

Information on our corporate governance is provided below.

Basic approach on corporate governance, capital structure, corporate attributes and other basic information

1. Basic approach

Shinanen Holdings (the "Company") and our group companies recognize that continuously increasing corporate value by ensuring the transparency and soundness of management and promoting swift decision-making and execution is the basis of corporate governance and see this as an important management issue.

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

The Company respects the purpose of the Corporate Governance Code, and implements all items of the Code.

[Disclosure based on the principles of the Corporate Governance Code]

(Principle 1.4) Cross-Shareholdings

The Company holds cross-shareholdings for such purposes as maintaining and strengthening business relationships. The rationale for holding such shares is reviewed on an individual basis by examining the purpose of the holding, the status of the business relationship, and a comparison with the Company's cost of capital, among other factors.

Every year, the Board of Directors reviews the economic rationale of the major shares in question of this type from a medium- to long-term perspective to determine whether or not to keep them.

Additionally, exercising of voting rights with respect to the relevant-shareholdings is carried out based on a comprehensive consideration of whether the matter will contribute to improving our corporate value and the common benefit of the investee's shareholders.

(Principle 1.7) Transactions between Related Parties

The Company executes all transactions, including those between related parties, in accordance with internal rules, after review by specialized departments such as accounting, taxation, and legal affairs, depending on the size and importance of the transaction, and after obtaining the necessary approval. The full-time Audit/Supervisory Committee Member has access to the details of the approvals at all times.

Competitive transactions and transactions with conflicts of interest by Directors shall be submitted to the Board of Directors for approval in advance, in accordance with laws, regulations and internal rules. In particular, transactions involving conflicts of interest by Directors are subject to prior approval by the Audit/Supervisory Committee.

In addition, the Company requires Directors to fill out an annual questionnaire on Information on Transactions with Related Parties to gain an understanding of transactions with related parties, and discloses the results in the annual securities report and other filings.

(Supplementary Principle 2.4.1) [Ensuring diversity within the Company]

The Group recognizes that integration of human resource strategies with management strategies is essential for enhancing corporate value over the medium to long term, and therefore considers its most important management issue to be "people development" that helps it achieve its new mission established for its 100th anniversary in 2027: "Create local communities we can proudly share with the world."

Based on "Enhancing individuals and getting the most out of each other," the substance of the corporate culture reform initiatives it has pursued to date, the Group newly established its "Basic Policy on Human Resources" to clearly express its basic approach to human resources. With respect for diverse individuality, development of human qualities that positively influence those around us, and taking on local challenges and creating value as its pillars, the Group is taking an integrated approach to promoting the development of human resources who can make decisions and act autonomously in each workplace (Human Resources Development Policy) and providing opportunities for employees to fully demonstrate their abilities (internal environment development).

The Group's approach, targets, and current status for ensuring diversity in the promotion of core human resources and other areas are as follows for each classification.

■ Appointing female managers

We position this as an important measure contributing to the advancement of customer touchpoints in our retail service strategy and the creation of new value, and are working to increase the ratio of women in management positions. Specifically, we are expanding the scope of operations by redefining the roles of service assistant positions, while promoting human resource development aimed at advancing employees to decision-making positions through career formation support and network strengthening.

■ Appointment of foreign managers

Although the number of eligible employees currently remains small, we will hire and appoint to management positions according to individual abilities and aptitude, regardless of nationality.

■ Appointment of mid-career hires to management positions

The Group appoints employees based on their abilities and aptitude, regardless of whether they are new graduate or mid-career hires. Our mid-career hiring is currently focused on specialized human resources, and we will continue to hire the necessary human resources going forward. Flexible thinking that is not bound by conventional values is essential for the creation of new value. We believe that employees with diverse backgrounds bringing together their strengths will create opportunities to turn unique ideas into reality. Accordingly, we are strengthening Group-wide diversity promotion and working to create an environment where everyone can work vigorously and in a way suited to each individual.

The progress of these investments in human capital and internal environment development is reported to the Board of Directors. The Group will continue working to build a stable earnings base and enhance corporate value in a way that is sustainable.

(Principle 2.6) Roles of Corporate Pension Funds as Asset Owners

The Company has introduced a corporate defined contribution pension plan for the stable asset formation of its employees, and does not fall under the category of asset owner of a corporate pension plan, as it has not adopted a corporate pension plan.

(Principle 3.1) Full Disclosure

(i) Company objectives (e.g., business principles), business strategies and business plans are disclosed on the Company's website.

Management policy: <https://sinanengroup.co.jp/en/company/management/>

Corporate philosophy: <https://sinanengroup.co.jp/en/company/management/philosophy.html>

Medium-term vision: <https://sinanengroup.co.jp/en/company/management/vision.html>

(ii) Basic approach and policy on corporate governance

As described in "2. Matters related to the functions of business execution, audit and supervision, nomination, and determination of remuneration, etc. (overview of the current corporate governance system)" in Section II of this report and "Corporate Governance" on our website (<https://sinanengroup.co.jp/en/sustainability/governance/corporate-governance.html>).

(iii) Policies and procedures for the Board of Directors to determine the remuneration of the senior management and Directors

The Company's internal rules stipulate the remuneration for Directors other than Directors who are Audit/Supervisory Committee Members, and the remuneration consists of a basic portion, a performance-linked portion, and a stock-based remuneration portion. The Board of Directors resolves each year to pay remuneration in accordance with the regulations, based on the content discussed by the voluntary Nomination and Compensation Committee. Remuneration for Audit/Supervisory Committee Members is determined through discussions by the Audit/Supervisory Committee. The remuneration for Audit/Supervisory Committee Members does not include the performance-linked portion and the stock-based remuneration portion.

(iv) Policies and procedures for the Board of Directors to appoint/dismiss the senior management and nominate Director candidates

The basic policy for the selection of candidates for Directors other than Directors who are Audit/Supervisory Committee Members is to appoint Directors who are personally familiar with the Group's business and are capable of properly carrying out group management, exhibiting the mentality of our foundational principles: "Shingi," "Shinshu," and "Rakugyo" (keeping our promises, making progress, and feeling joy in our work). The balance of knowledge, experiences and capabilities within the Board of Directors as a whole is taken into account. Our basic policy for selecting candidates for the Audit/Supervisory Committee Members is that they possess the extensive experience and deep knowledge required of Outside Directors or exceptional knowledge in the fields of law and corporate accounting as well as the ability to express fair and objective opinions from an independent standpoint in order to improve our corporate governance. The procedure is that recommendations are received for each Director, discussed and resolved by the voluntary Nomination and Compensation Committee, then proposed to and decided by the Board of Directors. In addition, the Company obtains the consent of the Audit/Supervisory Committee for the selection and dismissal of Audit/Supervisory Committee Members. In addition, the voluntary Nomination and Compensation Committee deliberates on the selection and dismissal of Directors of the Company and Presidents of some operating companies, and makes proposals to the Board of Directors. In this way, we believe we increase the transparency and objectivity of procedures and contribute to enhancement of corporate governance functions and healthy growth of the Group as a whole.

(v) Explanation of individual selection, dismissal, and nomination when the Board of Directors appoints and dismisses senior management and nominates Directors based on (iv) above

The selection and nomination of candidates for Directors are explained in the "Reference Materials for the General Meeting of Shareholders" in the notice of the Ordinary General Meeting of Shareholders each time. In addition, this notice is posted on the Company's website.

(Supplementary Principle 3.1.3) [Initiatives for sustainability]

(i) Our company's initiatives for sustainability

The Group considers sustainability-related issues to be important management issues, and has established a Basic Policy on Sustainability that is grounded in its management policy. The Group has also established the Sustainability Committee as an organization for discussing important sustainability-related matters from environmental, social, and governance perspectives.

Furthermore, in setting our non-financial targets for the Third Medium-Term Management Plan that began in April 2023, we have made a comprehensive list of social issues that we consider important for the Group and our stakeholders, referring to international guidelines. After verifying the issues on this list in terms of both their importance and urgency based on the Group's mission and values, and after discussions by the management team and a resolution by the Board of Directors, we formulated two non-financial targets for the Third Medium-Term Management Plan and these are 1. "Transformation to Business Structure Appropriate to Decarbonized Society" to respond to climate change and 2. "Increase the Market Value of Employees" as part of human capital management.

For more information on our sustainability initiatives, please refer to the "Sustainability" section of our website

(<https://sinanengroup.co.jp/en/sustainability/>).

(ii) Investment in human capital, etc.

The Group established its new mission, vision, and values (MVV) for its 100th anniversary in April 2027. It is the people making decisions and acting on their own initiative who are the driving force behind realizing and embodying this MVV and achieving sustainable enhancement of corporate value. Therefore, the Company newly established its "Basic Policy on Human Resources" as a means of clearly expressing its basic approach to human resources, while taking into account "Enhancing individuals and getting the most out of each other" in the corporate culture reform initiatives it has pursued to date. Under this policy, the Group positions "people development" as one of its most important management issues and will strive to maximize human capital.

One of the measures to accelerate the shift to a stronger management foundation is promoting human resource development and achieving appropriate allocation of human resources. We regard human resources as one of our most important assets, and believe that the growth of individual employees leads to the growth of the company, i.e., greater employee market value leads to greater corporate value, and we regard employee training as an investment and provide educational opportunities accordingly. In rolling out specific development measures, we have established our Human Resources Development Policy, composed of the following four elements.

(1) Shift from conventional level-specific education to focus on open enrollment education to provide more motivated employees with opportunities for learning

(2) Develop basic skills as essential education for the Shinanen Holdings Group

(3) Establish a career support system (CDP* for young employees, internal open enrollment system, etc.)

(4) Strengthen human resource development through use of pipelines for the stable generation of management human resources

*CDP: Career Development Program

In accordance with this policy, in addition to level-specific education, we offer career support systems, enhanced basic education, and open enrollment education programs. In addition, as part of work style reform efforts to ensure we continue to be the choice of diverse human resources, we are establishing and expanding necessary systems each year. We will continue to develop systems that will lead to support for autonomous career development by employees.

In business execution, as we continue to make our work easier by enhancing operational efficiency and promoting digitization, we improve job

satisfaction by having employees reflect on their own lives and the way they work.

(iii) Investment in intellectual property, including technology, data, and digital applications

We are actively promoting IT-related investments for DX as part of “Improving productivity through measures such as the streamlining and standardization of operations” and “Strengthening the Group management framework” as defined in the overall Group strategy in the Third Medium-Term Management Plan. For details of specific initiatives, please refer to the “DX Promotion” page of our website (<https://sinanengroup.co.jp/en/company/management/dx-promotion/>).

(iv) Impact of climate change-related risks and opportunities on the Company’s business activities and earnings

In regard to the impact of climate change-related risks and opportunities on the Company’s business activities and earnings, we have endorsed and signed the TCFD recommendations and are working to enhance information disclosures in accordance with the recommendations. For more information on our disclosures, please refer to the “Sustainability” section of our website (<https://sinanengroup.co.jp/en/sustainability/>).

(Supplementary Principle 4.1.1) [Scope of delegation to management]

At the Company, we clarify matters requiring resolutions of the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, and Regulations of the Board of Directors, and delegate all other matters to the management team.

The management team executes operations based on the rules on decision-making and other internal rules.

(Principle 4.9) Criteria for Determining the Independence and Qualifications of Independent Outside Directors

In appointing independent Outside Directors, the Company considers that they do not have sufficient independence from the Company if they fall under any of the following items in accordance with the independence standards set forth by the financial instruments exchanges.

1. A person from the Company and its consolidated subsidiaries (below, the “Group”)

2. Major shareholder of the Company (Note 1)

3. Business executors of companies that fall under any of the following:

· Major business partners of the Group (Note 2)

· Major lenders to the Group (Note 3)

· Companies, etc. in which the Group owns 10% or more of the shares on a voting right basis

4. Certified public accountants belonging to the auditing firm, which is the Accounting Auditor of the Group

5. Consultants, accountants, tax accountants, attorneys at law, judicial scriveners, patent attorneys, and other professionals who receive a large amount (Note 4) of money or other assets from the Group

6. Business executors of other companies with which the outside officers have a mutual relationship of appointment (Note 5)

7. Notwithstanding the provisions of the preceding paragraphs, any other person who is deemed to have special reasons that may cause a conflict of interest with the Company

(Note 1) A major shareholder is a shareholder who owns 5% or more of the Company’s voting rights as of the end of the fiscal year under his or her own name or that of another person. If the major shareholder is a corporation, partnership, or other organization, the person in charge of operations belonging to the organization.

(Note 2) Major business partner means a customer or supplier of the Group’s products, etc., whose annual transaction amount exceeds 2% of the Company’s consolidated net sales or the consolidated net sales of the counterparty.

(Note 3) Major lender means a financial institution from which the Group borrows and whose balance of borrowings exceeds 2% of the total consolidated assets of the Company or the total consolidated assets of the relevant financial institution at the end of the fiscal year.

(Note 4) Large amount is defined as follows, depending on the involvement of the relevant expert in the provision of services.

· In the case that the relevant expert provides services to the Group as an individual, the amount of consideration received from the Group (excluding officer compensation) exceeding 10 million yen per year is considered a large amount.

· In the case that a corporation, partnership, or other organization to which the expert belongs provides services to the Group, the total amount of consideration received by the organization from the Group shall be considered a large amount if it exceeds 2% of the annual gross income of the organization. However, even if the amount does not exceed 2%, it shall be considered a large amount if the total amount of consideration received by the organization for the services directly provided by the expert exceeds 10 million yen per year.

(Note 5) Relationship means a relationship in which a business executor of the Group is an external officer of another company and an executive officer of that other company is an external officer of the Company.

(Supplementary Principle 4.10.1) [Nomination Committee and Compensation Committee]

The Company has established a voluntary Nomination and Compensation Committee that decides on the content of proposals concerning the appointment and dismissal of the Company’s Directors (including Directors who are Audit/Supervisory Committee Members) and the Representative Directors and Presidents of operating companies (excluding seconded officers and dispatched officers who are employees), as well as the content of proposals concerning Directors’ compensation, and proposes such content to the Board of Directors. The content of proposals concerning compensation for Directors who are Audit/Supervisory Committee Members is proposed to the Audit/Supervisory Committee.

The voluntary Nomination and Compensation Committee consists of a total of five members: the Representative Director, President, and Executive Officer and four Directors who are Audit/Supervisory Committee Members, three of whom are Independent Outside Directors. The chairperson of the voluntary Nomination and Compensation Committee shall be selected through a mutual vote by the Independent Outside Directors.

In this way, we believe we increase the transparency and objectivity of procedures related to decisions on officer nominations and compensation for officers, contributing to further enhancement of corporate governance functions and healthy growth of the Group as a whole. We will continue to strengthen the independence, objectivity and accountability of the Board of Directors and enhance its corporate governance system.

(Supplementary Principle 4.11.1) [Approach to the balance of knowledge, experience and ability, diversity and size of the Board of Directors]

The Company believes that the Board of Directors must be composed of personnel with diverse knowledge, diverse experience, and diverse and advanced capabilities in order to supervise business execution and make important decisions, and appoints Directors after discussing the balance of knowledge, experience, and capabilities, diversity, and the appropriate number of Directors.

The current Board of Directors consists of seven members who have a wealth of knowledge and experience in corporate management, including three Independent Outside Directors.

The Company discloses a list of the knowledge, experience, abilities, etc. of Directors using a skill matrix in the agenda item for the election of Directors at the Ordinary General Meeting of Shareholders.

(Supplementary Principle 4.11.2) [Status of concurrent positions of Directors]

The status of important concurrent positions held by Directors (including candidates) is disclosed annually in the Notice of the Ordinary General Meeting of Shareholders and in the annual securities report.

(Supplementary Principle 4.11.3) [Analysis and evaluation of the effectiveness of the Board of Directors]

The Secretariat of the Board of Directors periodically makes assessments on the effectiveness of the Board of Directors through means including

interviews, which are reported to the Board of Directors and improvements are made as necessary. An outline of the results of the evaluation of the effectiveness of the Board of Directors is disclosed in the “Corporate Governance” section of the Company’s website.

(Supplementary Principle 4.14.2) [Training policy for Directors]

For Director training, we have established an environment that allows participation in internal and external seminars and training to promote acquisition of the necessary knowledge and understanding of roles and responsibilities.

In addition, Outside Directors are provided with briefings from officers and employees and opportunities for site visits that help them better understand the Group’s businesses, organization, and other matters.

(Principle 5.1) Policy for Constructive Dialogue with Shareholders

The Company believes that constructive dialogue with its shareholders and investors contributes to its sustainable growth and improves its corporate value in the medium to long term.

1. To facilitate constructive dialogue with shareholders and investors, the officer in charge of the Finance and Accounting Department, and the Finance and Accounting Department have formed a point of contact under the supervision of the President to respond appropriately to inquiries. The Finance and Accounting Department is in charge of the planning and execution of specific matters related to dialogue with shareholders and investors and works closely with each division of the Company, including the Corporate Planning Department and operating companies. For information on the status of our IR activities, please refer to “III. 2. IR activities.”

2. In regard to dialogue and interviews with shareholders and investors, basically either the President or members of senior management (primarily the officer in charge of the Finance and Accounting Department) participate in interviews directly. This is to fulfill our accountability as a listed company and to reflect the knowledge and ideas gained through constructive dialogue with shareholders and investors in future management decisions. When engaging in such dialogue with shareholders and investors, we do not communicate insider information (material facts that have not been made public).

3. We actively disclose IR information on our website to shareholders and investors to promote a deeper understanding of the Group’s management policies, basic strategies, financial situation, etc. and will continue working on enhancing that information.

[Response to achieve management that is aware of the capital cost and stock price] [English disclosure available]

Our response to achieve management that is aware of the capital cost and stock price was disclosed in the Third Medium-Term Management Plan Explanatory Document announced in May 2023. The Company uses ROE as an important KPI indicator for this management plan, and is implementing a growth strategy to improve profitability while also generating ROE in a stable manner above the cost of shareholders’ equity with the aim of achieving a constant PBR of 1x or higher. For details, please refer to our Third Medium-Term Management Plan Explanatory Document (https://sinanengroup.co.jp/company/upload/Medium-term_management_plan_3rd.pdf).

2. Capital structure

Percentage of shares held by foreigners	Less than 10%
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[Largest shareholders]

Name or designation	Number of shares	Percentage (%)
UH Partners 2 Investment Limited Partnership	1,067,900	9.83
NOI Investment Limited Partnership	963,300	8.87
UH Partners 3 Investment Limited Partnership	818,200	7.53
SIL Investment Limited Partnership	815,100	7.50
Cosmo Oil Marketing Co., Ltd.	789,105	7.26
HIKARI TSUSHIN KK Investment Limited Partnership	699,900	6.44
Meiji Yasuda Life Insurance Company	672,000	6.18
The Master Trust Bank of Japan, Ltd. (trust account)	508,000	4.67
Shinanen Group Clients Shareholding Association	407,216	3.75
Rinnai Corporation	374,419	3.44

Controlling shareholders (excluding the parent company)	-----
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Parent company	None
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Stock exchange where parent company is listed	-----
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Supplementary descriptions

3. Company attributes

Stock exchange listing and market classification	Prime Market
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Fiscal year end	March
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Industry	Wholesale business
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Number of (consolidated) employees at the end of the previous fiscal year	1,000 or more
Consolidated net sales for the most recent fiscal year	100 billion yen or more but less than 1 trillion yen
Number of consolidated subsidiaries at the end of the previous fiscal year	10 companies or more but less than 50 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 management decision-making, execution and supervision

1. Matters related to institutional structure and organizational management, etc.

Form of organization	Company with Audit/Supervisory Committee
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[Directors]

Number of Directors as set forth in articles of incorporation	12
Term of office of Directors as set forth in Articles of Incorporation	1 year
Chair of Board of Directors	President
Number of Directors	7
Status of appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Outside Directors designated as Independent Officers	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*1)										
		a	b	c	d	e	f	g	h	i	j	k
Yuichiro Munakata	People from other companies								△			
Hiroyuki Ohashi	People from other companies						○					
Tomoko Nambu	Attorney at law											
Hidehiko Nishiyama	People from other companies											

*1 Selections regarding the relationship with the Company

* If the person is applicable to each item in the present and recent, "○;" if the person is applicable to each item in the past, "△."

* If a close relative is applicable to each item in the present and recent, "●;" if a close relative is applicable to each item in the past, "▲."

- A business executor of the listed company or its subsidiary
- A business executor or non-executive Director of the parent company of the listed company
- A business executor of a sister company of the listed company
- A person who has the listed company as a major business partner or a business executor of such a person
- A major business partner of the listed company or a business executor of such a business partner
- A consultant, accounting professional, or legal professional who receives a large amount of money or other assets from the listed company in addition to compensation as an officer
- A major shareholder of the listed company (if the major shareholder is a corporation, the business executor of the corporation)
- A business executor (the individual only) of a business partner of the listed company (not falling under any of d, e and f)
- A business executor of an entity with which the listed company has a relationship of mutual appointment of outside officers (the individual only)
- A business executor of a company to which the listed company has made a donation (the individual only)
- Other

Relationship with the Company (2)

Name	Independent Officer	Supplemental explanation on compliance items	Reason for election
Yuichiro Munakata	○	Although Mr. Munakata formerly belonged to Ernst & Young ShinNihon LLC, the Company's Accounting Auditor, he has since left the firm and currently has no business relationship with it. In addition, he has never been directly involved in the Company's accounting audits and has no relationship with the Company that would compromise his independence.	The Company has elected him because we determined that his abundant knowledge of accounting and auditing as a certified public accountant, and his high level of expertise in management administration and risk management, as well as his international experience and international perspective through overseas assignments can be utilized to increase our corporate value and the Company's corporate governance.
Hiroyuki Ohashi		----	In his capacity as an Outside Director of the Company, Mr. Ohashi continues to leverage his extensive experience and breadth of insight in corporate management and finance across a wide range of business fields in practical, appropriate decision-making. The Company has elected him based on its belief that, going forward, he will contribute to the further enhancement of the Company's corporate value by utilizing his experience to date and insight in finance, and by supervising the execution of duties by Directors as an Audit/Supervisory Committee Member.
Tomoko Nambu	○	----	The Company has determined that Ms. Nambu's advanced expertise and broad knowledge of corporate legal affairs, intellectual property rights, international transactions, and compliance, cultivated as an attorney-at-law, patent attorney, and New York State attorney, are essential to strengthening the Company's governance. The Company has elected her based on its belief that she will be able to utilize her extensive experience and specialized knowledge to supervise the execution of duties by Directors from an independent standpoint and perform appropriate audits as an Audit/Supervisory Committee Member.
Hidehiko Nishiyama	○	----	The Company has determined that Mr. Nishiyama's broad knowledge of corporate management, risk management, and overseas business, cultivated through his many years of experience in energy policy and trade administration and his service in key positions at private companies, will contribute significantly to sustainable growth for the Company. The Company has elected him based on its belief that, drawing on his extensive experience in both the public and private sectors, he will be able to provide appropriate advice on growth strategies, including those for the Energy Business and new businesses, and supervise and audit the execution of duties by Directors from an independent standpoint.

[Audit/Supervisory Committee]

Composition of committee members and attributes of the chairman

	All members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	Chairman (chairperson)
Audit/Supervisory Committee	4	1	0	4	Outside Director

Directors and employees to assist the Audit/Supervisory Committee in its duties

Yes

Matters concerning the independence of such Directors and employees from the Executive Directors

- Employees to assist the Audit/Supervisory Committee Members in their duties shall be assigned to the Audit/Supervisory Committee Office and perform their duties under the direction of the Audit/Supervisory Committee Members.
- Internal audits conducted by the Audit Department in consultation with the Audit/Supervisory Committee are not subject to the direction and orders of Directors (excluding Directors who are Audit/Supervisory Committee Members).
- The consent of the Audit/Supervisory Committee for the appointment of employees to assist the Audit/Supervisory Committee is necessary.

Cooperation between the Audit/Supervisory Committee, Accounting Auditor, and Internal Auditing Department

- The Audit/Supervisory Committee and the Internal Auditing Department hold regular meetings to work closely on such matters as exchanging opinions and investigating the development and operation of the internal control system.
- The Internal Auditing Department sends the internal audit plan and audit results to the Audit/Supervisory Committee Members and the Accounting Auditor, so that information is shared on a regular basis.
- The full-time Audit/Supervisory Committee Member and the Internal Auditing Department attend the Accounting Auditor's audit plan and interim review, and the audit result report meeting to receive reports from the Accounting Auditor and exchange opinions as appropriate.

[Voluntary committees]

Voluntary committees equivalent to the Nominating Committee or the Compensation Committee

Yes

Status of establishment of voluntary committees, composition of members, and attributes of the chairman (chairperson)

	Name of the committee	All members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	External experts (persons)	Other (persons)	Chairman (chairperson)
Voluntary committees equivalent to the Nominating Committee	Nominating and Compensation Committee	5	0	1	4	0	0	Outside Director
Voluntary committees equivalent to the Compensation Committee	Nominating and Compensation Committee	5	0	1	4	0	0	Outside Director

Supplementary descriptions

- The Nomination and Compensation Committee performs the functions of both the Nomination Committee and the Compensation Committee.
- The Committee consists of five members, including the Representative Director and President and four Directors who are Audit/Supervisory Committee Members (of whom three are Independent Outside Directors), and is chaired by an Independent Outside Director selected by mutual vote.
- The Committee deliberates and makes proposals to the Board of Directors on the selection and dismissal of the Company's Directors (including Directors who are Audit/Supervisory Committee Members) and the Representative Directors and Presidents of operating companies (excluding employee-seconded officers and dispatched officers).
- The Committee deliberates on and determines the remuneration of the Company's Directors (including Directors who are Audit/Supervisory Committee Members) and the Representative Directors and Presidents of operating companies (excluding employee-seconded officers and dispatched officers) and makes proposals to the Board of Directors. Additionally, the content of proposals regarding the remuneration of Directors who are Audit/Supervisory Committee Members is proposed to the Audit/Supervisory Committee.
- The secretariat of the Committee is located in the Human Resources and General Affairs Department.

[Independent officers]

Number of independent officers

3

Other matters concerning independent officers

Of the four Company Directors who are Audit/Supervisory Committee Members, three meet the requirements for independent officers, and the Company has designated these three as independent officers.

[Incentives]

Status of implementation of measures to provide incentives to Directors

Introduction of performance-linked compensation system, etc.

Supplementary descriptions of applicable items

Performance-linked compensation consists of a performance-linked portion of monthly remuneration, performance-linked bonuses, and non-monetary compensation in the form of post-delivery performance-linked share-based compensation. For the performance-linked portion of monthly remuneration, in order to raise awareness of the need to improve the Company's performance in each fiscal year, the Company has set consolidated ordinary profit as the target performance indicator for a single fiscal year. The amount calculated in accordance with the degree of achievement of the target value is multiplied by the coefficient that corresponds to the contribution to medium- to long-term performance and then paid in cash every month as performance-linked compensation in addition to the fixed compensation. Performance-linked bonuses are designed to promote improvements in annual business performance while also addressing key management issues. The bonus amount, which is paid once a year, is calculated by combining a coefficient based on the degree of achievement of annual financial performance targets, namely consolidated ordinary profit and the ordinary profit targets of the Company's operating subsidiaries, with a coefficient based on the degree of achievement of non-financial targets relating to progress in addressing key management issues. Non-monetary compensation in the form of post-delivery performance-linked share-based compensation is as stated in the details of non-monetary compensation below. The reason for selecting consolidated ordinary profit and the ordinary profit of the Company's operating subsidiaries as performance indicators for the performance-linked portion of monthly remuneration and performance-linked bonuses is that the Company believes it is important to improve overall profitability, including not only operating activities but also financial activities. In addition, the reason for selecting ROE (consolidated) as a performance indicator for the non-monetary compensation in the form of post-delivery performance-linked share-based compensation is that it is a representative indicator of the Group's profitability and capital efficiency, and is considered an appropriate indicator for reflecting management results aimed at sustainable enhancement of corporate value over the medium to long term.

[Remuneration for Directors]

Status of disclosure (of individual Director remuneration)

Individual remuneration is not disclosed

Supplementary descriptions of applicable items

The total amount is disclosed separately for Inside Directors and Outside Directors.

Policy for determining the amount of remuneration or its calculation method

Yes

Details of disclosure of policy for determining the amount of remuneration or its calculation method

The Company resolved at the meeting of the Board of Directors held on May 29, 2026 the policy for determining the details of remuneration, etc. for individual Directors (hereinafter, the "Decision Policy"). The individual remuneration of Directors who are the Audit/Supervisory Committee Members will be determined through consultation with the Audit/Supervisory Committee.

(Outline of the details of the Decision Policy)

The remuneration of the Company's Directors consists of basic remuneration, performance-linked compensation, and share-based remuneration, forming a remuneration system tailored to role and performance.

- Regarding basic remuneration, the Company determines it by comprehensively considering external standards and consistency with employee salaries, etc., based on the company rank according to the strategic importance of the business within the Group and the role grade based on the magnitude of the Director's role and responsibilities.
- Regarding performance-linked compensation, to appropriately reflect Directors' duties and achievements, the achievement status of Group performance, operating company performance, and key issues are used as evaluation indicators, and remuneration is determined according to the degree of achievement. In conducting the evaluation, weights for each indicator are set according to the role of each Director.
- Share-based remuneration is determined based on the achievement status of financial and non-financial indicators, from the perspective of sustainable enhancement of corporate value over the medium to long term and value sharing with shareholders.
- The composition ratios of these forms of remuneration are set according to role grade, and by increasing the ratios of performance-linked compensation and share-based remuneration for higher positions, incentives for performance improvement and corporate value enhancement are strengthened.
- Specific details such as basic remuneration levels, evaluation indicators, and evaluation methods are determined based on deliberations by the voluntary Nomination and Compensation Committee.

[Support system for Outside Directors (Outside Auditors)]

All Outside Directors are invited to Board of Director meetings, receive documents in advance from the Corporate Planning Department, and are provided with explanations and such in advance from the departments submitting proposals concerning particularly important proposals as necessary.

In addition, an Audit/Supervisory Committee Office has been established to support Outside Directors who are Audit/Supervisory Committee

Members, and the full-time Audit/Supervisory Committee Member participates in important meetings, including the Management Meetings, and have access to important management information and are able to express their opinions.

[Status of former Representative Director and President, etc.]

Names, etc. of advisors, consultants, etc. who were formerly Representative Directors and Presidents, etc.

Name	Title and position	Duties	Employment status and conditions (Full-time/part-time, compensation, etc.)	Date of resignation as President	Term of office
Masaki Yamazaki	Advisor	Advisory support for the Company's management	Part-time, compensated	June 25, 2025	3

The total number of advisers and consultants, including former presidents and directors.

1

Other matters

- The Company may commission as Advisors, etc. persons whose position at the time of retirement was Chairman or President where necessary.
- Advisors shall serve for a three-year period of office. The Board of Directors shall discuss and decide on their eligibility and terms of appointment at the times of their appointment and reappointment.
- Advisors shall not be members of the Board of Directors, and shall not be associated with the execution of business.
- The "Date of resignation as President" in the above "Status of former Representative Director and President, etc." refers to the date of resignation of the Company's Representative Director and Chairman.

2. Matters related to the functions of business execution, audit and supervision, nomination, and determination of remuneration, etc. (overview of the current corporate governance system)

Business execution is carried out in accordance with laws and regulations, the Articles of Incorporation, as well as the Regulations of the Board of Directors and the Approval Regulations, depending on the importance of the business. The Company has established the Management Meeting and the various committees as organizations to assist the Representative Director and President in the execution of business. The Management Meeting and the various committees consist of Directors who execute business, officers in charge, full-time Audit/Supervisory Committee Members, and persons designated by the President, and discusses management policies and important management matters.

Nominations of candidates for Directors are made by the Board of Directors based on the recommendations of Directors, which are deliberated and proposed by the voluntary Nomination and Compensation Committee. Note that the consent of the Audit/Supervisory Committee is obtained for nominations of candidates for Audit/Supervisory Committee Members.

Officer compensation is determined in accordance with internal rules, compensation for Directors other than Audit/Supervisory Committee Members is determined by the Board of Directors and the voluntary Nomination and Compensation Committee, and compensation for Audit/Supervisory Committee Members is proposed by the voluntary Nomination and Compensation Committee and determined through consultation with the Audit/Supervisory Committee. As a matter of course, the amounts are within the ranges set forth by resolution of the General Meeting of Shareholders.

3. Reasons for selecting the current corporate governance system

In order to respond to changes in the business environment surrounding the Company, the Company has adopted a holding company structure in order to (1) clarify the delegation of authority and responsibility in each business, (2) expedite management decisions, and (3) establish a group management system that enables flexible and agile management.

In addition, the Company has selected a company with an Audit/Supervisory Committee as its organizational design in order to realize strengthening of auditing and supervisory functions and speeding up of decision making, and we believe that these objectives are consistent with the purpose of adopting the holding company system.

In addition to the above, the Company has established a voluntary Nomination and Compensation Committee to enhance the independence and objectivity of the Board of Directors and to further enhance the corporate governance function.

III Status of implementation of measures concerning shareholders and other interested parties

1. Efforts to promote meaningful General Meetings of Shareholders and facilitate the exercise of voting rights

	Supplementary descriptions
Early notice of convening of General Meetings of Shareholders	We make an effort to send out notices of General Meeting of Shareholders before the legally required date to the meetings to facilitate the exercise of voting rights.
Avoidance of days on which many companies hold shareholders meetings	We make an effort to avoid days on which many companies hold general meeting of shareholders when setting the date for ours.
Electronic exercise of voting rights	We have made it possible to exercise voting rights electronically.
Participation in platform for exercising voting rights electronically and other efforts to improve environment for institutional investors to exercise voting rights	We have adopted a platform for institutional investors to exercise voting rights operated by ICJ, Inc.
Provision of notices of convocation (summaries) in English	The Company posts an English version of the notice on the Tokyo Stock Exchange, the Electronic Proxy Voting Platform (ICJ), and the Company's website on the same day as the Japanese notice.

2. IR activities

	Supplementary descriptions	Explanations by representative
Disclosure Policy creation and publishing	The Disclosure Policy has been published on the Group's website. Disclosure Policy: https://sinanengroup.co.jp/en/disclosure-policy/	
Regular IR conferences for individual investors	The Company holds company briefings for individual investors multiple times a year. In addition, we record and distribute financial results briefings held for analysts and institutional investors, and try to ensure fairness in the dissemination of information by providing individual investors with an environment in which they can also watch.	None
Regular IR conferences for analysts and institutional investors	The Company holds financial results briefings for analysts and institutional investors. We also make efforts to communicate with analysts and institutional investors by disclosing financial results presentation materials on the Company's website for quarterly financial results, as well as by visiting institutional investors and responding to individual interviews.	Yes
Publishing of IR material on website	We have established an IR site on our website, where we post not only financial results and financial information, but also explanatory materials for financial results, timely disclosure materials, and various notices. Some of the above material is also provided in English.	
Establishment of IR department (persons in charge)	We have established the Accounting & IR Team within the Finance and Accounting Department.	
Other	In order to deepen the understanding of the Company, we focus on providing information via the Internet, and actively disseminate the details of our initiatives through notifications and owned media on our website, as well as through various social media.	

3. Efforts related to respect for the stakeholder's perspective

	Supplementary descriptions
Provision on respect for stakeholder's perspective within internal rules	The Shinanen Holdings Group Corporate Code of Conduct, Basic Policy on Sustainability, and Disclosure Policy set forth a code of conduct for fulfilling our social responsibilities in accordance with our mission, "Create local communities we can proudly share with the world."
Implementation of environmental conservation and CSR activities	<p>The Shinanen Holdings Group Charter of Corporate Conduct and Basic Policy on Sustainability recognize the importance of the global environment and stipulate that we will actively work to address environmental problems.</p> <p>In addition to addressing environmental issues through our business activities, such as our renewable energy business, in 2020, Shinanen Co., Ltd. launched the "Shinanen Akari-no-Mori Project" for protecting bountiful forests through the use of clean energy. We are engaged in activities in collaboration with various regions and organizations to help achieve a decarbonized society while preserving a rich natural environment through the promotion of environmentally friendly energy and the protection of ecosystems.</p> <p>At the Group's headquarters office, we are engaged in energy conservation activities, including thorough air conditioning temperature control.</p> <p>Achievements in other CSR activities</p> <p>[Support for cultivation of the next generation]</p> <ul style="list-style-type: none"> · Conducting outreach classes on the themes of energy and the environment for elementary and junior high school students nationwide · Hosting company visits for junior and senior high school students as part of career education initiatives. <p>[Social/international contribution]</p> <ul style="list-style-type: none"> · Participation in the "Kids Earth Fund" for children around the world in need of assistance due to illness, conflict, or disaster <p>[Regional promotion]</p> <ul style="list-style-type: none"> · We engage in initiatives to pass on rich natural environments to future generations through the spread of environmentally friendly 100% renewable energy and biofuels, as well as through ecosystem preservation. · Holding a youth soccer tournament to contribute to the future of children and their local communities · Running a community clean-up walk for the beautification of the community <p>Other specific activities are stated in the Social Contribution Activities section of our website.</p>
Establishment of policy on providing information to stakeholders	The Shinanen Holdings Group Charter of Corporate Conduct and Basic Policy on Sustainability stipulate the appropriate disclosure of corporate information.

IV Matters related to internal control systems, etc.

1. Basic policy on internal control system and status of its development

1. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
 - (1) The Company shall establish the Group Charter of Corporate Conduct and Compliance Rules, and make compliance with laws and regulations a prerequisite for all corporate activities of the Group.
 - (2) The Company shall establish the Risk Management Committee, chaired by the Representative Director and President, to establish the Group's compliance system.
 - (3) The Compliance Department shall identify compliance-related problems, consider measures to prevent the recurrence of compliance violations, conduct training, and undertake other related activities. Particularly important issues shall be discussed by the Risk Management Committee and reported to the Board of Directors and the Audit/Supervisory Committee.
 - (4) The Company shall establish an internal consultation service and an external lawyer consultation service as an internal reporting system, and endeavor to detect and correct misconduct at an early stage.
 - (5) The Company has established Internal Audit Regulations, and the Audit Department conducts internal audits of the Company and its Group companies.
2. System for the storage and management of information related to the execution of duties by Directors
 - (1) The Company shall establish internal rules concerning information management and appropriately store and manage important information related to the execution of duties by Directors.
 - (2) Directors may access the information in the preceding item at any time.
3. Rules and other systems for managing the risk of loss
 - (1) The Company shall establish risk management rules, clarify the risks involved in the execution of business, and conduct appropriate management in accordance with the risks.
 - (2) In accordance with the organizational rules, each position and organization shall manage risks that arise or are encountered in the course of operating the company in accordance with the authority and responsibility assigned to them.
 - (3) In accordance with the Internal Audit Regulations, the Audit Department shall conduct internal audits based on the risk-based audit plan approved by the Board of Directors, and the audit results shall be reported directly to the Board of Directors.
 - (4) The Risk Management Committee, chaired by the Representative Director and President, monitors the implementation status of risk management at the Company and Group companies and deliberates on necessary measures.
4. System to ensure the efficient execution of duties by Directors
 - (1) The Board of Directors shall formulate a Medium-Term Management Plan, set priority management targets and budgets for each fiscal year, review business results, and exercises effective oversight of the Directors.
 - (2) The Company shall establish internal rules for segregation of duties and decision-making authority, etc., to ensure a prompt and efficient execution of duties.
 - (3) The Company shall establish a Management Meeting and committees to assist the President, and to discuss general management policies and important management matters. The Company shall also establish the Group Management Meeting and other bodies to address management issues of the Group.
 - (4) The Company shall establish a voluntary Nomination and Compensation Committee to enhance the objectivity and transparency of the procedures for determining the nomination and compensation of Directors (including officers of Group companies).
5. System to ensure the appropriateness of business operations of the corporate group consisting of the Company and its subsidiaries
 - (1) The Company shall establish rules for the management of operating companies, which require reporting to the Company of important information on Group companies, and shall dispatch Directors to each Group company for appropriate management and supervision.
 - (2) The Company shall establish common risk management rules and compliance rules for the Group, which shall be observed by each Group company, and the Company's Risk Management Committee shall comprehensively manage risks and compliance across the Group.
 - (3) All officers and employees of the Group companies shall be able to use the internal consultation service and the external lawyer consultation service established by the Company for internal reporting, etc., and shall aim for early detection and correction of misconduct.
 - (4) The Company has established Internal Audit Regulations, and the Audit Department conducts internal audits of its Group companies.
 - (5) Auditors of Group companies shall share audit results with the Audit Department, and the Audit Department shall report the audit status of Group companies to the Audit/Supervisory Committee.
 - (6) The Company shall improve the operational and financial efficiency of the entire Group by introducing a common accounting management system and cash management system for the Group.
6. Matters related to employees who are requested by the Audit/Supervisory Committee to assist in the performance of their duties
Employees to assist the Audit/Supervisory Committee Members in their duties shall be assigned to the Audit/Supervisory Committee Office and shall perform their duties under the direction of the Audit/Supervisory Committee Members.
7. Matters concerning the independence of the employees set forth in the preceding paragraph from Directors excluding Directors who are Audit/Supervisory Committee Members and ensuring the effectiveness of the Audit/Supervisory Committee's instructions
 - (1) Internal audits conducted by the Audit Department in consultation with the Audit/Supervisory Committee are not subject to the direction and orders of Directors excluding Directors who are Audit/Supervisory Committee Members.
 - (2) The consent of the Audit/Supervisory Committee must be obtained for the appointment of employees to assist the Audit/Supervisory Committee.
8. System for reporting to the Audit/Supervisory Committee by Directors excluding Directors who are Audit/Supervisory Committee Members and employees, and officers and employees of subsidiaries
 - (1) Directors excluding Directors who are Audit/Supervisory Committee Members, the officers in charge of the Risk Management Department and the Compliance Department, and employees shall report the following matters to the Audit/Supervisory Committee.
 - 1) Important matters concerning the status of management
 - 2) Important matters concerning risk management
 - 3) Status of internal audits
 - 4) Status and details of reporting under the whistleblowing system
 - 5) Matters that may cause significant damage to the Group
 - 6) Serious violations of laws, regulations, or the Articles of Incorporation, and important compliance matters
 - (2) All officers and employees of Group companies may report directly to the Audit/Supervisory Committee if they discover any material facts or grounds for suspicion related to 4) to 6) above.
 - (3) The Company shall prohibit the disadvantageous treatment of any person who has made a report as described in the preceding item on the grounds that such report was made.
9. Other systems to ensure that audits by the Audit/Supervisory Committee are conducted effectively
 - (1) The Audit/Supervisory Committee shall regularly exchange opinions with the President, the officers in charge of the Risk Management Department and the Compliance Department, the Internal Auditing Department, and the Accounting Auditor.
 - (2) In the event that an Audit/Supervisory Committee Member makes a request for advance payment or reimbursement of expenses incurred in

the performance of their duties, the Company shall comply with such request, unless the expenses incurred are deemed to be unnecessary for the execution of the Audit/Supervisory Committee Member's duties.

10. System to ensure the appropriateness of financial reporting

- (1) The Company and its Group companies shall establish accounting rules and other internal rules, and comply with accounting standards and other relevant laws and regulations.
- (2) The internal control departments of the Group companies shall share the results of their assessment of the appropriateness of internal control concerning financial reporting with the Audit Department, which shall report the assessment of the Group companies to the Representative Director and President, the officer in charge of Finance, and the Audit/Supervisory Committee.

2. Basic policy for elimination of antisocial forces and status of its development

The Company recognizes that having a relationship with antisocial forces is a violation of compliance, and has placed an ongoing priority on implementing measures to prevent any relationship with antisocial forces.

1. The basic matters concerning the response to antisocial forces are stipulated in the Regulations for Handling Antisocial Forces, which clearly stipulate the severance of relations with antisocial forces and establish a system to respond as an organization to unreasonable demands by antisocial forces.
2. We have designated the Risk Management Department as the department in charge of our response to unreasonable demands by antisocial forces, etc., and shall endeavor to build cooperative relationships with specialist external organizations such as the police, Tokyo Center for Removal of Criminal Organizations, and attorneys.
3. We have joined a specialized external group and work to gather information about antisocial forces while putting together a system for taking inquiries and receiving guidance in the event of an incident.
4. Contracts and other agreements entered into by the Group shall stipulate clauses that exclude antisocial forces.

V Others

1. Introduction of anti-takeover measures

Introduction of anti-takeover measures	None
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Supplementary descriptions of applicable items

2. Other matters related to corporate governance system, etc.

The status of the Company's internal system for timely disclosure of corporate information is as follows.

1. Basic policy on timely disclosure of corporate information

The Company's basic policy is to proactively disclose corporate and financial information from the perspective of timeliness, fairness and accuracy in order to deepen understanding of the Group among shareholders, investors and all other stakeholders, and to disclose information in accordance with laws and regulations and the timely disclosure rules stipulated by the Tokyo Stock Exchange.

2. Internal system for timely disclosure of corporate information

The Company has registered the officer in charge of the Finance and Accounting Department as the "Information Handling Manager" with the Tokyo Stock Exchange as the person responsible for the management of corporate information and timely disclosure as stipulated in the Timely Disclosure Rules, has designated the Finance and Accounting Department as the department in charge of timely disclosure, and has established an information control system to consolidate and scrutinize information from the Corporate Planning Department and related departments.

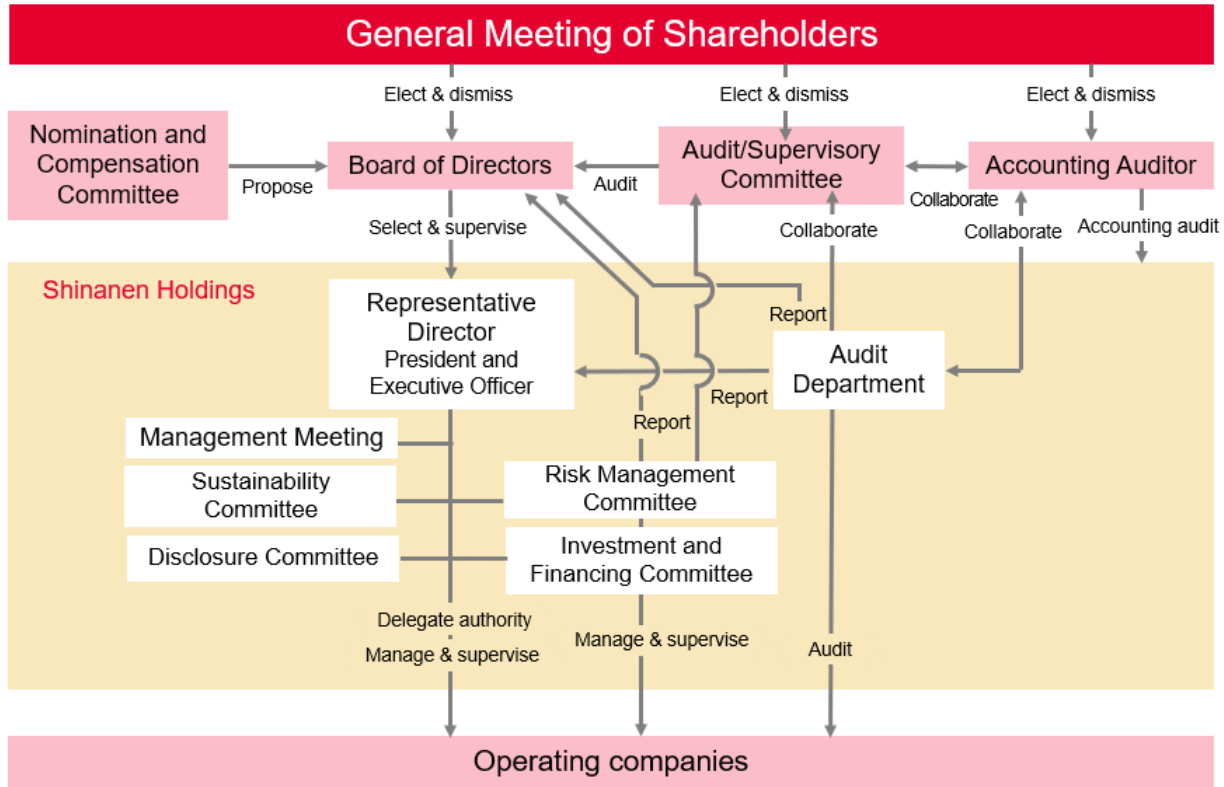
3. Disclosure method

Information that falls under the Timely Disclosure Rules stipulated by the Tokyo Stock Exchange is disclosed through the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange, and the disclosed information is promptly posted on the Company's website to inform shareholders and investors. Information that does not fall under the scope of the Timely Disclosure Rules will also be disclosed by posting it on the Company's website, etc., based on the purpose of the Timely Disclosure Rules, if it has an impact on investment decisions.

4. Group Rules on Timely Disclosure

The Company has established "Insider Trading Prevention Rules" to ensure thoroughness of the prohibition of insider trading and to take all possible measures for information management. In addition, the Company strives to comply with the relevant regulations through training at personnel orientation upon joining the Company and familiarization by the department responsible for the regulations.

Corporate Governance System



Outline of Timely Disclosure System Schematic Diagram

