relative currently or recently falls under each item, mark "●"; if in the past, mark "▲"

- a Executive officer of a public listing company or its subsidiary
- b Executive or non-executive director of the parent company of a public listing company
- c Executive officer of a sibling company of a publicly listed company
- d A person or an executive whose main business partner is a publicly listed company
- e Major business partners of the publicly listed company or their business executors
- f Consultants, accounting professionals, and legal professionals who receive large amounts of money or other assets from the public listing company in addition to executive compensation
- g Major shareholders of a publicly listed company (in the case where the major shareholder is a corporation, the executive officers of said corporation)
- h Executive officer of a publicly listed company client (who does not fall under any of d, e, or f) (the individual only)
- i Former executive officers (themselves only) who have a reciprocal appointment relationship as outside officers
- j Executive officers (only the individual themselves) of organizations to which the public listing company makes donations
- k Other

Relationship with the company (2)

Name	Independent Officer	Supplementary explanation regarding applicable items	Reason for appointment
Tomokazu Yamazawa	○	He is a former employee of Hankyu Corporation, which is the lessor of the fee-based home for the elderly (Charm Shin-Osaka Awaji) operated by our company. Currently, the building treasury stock warrants contract with the company applies only to this one facility.	He has held important positions such as representative director and president of Hankyu Hanshin Hotels Co., Ltd. and representative director and president of Hanshin Expressway Company Limited. Based on his knowledge, experience, and abilities, we recognize him as a suitable candidate for an outside director of our company. In addition, he has no special interests with our company, meets the independence criteria stipulated by the Tokyo Stock Exchange, and is judged to have no risk of conflict of interest with

Name	Independent Officer	Supplementary explanation regarding applicable items	Reason for appointment
			general shareholders. Therefore, he will be designated as an independent officer.
Kenji Nishikado	○	<p>He previously worked as an executive officer at Sumitomo Mitsui Banking Corporation, one of our main lenders, but left the bank in August 2009.</p> <p>In addition, he has been appointed as a director of a group company of Ship Healthcare Holdings Co., Ltd., which is the parent company of one of our other related companies. We have business transactions with the Ship Healthcare Holdings group, such as the purchase of consumables and long-term care products, but the transaction amount for the fiscal year ending June 2024 is less than 1% of our total purchases.</p>	He has served as a director at various companies within the Ship Healthcare Holdings Group, and we recognize that his knowledge, experience, and abilities make him well-suited to serve as an outside director of our company. In addition, he has no special interests with our company, meets the independence criteria stipulated by the Tokyo Stock Exchange, and we have determined that there is no risk of conflicts of interest with general shareholders. Therefore, he will be designated as an independent officer.
Kimiko Tanaka	○	_____	<p>He has extensive experience and high insight, having been widely involved in human resource development and service quality improvement at Japan Airlines Co., Ltd. and CMIC Holdings Co., Ltd., as well as serving as an outside director of listed companies. We recognize him as a suitable candidate for outside director of our company.</p> <p>Furthermore, he has no special interests with our company, meets the independence criteria stipulated by the Tokyo Stock Exchange, and is judged to have no risk of conflict of interest with general shareholders. Therefore, he will be designated as an independent officer.</p>

Existence of any voluntary committees equivalent to the Nomination Committee or Compensation Committee	There is
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Status of establishment of optional committees, committee composition, and attributes of committee chairpersons (chairmen)

	Name of the committee	Total members (people)	Full-time committee members (people)	Internal director (people)	Outside directors (people)	External experts (people)	Other (people)	Chairperson (Chairman)
Voluntary committee equivalent to the Nomination Committee	Nomination Committee	3	1	1	2	0	0	Internal director
Voluntary committee equivalent to the Compensation Committee	Compensation Committee	3	1	1	2	0	0	Internal director

Supplementary Explanation **Update**

As voluntary bodies to complement the functions of the Board of Directors and the Audit & Supervisory Board, the Nomination Committee and the Remuneration Committee were established on September 28, 2021. The Nomination Committee and the Remuneration Committee are composed of three or more directors selected by the Board of Directors, with the majority being independent outside directors to ensure the independence of the committees. The current composition of the committees is as follows:

(Names of Nomination Committee members)

Representative Director, Chairman and CEO Takahiko Shimomura (Chairman)

Independent Outside Director Tomokazu Yamazawa

Independent Outside Director Kenji Nishikado

(Names of Remuneration Committee members)

Representative Director, Chairman and CEO Takahiko Shimomura (Chairman)

Independent Outside Director Tomokazu Yamazawa

Independent Outside Director Kimiko Tanaka

The Nomination Committee deliberates on matters concerning the composition of the Board of Directors, the appointment and dismissal of directors, and the selection of the representative director. The Remuneration Committee deliberates on matters concerning the remuneration system and remuneration determination policy for directors, as well as the content of directors' remuneration. By

providing advice and recommendations to the Board of Directors, these committees aim to strengthen the supervisory function of the Board of Directors and further enhance the corporate governance system.

[Audit & Supervisory Board Members]

Presence or absence of an Audit & Supervisory Board	Installed
Number of auditors stipulated in the Articles of Incorporation	5 people
Number of auditors	3 people

Status of Coordination among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Department

We recognize that collaboration among the Audit & Supervisory Board Members, accounting auditors, and the internal audit department is essential for conducting effective and efficient audits. The Audit & Supervisory Board Members attend internal audits, exchange opinions with the accounting auditors, and receive audit results to enhance the quality of audits. In addition, the internal audit department also regularly collaborates with the accounting auditors to conduct more effective audits.

Status of Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of outside auditors	2 people
Number of outside auditors designated as independent officers	2 people

Relationship with the company (1)

Name	Attribute	Relationship with the company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toshiro Kosaka	People from other companies													
Ken Enomoto	People from other companies													

* Selection items regarding the relationship with the company

* If the individual currently or recently falls under each item, mark "○"; if in the past, mark "△"

* If a relative currently or recently falls under each item, mark "●"; if in the past, mark "▲"

- a Executive officer of a public listing company or its subsidiary
- b Non-executive director or accounting advisor of a publicly listed company or its subsidiary
- c Executive or non-executive director of the parent company of a publicly listed company
- d Auditor of the parent company of a publicly listed company
- e Executive officer of a sibling company of a publicly listed company
- f Persons or their business executors whose main business partners are publicly listed companies
- g Major business partners of the publicly listed company or their business executors
- h Consultants, accounting professionals, and legal professionals who receive large amounts of money or other assets from the public listing company in addition to executive compensation
- i Major shareholders of publicly listed companies (in cases where the major shareholder is a corporation, the executive officers of said corporation)

- j Executive officer of a publicly listed company client (who does not fall under any of f, g, or h) (applicant only)
- k Former executive officers (themselves only) who have a reciprocal appointment relationship as outside officers
- l Executive officers (only the individual themselves) of organizations to which the public listing company has made donations
- m Other

Relationship with the company (2)

Name	Independent Officer	Supplementary explanation regarding applicable items	Reason for appointment
Toshiro Kosaka	○	-----	He has held key positions such as director and auditor at other companies, and possesses a broad range of knowledge and experience in corporate management, particularly in finance, accounting, planning, and administrative divisions. Based on his knowledge, experience, and abilities, we recognize him as a suitable candidate for our company's auditor. Furthermore, as there are no special interests between him and the company, we have determined that there is no risk of conflict of interest with general shareholders, and have appointed him as an outside auditor. In addition, there are no applicable matters under the independence criteria set by the stock exchange, and he has been designated and reported as an independent officer.
Ken Enomoto	○	-----	He has held key positions such as director at other companies and possesses a broad range of knowledge and experience in corporate management, including accounting, human resources and general affairs, information systems, and compliance departments. We recognize that he is well qualified to serve as an outside Audit & Supervisory Board Member of our company. Furthermore, he has no special interests with our company, meets the independence criteria stipulated by the Tokyo Stock Exchange, and we have determined that there is no risk of conflicts of interest with general shareholders. Therefore, he will be designated as an independent officer.

[Matters Related to Independent Officers]

Number of independent officers	5 people
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Other matters concerning independent officers

All outside officers who meet the qualifications for independent officers are designated as independent officers.

[Incentive-related]

Status of implementation of measures regarding the granting of incentives to directors

Introduction of Stock Option System

Supplementary explanation regarding the relevant item

With the aim of sharing both the benefits and risks of stock price fluctuations with our shareholders, and to further motivate the improvement of our medium- to long-term business performance and corporate value, the Company introduced a stock compensation-type stock option at the 33rd Annual General Meeting of Shareholders held on September 26, 2017. However, following the resolution at the 37th Annual General Meeting of Shareholders held on September 28, 2021, the compensation framework for stock compensation-type stock options (stock options) was abolished, and therefore, no new stock compensation-type stock options (stock options) will be issued after that date (the stock compensation-type stock options (stock options) already granted will remain valid).

Eligible recipients of stock options

Internal director

Supplementary explanation regarding the relevant item

This is to issue stock options as stock-based compensation, separate from the conventional director compensation, within an annual limit of 20 million yen. The number of eligible directors is four. However, as stated above, there have been no issuances since September 28, 2021.

[Matters related to director compensation]

Disclosure status of individual director compensation

Individual compensation is not disclosed.

Supplementary explanation regarding the relevant item **Update**

The total amount of remuneration for directors and auditors is disclosed separately.

The amounts of remuneration for the fiscal year ending June 2025 are as follows:

- Directors (excluding outside directors): 101 million yen
- Auditors (excluding outside auditors): 3 million yen
- Outside officers: 21 million yen

Existence of a policy for determining the amount or calculation method of remuneration **Update**

Available

Disclosure of the policy for determining the amount or calculation method of remuneration

1. The Board of Directors has resolved the following policy regarding the determination of individual remuneration, etc. for directors.

a. Basic Policy

Remuneration for the Company's officers is determined based on each individual's role and position,

comprehensively taking into account the Company's performance, management environment, etc., and within the remuneration limit approved at the shareholders' meeting, in order to encourage directors to improve medium- to long-term performance.

b. Policy on Performance-linked Remuneration, etc.

In principle, performance-linked remuneration is not adopted. However, when determining basic remuneration, performance and management environment, etc. are also taken into consideration.

c. Policy on Non-monetary Remuneration, etc.

At the ordinary shareholders' meeting held on September 28, 2021, the introduction of a restricted stock compensation plan was resolved. The purpose is to provide incentives for the sustainable enhancement of the Company's corporate value and to further promote value sharing with shareholders, with grants made once a year. In addition, at the ordinary shareholders' meeting held on September 28, 2021, the stock compensation-type stock option plan was abolished.

d. Policy on the Ratio of Remuneration, etc.

Regarding the ratio of each type of remuneration, the total amount of non-monetary remuneration, etc. is set to be approximately within 25% of the total individual basic remuneration, etc. excluding outside directors.

e. Policy on Timing and Conditions for Granting Remuneration, etc.

(i) Basic Remuneration

For directors scheduled for reappointment, the monthly remuneration for the next fiscal year is determined in June, the month in which the last day of the fiscal year falls, based on the performance, etc. of the previous fiscal year, and payment begins in July. For newly appointed directors, the monthly remuneration for the period from October to June of the following year is determined after the conclusion of the ordinary shareholders' meeting held every September, and payment begins in October.

(ii) Restricted Stock Compensation

Once a year, the Board of Directors determines the allocation of shares, the amount to be paid per share, the timing of the grant, etc. for restricted stock compensation in accordance with the restricted stock compensation regulations. The total amount of remuneration paid to eligible directors under this system is up to 20 million yen per year, separate from monetary remuneration, and the total number of common shares of the Company to be issued or disposed of under this system is up to 15,000 shares per year.

f. Matters Concerning Delegation of Determination of Remuneration, etc.

The authority may be delegated to the Chairman and CEO. The scope of delegated authority is to determine the amount of individual basic remuneration, and in order to ensure the authority is exercised appropriately, the amount of individual basic remuneration is determined through the following procedures:

(i) The director in charge of budget and personnel (hereinafter referred to as the "responsible

director") prepares a draft of the individual basic remuneration amount based on the basic remuneration of the previous fiscal year for the fiscal year to be paid.

(ii) The Chairman and CEO reviews the draft in (i), and, taking into account each individual's role and position, as well as the Company's performance, management environment, etc., makes revisions as necessary.

(iii) The draft or the revised draft in (ii) is submitted to the voluntary Remuneration Committee for consultation.

(iv) The voluntary Remuneration Committee deliberates on the matters consulted and provides advice and recommendations to the Chairman and CEO. Based on the advice and recommendations of the Remuneration Committee, the Chairman and CEO makes further revisions as necessary and finalizes the decision.

(v) The Chairman and CEO reports the finalized amount of individual basic remuneration to the responsible director.

(vi) The responsible director, upon receiving the report, determines whether disclosure is necessary, etc., as appropriate.

2. Remuneration, etc. for Audit & Supervisory Board Members consists only of fixed (monetary) remuneration, and is determined through consultation among Audit & Supervisory Board Members within the remuneration limit approved at the shareholders' meeting.

[Support system for outside directors (outside auditors)]

A system is in place whereby each relevant department at the head office provides necessary information to outside directors and outside auditors as needed. In addition, the full-time auditors regularly communicate information to the part-time auditors.

Furthermore, outside directors and outside auditors share information by holding regular meetings with directors and full-time auditors.

Although there are no dedicated staff assigned exclusively to outside directors and outside auditors, executive secretaries provide support for their duties.

2. Matters related to functions such as business execution, auditing and supervision, nomination, and determination of remuneration (Overview of the current corporate governance system) Update

Our company holds the shareholders' meeting as the highest decision-making body of the company, and convenes an annual shareholders' meeting within three months after the end of each fiscal year.

The board of directors, which is the company's decision-making body, consists of a total of seven

directors: executive directors Takahiko Shimomura, Shiro Kokaji, Yoshihiko Maeda, and Shigeki Yokoyama, as well as outside directors Tomokazu Yamazawa, Kenji Nishikado, and Kimiko Tanaka (including three outside directors). The board is chaired by Shiro Kokaji, the representative director, president, and COO. In principle, regular board meetings are held once a month, and extraordinary board meetings are convened as necessary. The board of directors has the authority to determine important business strategies such as management objectives and management strategies, as well as to supervise the execution of duties by directors.

In addition, our company is a company with auditors, and the board of auditors consists of three members: full-time auditor Toshiro Kosaka and part-time auditors Hirofumi Oshika and Ken Enomoto (including two outside auditors). The board of auditors is, in principle, held once a month, monitoring the state of governance and its operation, as well as auditing daily activities including the execution of duties by directors. Furthermore, by attending shareholders' meetings and board meetings, and conducting audits by auditors, a system is in place to monitor the execution of duties by directors. In addition, we work in cooperation with the accounting auditor and the risk management office to engage in effective monitoring.

Our company has established a corporate governance system centered on the board of directors, each auditor, and the board of auditors. Under this system, the attendance rate of each auditor at board meetings is extremely high, and questions and opinions are raised as appropriate, allowing auditors to monitor business execution from their standpoint. At the board of auditors, reports on business execution are received from each director, Q&A sessions are held, and the auditors and the board of auditors collaborate with the accounting auditor and the internal audit department, thereby strengthening the audit function and enabling sufficient monitoring of management from an objective and neutral standpoint.

As voluntary bodies to supplement the functions of the board of directors and the board of auditors, we have established the Nomination Committee and the Compensation Committee. The Nomination Committee and the Compensation Committee are composed of three or more directors selected by the board of directors, with the majority being independent outside directors.

In addition, our company and the directors (excluding those who are executive directors, etc.) and auditors have entered into agreements to limit liability for damages under Article 427, Paragraph 1 of the Companies Act, with the limit of liability for damages under such agreements set at the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

3. Reasons for selecting the current corporate governance system

The Company has appointed three outside directors to strengthen the decision-making process from a broader perspective and to enhance the supervisory function over business execution. In addition, by appointing two of the three auditors as outside auditors, we have ensured a monitoring function

over management.

Furthermore, in terms of corporate governance, we believe that the function of objective and neutral management oversight from outside the company is important. With the supervision and auditing conducted by three outside directors and two outside auditors, we believe that a system is in place in which the external management monitoring function operates effectively. For this reason, we have adopted the current structure.

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

1. Status of initiatives to invigorate shareholders' meetings and facilitate the exercise of voting rights

	Supplementary Explanation
Early dispatch of the notice of convocation of the shareholders' meeting	We make shipments before the statutory shipping date. In addition, we will post the information on our facility page prior to the shipping date.
Setting of shareholders' meetings to avoid concentration dates	Our company has set June as the month for financial results, whereas many public listing companies have March as their financial results month. In addition, we have carefully selected the date and location of the shareholders' meeting to enable as many shareholders as possible to participate.
Exercise of voting rights by electromagnetic means	It is also possible to exercise voting rights via the voting rights exercise website.
Initiatives to participate in the electronic voting rights exercise platform and to improve the environment for institutional investors to exercise their voting rights	We are participating in the ICJ platform.
Provision of the Notice of Convocation (Summary) in English	We provide data of English convocation notices (electronic media only) for overseas institutional investors on our website and the ICJ platform.

2. Status of IR Activities

	Supplementary Explanation	Presence or absence of explanations by the representative
Regular briefings are held for individual investors.	In addition to holding company briefings (which also serve as financial results briefings) for individual investors, we also participate in IR seminars and other events hosted by financial institutions as appropriate.	Present
Regular briefings are held for analysts and institutional investors.	In addition to holding financial results briefings for analysts and institutional investors, we also conduct individual meetings and respond to inquiries by phone as appropriate.	Available
Publication on the facility page of IR materials	We have posted financial results information and other timely disclosure materials on our facility page.	
Establishment of a department (person in charge) for IR	The officer in charge of IR is Yoshihiko Maeda, the director overseeing the Corporate Planning Office. The IR department is the Corporate Planning Office.	

3. Status of Initiatives to Respect the Position of Stakeholders

Update

	Supplementary Explanation
Provisions regarding respect for the positions of stakeholders in accordance with internal regulations, etc.	In our Corporate Code of Conduct, we have clearly stated our commitment to society, including stakeholders, as follows: "We will proactively disclose information, comply with laws and regulations, and continue to be a company trusted by society." The Corporate Code of Conduct is disclosed on our website under "Our Philosophy" (https://www.charmcc.jp/corp/company/vision/).
Implementation of environmental conservation activities and CSR activities	As a Long-Term Care Business operator, we are promoting the following CSR activities together with our stakeholders to realize a fulfilling aging society. <ul style="list-style-type: none"> As an initiative to create an environment where employees can work for a long time, we are striving to support mental health through the implementation of stress checks and workplace environment

	Supplementary Explanation
	<p>surveys, as well as the establishment of an external consultation service (Charm Mental Health Consultation Room).</p> <ul style="list-style-type: none"> • Focusing on facilities in the Tokyo metropolitan area, we are working on the "Art Gallery Facility" initiative, in which we purchase works from young artists, mainly art university students, and display them in our facilities to provide opportunities for artists to present their work and support their artistic activities. • Aiming to create facilities open to the community, we are opening facility spaces to neighbors, cooperating with local schools in their classes, and holding seminars such as dementia supporter courses. • We collect used staff uniforms and outsource their recycling into bioethanol and recycled polyester to external contractors. In addition, at some facilities, solar panels are installed on rooftops to partially cover the electricity used. • We have offered support to Kobe City, which established Japan's first specialized department for supporting young carers, and have concluded a partnership agreement regarding support for young carers. Similar partnership agreements have also been concluded with Kyoto City and Shinagawa Ward, Tokyo. In addition, in collaboration with the non-profit organization Fusen no Kai, we hold gatherings for children and young people (young carers) at our Osaka head office building. • We have concluded a comprehensive agreement on collaborative projects with the certified non-profit organization Kidsdoor, which is working on the issue of child poverty, aiming to contribute to measures against child poverty, revitalize the declining birthrate and aging society, and improve education and welfare across generations.
Formulation of policies regarding the provision of information to stakeholders	<p>As a company supporting child-rearing, we have obtained the "Kurumin" next-generation certification mark and are developing a workplace environment where women can thrive. In addition, we have established an "Action Plan to Promote the Advancement of Women" and are working to create an employment environment where women can play active roles as managers. Furthermore, we are striving to create a rewarding workplace environment that transcends gender and generations by extending the retirement age (from 60 to 65) and introducing a system that allows employees who meet certain conditions to continue working after reaching the retirement age, with treatment equivalent to that at the time of retirement.</p>

IV. Matters Related to Internal Control Systems, etc.

1. Basic Concept and Status of Development of the Internal Control System Update

The Company resolved the "Basic Policy on the Development of Internal Control Systems" at the Board of Directors meeting held on October 17, 2011, and has been reviewing it as necessary to build a more appropriate and efficient system. Most recently, the policy was revised at the Board of Directors meeting held on July 17, 2020.

a. Systems to ensure that the execution of duties by directors and employees complies with laws and the Articles of Incorporation

- To foster a corporate culture in which directors and employees comply with laws and the Articles of Incorporation and conduct business activities with a sense of ethics, we have established the "Charm Care Corporation Corporate Philosophy," which applies to the entire company.
- To ensure the effectiveness of the compliance system with laws and the Articles of Incorporation, the Board of Directors has established a Risk & Compliance Committee directly under the Board of Directors by resolution. The Risk & Compliance Committee promotes and manages necessary activities such as training to instill and thoroughly implement legal compliance awareness among directors and employees.
- Each department head recognizes the compliance and risks unique to their department and strives to develop and promote a compliance system.
- A Risk Management Office, directly under the Representative Director, Chairman and CEO, has been established to audit the effectiveness of the compliance system with laws and the Articles of Incorporation. The Risk Management Office verifies and evaluates the appropriateness and effectiveness of the internal control system of each department through internal audits and encourages improvements, thereby ensuring the legality of employees' execution of duties. The results of internal audits are reported quarterly to the Representative Director, Chairman and CEO, as well as to the Board of Directors.

b. Systems for the preservation and management of information related to the execution of duties by directors

- Information related to the execution of duties by directors is documented (including electromagnetic records) and preserved together with related materials used for management decisions, etc. The "Document Management Regulations" stipulate the documents subject to management, their storage departments, retention periods, and management methods.
- Information related to the execution of duties by directors is maintained in a state that allows timely inspection in case of requests from auditors, etc.

c. Regulations and other systems for managing the risk of loss

To appropriately build a risk management system consisting of company-wide risk management, risk management associated with business activities, and crisis management measures, and to improve its effectiveness by inspecting the system as necessary, the following matters are stipulated.

- To optimize overall risk management, the Risk & Compliance Committee, an advisory body to the Board of Directors, formulates plans related to risk management for the Group based on the "Risk Management Regulations," "Compliance Regulations," and "Risk & Compliance Committee Regulations," and these are deliberated by the Board of Directors.
- The Risk & Compliance Committee is positioned as the department promoting risk management, and in accordance with the "Risk Management Regulations," "Compliance Regulations," and "Risk & Compliance Committee Regulations," it develops, verifies, and centrally manages the Group's cross-sectional risk management system and risk information.
- In normal times, each department identifies risks, and for risks that may have a significant impact on management, the responsible department collects and organizes necessary information and reports progress to the Risk & Compliance Committee as appropriate.
- A Risk Management Office, directly under the Representative Director, Chairman and CEO, has been established to investigate and respond to various risks arising in the Company's business to minimize damage, as well as to formulate and implement measures for prevention and recurrence prevention. The Risk Management Office investigates the status of risk and compliance violations as necessary and reports the results to the Representative Director, Chairman and CEO, and the Risk & Compliance Committee.
- The Risk Management Office audits the effectiveness of the risk management system reported by the Risk & Compliance Committee as necessary and reports the results to the Representative Director, Chairman and CEO. In addition, reports are made to directors, auditors, and department heads as appropriate when necessary.

d. Systems to ensure the efficient execution of duties by directors

To enhance the agility of decision-making, ensure efficient business execution, and improve effectiveness, the following matters are stipulated.

- To ensure the efficient execution of duties by directors, the "Board of Directors Regulations" regarding the operation of the Board of Directors have been established, and the Board of Directors is held in principle once a month and as needed on an ad hoc basis.
- Based on the annual budget, numerical targets for the budget period are clarified, the goals and responsibilities of business divisions are made clear, and efforts are made to achieve the intended performance targets through variance analysis between budget and actual results.

e. Systems to ensure the appropriateness of business operations in the corporate group consisting of the Company and its subsidiaries

To build a compliance system and ensure appropriate management for the Company and its subsidiaries, the following matters are stipulated.

- The Company has established a Corporate Planning Office to manage subsidiaries and manages subsidiaries based on the "Affiliated Company Management Regulations." The status of operations and execution of duties by directors, etc. of subsidiaries is regularly reported to the Company's Board of Directors.
- To improve the soundness of management within the Group, the Company dispatches directors or auditors to subsidiaries as necessary, and the Corporate Planning Office, which manages subsidiaries, receives regular reports on the business activities of subsidiaries and conducts prior consultations on important matters.
- In transactions within the Group, the Company has established procedures for the execution of transactions and the determination of transaction terms to ensure the objectivity and rationality of transactions within the Group.
- To deliberate important compliance issues, the Risk & Compliance Committee has been established to build and maintain a compliance system, prevent inappropriate transactions by preventing acts that violate or may violate laws and regulations, and strengthen the compliance system for directors and employees.
- The Risk Management Office audits the effectiveness of the Company's compliance system with laws and the Articles of Incorporation. Departments that have been audited are appropriately guided to promptly take corrective and improvement measures when necessary. f. Matters concerning employees to assist Audit & Supervisory Board Members in their duties when requested by Audit & Supervisory Board Members

If Audit & Supervisory Board Members request the assignment of employees to assist them in their duties, the number of such employees, as well as the necessary knowledge, experience, and authority, shall be determined through consultation between the directors and the Audit & Supervisory Board Members.

g. Matters concerning the independence of the employees in the preceding item from directors

The appointment, evaluation, transfer, and disciplinary actions of the Audit & Supervisory Board staff shall require the consent of the Audit & Supervisory Board, and the Audit & Supervisory Board staff shall be subject only to the direction and orders of the Audit & Supervisory Board Members, not receiving any direction, orders, or reporting obligations from directors or others.

h. Systems for reporting to Audit & Supervisory Board Members by directors and employees of the Company and subsidiaries, and other systems for reporting to Audit & Supervisory Board Members

- In response to requests from Audit & Supervisory Board Members, directors and employees of the Company and subsidiaries report on the status of business and internal controls, and the Risk

Management Office reports the results of internal audits, etc.

- Directors and employees of the Company and subsidiaries are required to promptly report to Audit & Supervisory Board Members if they become aware of any material violations of laws, regulations, or the Articles of Incorporation, fraudulent acts, or facts that may cause significant damage to the company.
- The Company ensures the effectiveness of the internal reporting system by establishing the "Internal Reporting System Operation Regulations" to prevent any disadvantage to whistleblowers.

i. Other systems to ensure effective audits by Audit & Supervisory Board Members

- To enable Audit & Supervisory Board Members to understand important decision-making processes and the status of business execution, they attend not only Board of Directors meetings but also other important meetings. In addition, documents and other materials requested by Audit & Supervisory Board Members are provided as needed.
- When Audit & Supervisory Board Members or the Audit & Supervisory Board request necessary expenses for seeking advice from external experts such as lawyers or certified public accountants, or for commissioning investigations, appraisals, or other tasks necessary for audits, such requests may not be refused unless the expenses are deemed unnecessary for the execution of their duties.

j. Systems to ensure the reliability of financial reporting

As part of strengthening the corporate infrastructure, the Company positions its response to the internal control reporting system under the Financial Instruments and Exchange Act as a key initiative, and in order to ensure the reliability of financial reporting, which aggregates financial information related to the entire organization, the Company develops, operates, and evaluates effective and efficient internal controls related to such financial reporting.

2. Basic Approach to the Exclusion of Anti-Social Forces and Status of Its Implementation

Update

a. Basic Approach to the Elimination of Transactions with Anti-Social Forces

- The Company has established explicit grounds in internal regulations such as the "Regulations for Countermeasures against Anti-Social Forces" and the "Manual for Responding to Anti-Social Forces," and the entire organization, led by the representative director, chairman and CEO, is united in its efforts to eliminate anti-social forces.
- The Company has no relationship whatsoever with anti-social forces, including business relationships. In addition, any unreasonable demands from anti-social forces are strictly rejected.

b. Status of Systems for the Elimination of Transactions with Anti-Social Forces

- The Company's stance toward anti-social forces is clearly stated in the "Regulations for Countermeasures against Anti-Social Forces" and the "Manual for Responding to Anti-Social Forces," which serve as behavioral guidelines for all employees.
- In order to promote the elimination of anti-social forces, the General Affairs Office serves as the supervisory management department, and a person responsible for responding to unreasonable demands is appointed at each facility.
- The Company has established related regulations such as the "Compliance Regulations" and the "Risk and Compliance Committee Regulations," and is working to build a system for the elimination of anti-social forces.
- The Company checks its business partners and others for any relationships with anti-social forces.
- In order to confirm whether or not a party falls under anti-social forces, the Company collects information on anti-social forces obtained from external related organizations.
- In preparation for unreasonable demands from anti-social forces, the Company strives to build close cooperative relationships with external specialized organizations such as the police and lawyers on a regular basis.

V. Others

1. Whether a policy for responding to acquisitions has been introduced

Whether or not a policy for responding to acquisitions has been introduced
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None

Supplementary explanation regarding the relevant item

2. Other Matters Related to the Corporate Governance System, etc.

Update

Our basic policy is to promptly disclose necessary company information in a timely manner so that investors can make appropriate investment decisions regarding our company. We have established a system that enables swift and timely disclosure.

The disclosure officers in charge at the Corporate Planning Office, Finance and Accounting Office, and General Affairs Office, which are responsible for information disclosure, regularly attend seminars related to timely disclosure held by the Tokyo Stock Exchange and other organizations to acquire and enhance their knowledge.

To ensure that shareholders have fair and easy access to major information about our company, we have continuously posted information required to be disclosed under the timely disclosure system on

our facility page. Since the fiscal year ending June 2014, we have also been proactively disclosing information such as "(Upcoming) New Openings" and "Press Releases."

The person responsible for handling information related to timely disclosure is the director in charge of the Corporate Planning Office, and the department in charge is the Corporate Planning Office.

The administrative flow for timely disclosure procedures is as follows:

a. Information on decisions

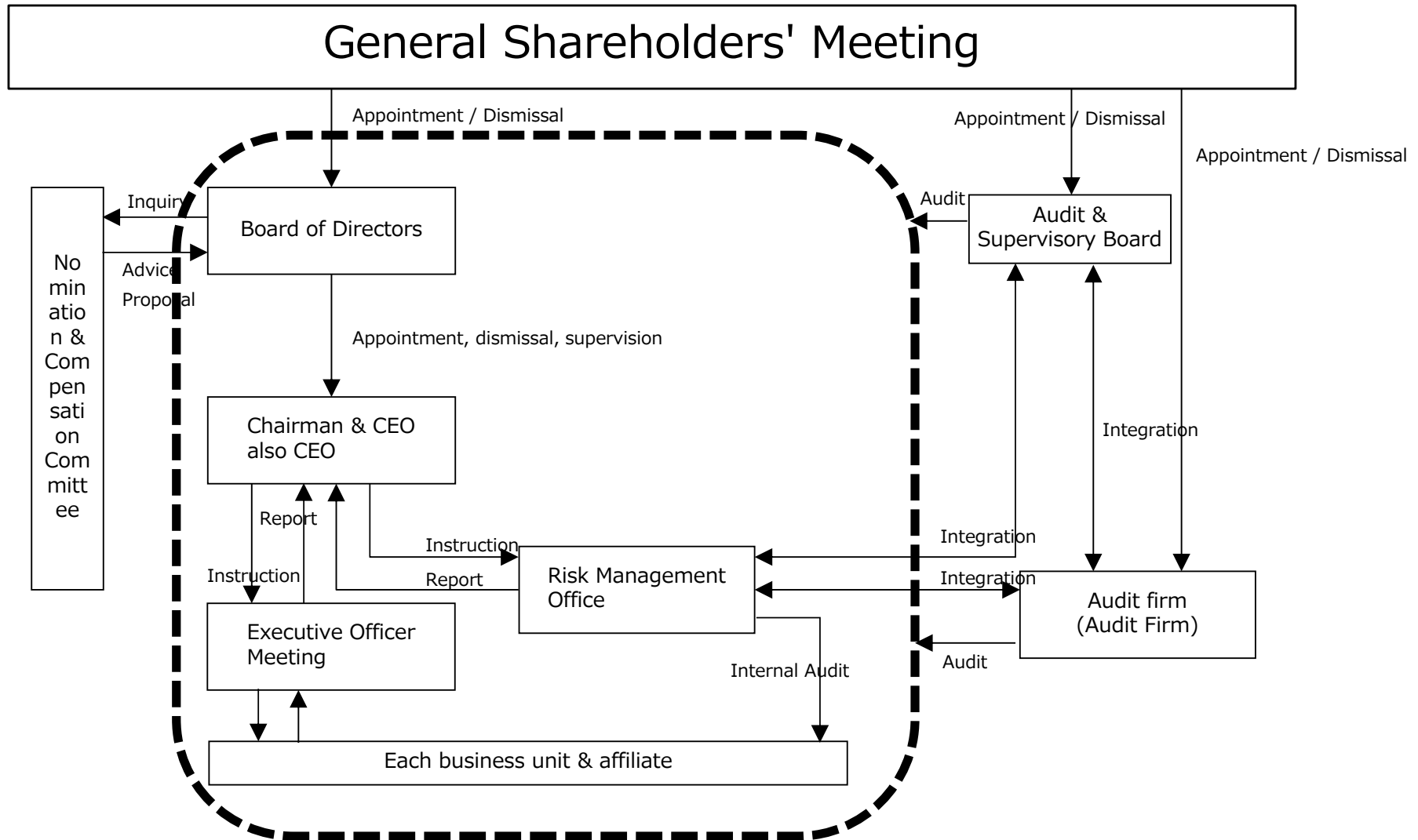
The Corporate Planning Office serves as the secretariat for the Board of Directors, compiles the agenda items in advance, and if there are proposals that constitute important facts subject to timely disclosure, promptly prepares disclosure materials and discloses them with the approval of the Board of Directors.

b. Information on occurrences

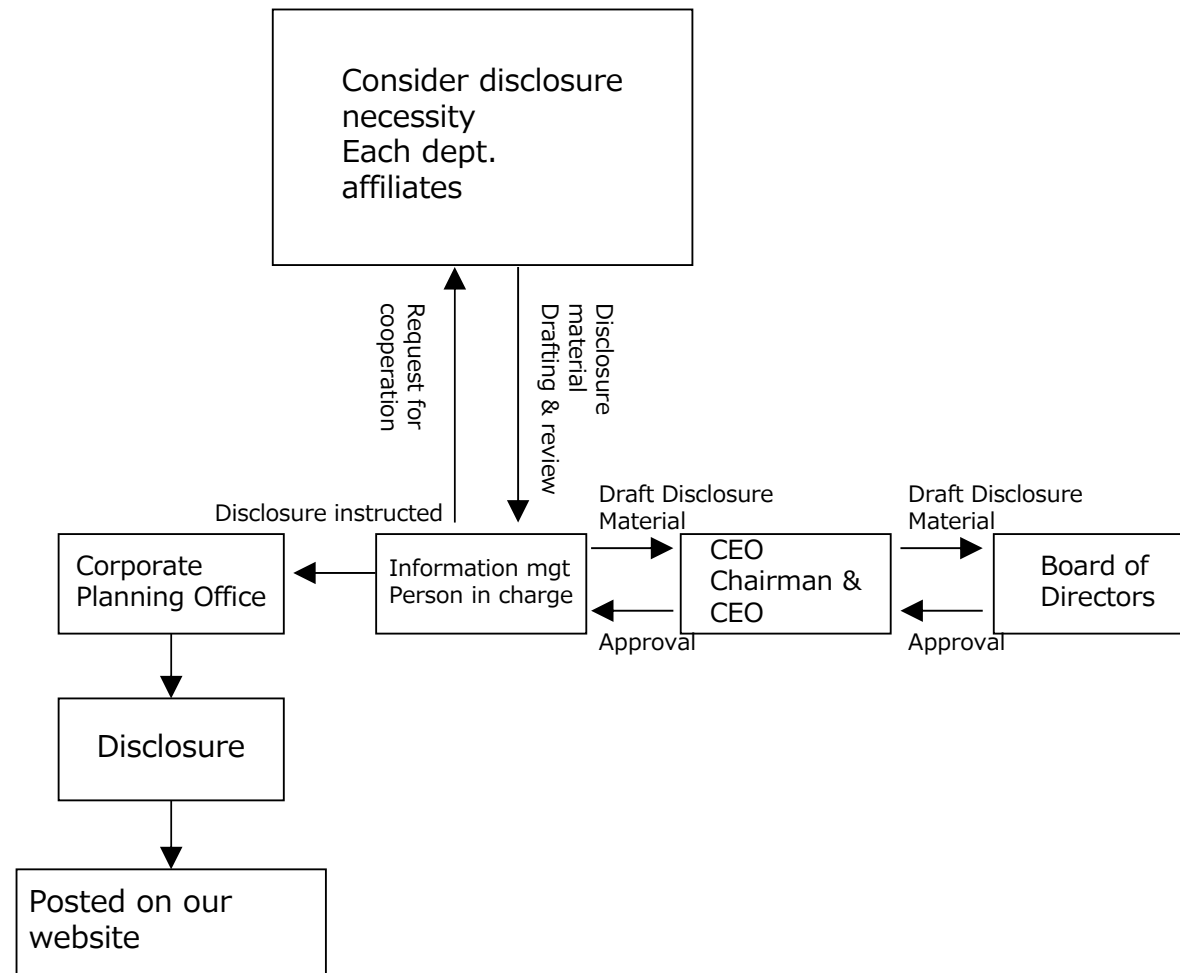
When a relevant matter occurs, the information is consolidated and shared by each department head. Upon receiving information from the director in charge of the Corporate Planning Office, the Corporate Planning Office examines whether it constitutes an important fact subject to timely disclosure. If applicable, disclosure materials are promptly prepared and disclosed with the approval of the Representative Director, Chairman and CEO.

c. Information on financial results

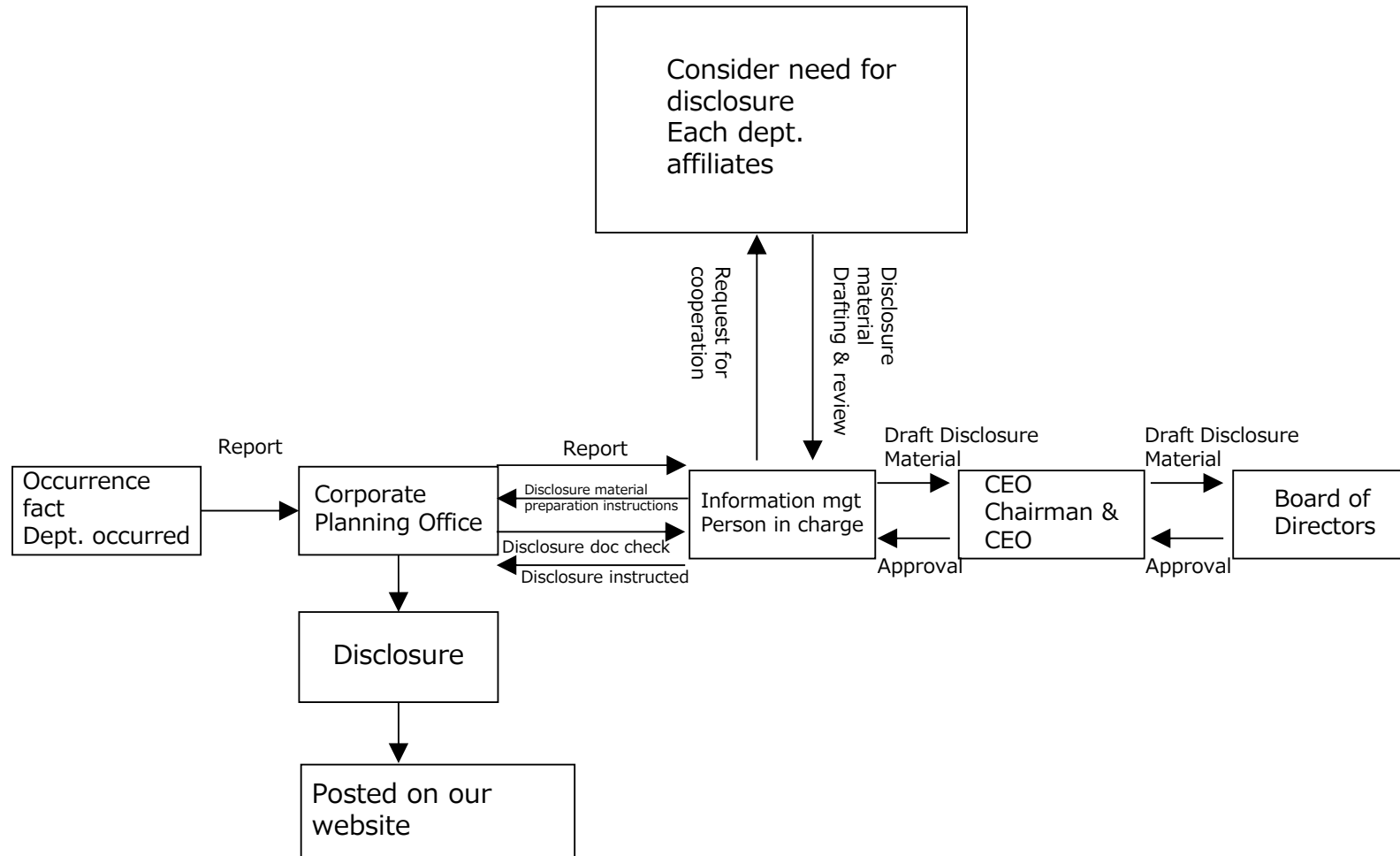
The Finance and Accounting Office prepares financial results disclosure materials (earnings report, quarterly earnings summary) and has established a system to ensure disclosure within 45 days after the financial results date.



[Internal System for Timely Disclosure
(Diagram)]
a. Info on Determined Facts Office Flowchart



b. Info on Occurrence Facts Office Flowchart



c. Info on financial results: admin flowchart

