

April 10, 2025

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Notice Concerning Partial Revision of Basic Policy for Constructing an Internal Control System

SHOFU INC. (“the Company”) hereby announces that its Board of Directors has resolved at its meeting held on April 10, 2025 to partially revise the Basic Policy for Constructing an Internal Control System as follows.

*The revised parts are underlined.

The Company conducts business in the highly public field of dental care under the management philosophy of “Contribution to dentistry through innovative business activities.” In addition, in order for a company to sustain its position in a healthy manner, fulfilling its social responsibility is essential. This is particularly the case for companies such as ours that operate in areas with a high public significance. As part of efforts to fulfill our corporate social responsibilities, the Company has decided to promote management that emphasizes compliance and has put in place an internal control system as outlined below.

- (1) System for Ensuring Execution of Duties of Directors, Executive Officers and Employees in compliance with applicable laws and regulations and the Company’ s Articles of Incorporation

The Company has set forth the “SHOFU Group Code of Conduct” in order to put its management philosophy into practice, and prescribed the standards required of officers (including executive officers; the same shall apply hereinafter) and employees of SHOFU. In addition, the Company has established an Ethics Committee chaired by the President and Executive Officer, and has established, operated and maintained a system for officers and employees to comply with laws and regulations, the Articles of Incorporation and internal regulations and to have common ethical values. Furthermore, the Company shall not have any relationship with antisocial forces that pose a threat to the order and safety of citizens.

Moreover, in order to ensure compliance-oriented management, the Company shall put the Audit Office under the direct control of the President and Executive Officer, and enhance the checking system by coordinating internal audits by the Audit Office as well as audits by the Audit & Supervisory Board Members. At the same time, the Company shall establish an internal reporting system and strive to detect misconduct at an early stage to ensure any person making a report will not be treated disadvantageously.

- (2) System for Retention and Management of Information Related to Directors and Officer’ Performance of Their Duties

In order to appropriately retain and manage information related to the directors’ performance of their duties, the Company shall prescribe rules dictating methods for retaining and managing information related

to the directors' execution of their duties according to the nature of the information set out in the "Rules of the Board of Directors," "Rules of the Managing Directors' Meeting," "Rules for Circular Approval," "Rules for Internal Information Management," and "Rules for Document Handling," which are separately provided.

(3) Rules and Other Systems for Risk Management

In order to appropriately manage risks related to the SHOFU Group, the Company shall promote risk management through the Management Committee, which is responsible for discussions on the execution of important matters that affect management, based on the Basic Policy and Regulations for Risk Management. The Management Committee shall identify and understand risk factors and take necessary measures to avoid and minimize risks. In addition, the Company will cooperate with company-wide committees such as the Sustainability Committee, the Quality Management Committee, the Information Security Committee, and the Fire and Disaster Prevention Management Committee to appropriately respond to risks.

In addition, when it is necessary to respond to newly arising risks, the Company shall promptly designate a person responsible for responding to such risks and take necessary measures.

Furthermore, through internal audits, the Company will identify risks and review measures to deal with risks in order to make continuous improvements to the system.

(4) System to Ensure Effective Execution of duties by Directors and Executive Officers

The Company shall conduct a regular meeting of the Board of Directors once a month to make decisions on important matters and supervise the status of business execution by Directors.

In order to strengthen corporate governance, the Company shall establish a Corporate Governance Committee to discuss management strategies, plans, and other such matters and ensure fairness, transparency, and objectivity by deliberating on matters such as the appointment and dismissal of Directors, remuneration, and the development of successors at the Nomination and Remuneration Committee, an advisory body to the Board of Directors.

Directors shall properly execute their duties in accordance with laws and regulations and the Company's Articles of Incorporation, as well as the decision-making authority stipulated in the "Regulations of the Board of Directors," the "Regulations of the Managing Directors' Meeting," and the "Regulations on Administrative Authority" with respect to important matters.

In addition, the Company has introduced the Executive Officer in Charge system and the Executive Officer system in order to ensure efficient execution of duties through prompt decision-making. Under the guidance and supervision of the Board of Directors and Executive Officers in charge, Executive Officers carry out their duties by exercising the authority delegated to them.

In addition, the Company shall establish a Managing Directors' Meeting consisting of Executive Officers at a Managing Executive Officer level or above and Directors with specific titles. The Managing Directors' Meeting shall examine matters to be submitted to the Board of Directors, make decisions on matters entrusted by the Board of Directors, and other important matters such as strategic matters concerning management. The Managing Directors' Meeting shall also consider, draft and manage the execution of important management issues such as medium - to long-term management plans and annual management plans, in order to facilitate business activities and improve management efficiency.

Decisions on the execution of the duties described above shall be made by means of Ringi Process in accordance with the "Ringi Approval Process Rules."

(5) System for Ensuring Proper Conduct of Operations of the Company and the Group

In order to enhance corporate value and management efficiency of the Group as a whole and to fulfill its social responsibility, the Company has set forth "Affiliated Company Management Regulations," under which

the parent company and its subsidiaries set out instructions and orders, maintain close cooperation, provide management and guidance, and ensure the appropriateness of operations as a corporate group. These shall be supervised by the Corporate Planning Department.

In addition, the "SHOFU Group Code of Conduct" covers the Company and all subsidiaries in Japan and overseas to strengthen the compliance system of the entire Group.

The Company and its subsidiaries shall ensure appropriate operation following the establishment, evaluation and reporting of the "Internal Control over Financial Reporting" system as stipulated in the Financial Instruments and Exchange Act.

In addition, the Audit Office of the Company shall conduct internal audits and the Audit & Supervisory Board Members of the Company shall conduct audits of each subsidiary. Each subsidiary shall regularly report to the Company on the status of its business execution and financial conditions, etc.

(6) Matters Concerning Employees who Assist Audit & Supervisory Board Members in the Performance of Their Duties and Matters Concerning the Independence of Such Employees from Directors

When an Audit & Supervisory Board Member requests the assignment of an employee to assist with his / her duties, the assignment shall be delegated to an employee designated by the Audit & Supervisory Board Member. The performance evaluation of such employees shall be carried out with the consent of the Board of Corporate Auditors. Personnel transfers involving the employee in question shall be conducted with the consent of the Audit & Supervisory Board.

(7) Systems for Directors, Executive Officers and Employees Reporting to Audit & Supervisory Board Members, Other Systems for Reporting to Audit & Supervisory Board Members, and Other Systems for Ensuring Effective Audits by Audit & Supervisory Board Members

Directors shall report the status of execution of duties to the Board of Corporate Auditors. In addition, Audit & Supervisory Board Members may attend meetings of the Board of Directors and other important meetings, and request reports from Directors, Executive Officers and employees as necessary. Furthermore, the Audit & Supervisory Board Members shall conduct audits by investigating related departments and Group companies and confirming approval documents for important matters, and receive reports from Directors, employees, etc. of subsidiaries as necessary. Directors, Executive Officers and employees shall report to the Board of Corporate Auditors when there is a matter that may cause significant damage to the Company. The Board of Directors shall establish a system whereby a person who has submitted a report to an Audit & Supervisory Board Member is not treated disadvantageously on the grounds of making such report. The Audit & Supervisory Board Members shall receive explanations from the Accounting Auditor of the Company regarding the contents of the accounting audit and exchange information with the Accounting Auditor.

The Audit & Supervisory Board shall provide sufficient information and exchange opinions as appropriate, including with Audit & Supervisory Board Members of subsidiaries, and shall closely cooperate with the Audit Office and the Accounting Auditor.

The Audit & Supervisory Board Members may request the Company to pay expenses, etc. necessary for the execution of their duties, and may appoint outside experts at the expense of the Company as necessary.

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.