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Corporate Governance Report

CORPORATE GOVERNANCE

Daiei Kankyo Co., Ltd.

April 1, 2025

Daiei Kankyo Co., Ltd.

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Securities Code: 9336

The corporate governance of Daiei Kankyo is described below.

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

1. Basic Views

To earn the trust of customers and society thereby enhancing its corporate value, the Daiei Kankyo Group is committed to fairness and transparency in its operations and improved supervisory functions of the Board of Directors and Audit & Supervisory Board. The Group is also working to strengthen its corporate competitiveness, ensure prompt and rational decision-making, and promote highly transparent and sound management. In order to strengthen the supervisory function of the Board of Directors and speed up the decision-making process, Daiei Kankyo transitioned to a Company with Audit & Supervisory Committee on June 26, 2024.

In addition to establishing the Risk Management and Compliance Committee, Daiei Kankyo has formulated its Basic Policy on Internal Control, setting up an internal control system to ensure the proper and efficient execution of operations.

Furthermore, with the aim of agile business execution and optimized Group management, Daiei Kankyo has introduced an executive officer system and established a Group Management Meeting to improve corporate value and strengthen corporate governance.

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

Updated

【Supplementary Principle 4.11.1 Policy on the Balance Between Knowledge, Experience and Skills of the Board as well as Diversity and Appropriate Board Size】

Daiei Kankyo's Board of Directors consists of seven directors, including three independent outside directors. The Board of Directors is composed of human resources with a good balance of knowledge, experience, and ability, and with diversity in mind. Daiei Kankyo has not appointed any independent outside directors with management experience at other companies,

but is currently considering appointing such directors.

A skills matrix has been created after discussions at the Nomination and Compensation Advisory Committee and is available to view on the Company's website (<https://www.dinsgr.co.jp/english/csr/governance/>).

【Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans】

Daiei Kankyo has formulated and published its medium-term management plan, which after the setting of consolidated performance targets, aims to achieve sustainable growth by not only co-creating with diverse partners to build local circular ecological spheres, but also by proactively making necessary investments, with for example, investment in decarbonization and digital transformation, to actively implement ESG (Environmental, Social, and Governance) measures.

A summary of the Group's capital investment plan is also published in the Annual Securities Report and financial results presentation materials.

Going forward, Daiei Kankyo will make every effort to explain specific measures, including those concerning its business portfolio and investment in human resources, to shareholders in an easy-to-understand manner.

【Measures to Achieve Management that is Conscious of Cost of Capital and Stock Price (TBC) (Available in English)】 【Updated Date: Dec. 25, 2024】

Daiei Kankyo is analyzing current cost of capital and return on capital. From the fiscal year ended March 2022 to March 2024, ROE and ROIC have been on an upward trend, with ROE well above the cost of shareholders' equity and ROIC well above WACC. In the fiscal year ended March 2024, ROE and ROIC were 16.4% and 14.0%, respectively, mainly due to record highs in both sales and profits.

Regarding shareholder returns, the plan is to maintain a consolidated dividend payout ratio of 30% or more in the fiscal year ending March 2025, and paid an interim dividend. In addition, the price-to-book ratio at the end of the fiscal year ended March 2024 was 3.03, significantly higher than 1.0.

Currently, all relevant divisions are discussing their own targets for cost of capital and return on capital, etc. After discussions at the Group Management Meeting and other meetings, Daiei Kankyo will announce its targets for cost of capital and return on capital in the medium-term management plan to be disclosed in the fiscal year ending March 2026, with the approval of the Board of Directors.

For details on the current analysis of cost of capital and return on capital, as well as details on our shareholder return policy, please refer to the financial results presentation material for the

third quarter of the fiscal year ending March 31, 2025 on our website

(<https://www.dinsgr.co.jp/english/ir/library/presentation/>).

【Supplementary Principle 5.2.1 Basic Policy Regarding Business Portfolio】

The basic policy regarding the business portfolio, and the status of the review of such portfolio, will be announced, after discussion by the Board of Directors, in the medium-term management plan and other materials to be disclosed in the fiscal year ending March 2026.

[Disclosure Based on each Principle of the Corporate Governance Code]

【Principle 1.4 Cross-Shareholdings】

From the perspective of maintaining financial transaction relationships for stable financing and strengthening transactions for waste management orders with the aim of sustainable growth and the improvement of corporate value over the medium to long term, Daiei Kankyo holds shares of its business partners as cross-shareholdings. The status of these shareholdings is reported to the Board of Directors once a quarter to confirm whether such shares should continue to be held or not. Daiei Kankyo will continue to hold such shareholdings as long as we believe that they will strengthen our business relationships and develop business, but stocks that have little value in our holdings will be sold with the approval of the Board of Directors, taking the stock price and market trends into consideration. It is our policy not to acquire new cross-shareholdings.

When exercising voting rights, we carefully examine the contents of proposals from the perspective of improving the issuing company's corporate value over the medium to long term.

【Principle 1.7 Related Party Transactions】

Daiei Kankyo has established its Management Rules for Related Parties, building a framework for making decisions after thorough deliberations on the terms and conditions of the transactions and their appropriateness. Transactions with directors or major shareholders, including new competing transactions or transactions involving conflicts of interest, are subject to resolution by the Board of Directors, while existing transactions are subject to reporting by the Board of Directors.

【Supplementary Principle 2.4.1 Ensuring Diversity】

1. Approach to diversity in the appointment of core human resources, etc.

In order to increase the diversity of our human resources and secure human resources capable of creating new value, the Group has been actively and continuously recruiting foreign nationals, hiring women and promoting them to management positions, actively utilizing older employees, further promoting the employment of people with disabilities, and hiring

professionals with various career backgrounds. The Group has been working to improve the internal environment and enhance our education and training programs with the aim of creating a workplace where diverse human resources can play an active role.

In addition to our previous initiatives, Daiei Kankyo conducted an employee engagement survey in December 2023, and has been working to create a personnel rotation system and a healthy and transparent work environment in which employees can demonstrate their capabilities.

2. Voluntary and measurable goals and current status for ensuring diversity

Believing that women are indispensable for the company's sustainable growth for a long time, the Group has been actively recruiting women graduates from university-level and above. In the fiscal year ended March 2024, the ratio of new female graduates (university graduates and above) rose more than 10% from the previous fiscal year to 36.8%. We will continue to actively recruit women, aiming to achieve a ratio of 30.0% or more new female graduates (university graduates and above) by the fiscal year ending March 2025.

We also support female employees in the workplace and actively promote them to management positions, with the ratio of female managers in the fiscal year ended March 2024 at 3.7%. We will continue to focus on supporting female employees who aspire to become leaders by creating an environment where women can play an active role over the medium to long term. More specifically, by creating opportunities for dialogue between female role models and younger employees, we will work toward our goal of achieving a ratio of 4.0% or more female managers in the fiscal year ending March 2025.

No goal has been set for the proportion of mid-career hires in management positions, as this is high at 77.9% as of April 1, 2024. In addition, as the company only operated domestically, no goal has been set for foreign nationals.

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

The management of our pension plan assets is entrusted to a pension fund that has signed up to the Stewardship Code. We conduct internal monitoring to ensure that investment targets are being achieved and review asset composition as necessary, and we regularly receive reports from the pension fund to confirm their stewardship activities.

A qualified financial planner has been appointed as a pension officer to ensure thorough risk management. We also receive advice and knowledge from experts from time to time.

The defined benefit corporate pension plan is managed in accordance with the investment policies of the pension fund, which does not allow Daiei Kankyo the right to specify investment stocks, etc. Going forward, we do not plan to be directly involved in the management of the pension plan assets.

【Principle 3.1 Full Disclosure】

- (i) The Company's goals (management philosophy, etc.), management strategies, and management plans

The Group's management philosophy and other information can be found on the Company's website (<https://www.dinsgr.co.jp/english/about/idea/>). We strive to put our management philosophy and vision into practice in accordance with the Daiei Kankyo Group Business Conduct Guidelines.

- (ii) Basic views and policy on corporate governance based on the principles of the Corporate Governance Code (draft)

Please refer to the “1. Basic Views” section of this report.

- (iii) Policies and procedures for the Board of Directors in determining the compensation of senior management and directors

Compensation for directors (excluding those who are members of the Audit & Supervisory Committee) is determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee. The policy for determining the details of remuneration, etc. for each individual director is disclosed in the Annual Securities Report.

- (iv) Policies and procedures for the Board's selection of senior management and nomination of director candidates

In selecting candidates for directors (excluding those who are members of the Audit & Supervisory Committee), the Nomination and Compensation Advisory Committee deliberates before the Board of Directors makes a decision. The factors to be considered in the selection of candidates and the criteria for determining the independence of independent outside directors are set forth in the Reference Documents for the General Meeting of Shareholders, while the factors to be deliberated in considering any dismissal are set forth in the internal rules of the Nomination and Compensation Advisory Committee.

In addition, the selection of candidates for the Board of Directors who are also members of the Audit & Supervisory Committee is determined with the consent of the Audit & Supervisory Committee.

- (v) Explanation of individual appointments and nominations of senior management and director candidates by the Board of Directors based on (iv) above

The reasons for the election of directors are disclosed in the Notice of the Annual General Meeting of Shareholders.

【Supplementary Principle 3.1.3 Sustainability Initiatives】

To continue to be a company that contributes to society by living in harmony with people, industry, and nature, the Group is committed to ESG (Environmental, Social, and Governance) measures that will help solve social issues from a long-term perspective. These measures are incorporated into the Group's medium-term management plan. We also disclose our approach to sustainability, including ESG measures and human capital, on our website (<https://www.dinsgr.co.jp/english/csr/policy/>) and in our Annual Securities Report.

In line with the framework of the TCFD recommendations, we recognize the impact that climate change has on the Group's business and so conduct an analysis of measures to mitigate risks and link revenue opportunities into results. We disclose the results of this analysis on our website (<https://www.dinsgr.co.jp/english/csr/environment/>). The Group will contribute to a carbon-free world by proactively addressing climate change.

【Supplementary Principle 4.1.1 Scope of Delegation from the Board of Directors to Management】

The Board of Directors only makes decisions on important matters related to the management of the Company, and supervises business execution, as stipulated by laws and regulations and the Articles of Incorporation, as well as the Regulations of the Board of Directors and the Rules of Administrative Authority. Decisions on other matters are delegated to directors and executive officers.

【Principle 4.9 Independence Standards and Qualification for Independent Outside Directors】

The Board of Directors determines candidates after deliberations by the Company's Nomination and Compensation Advisory Committee based on the criteria for determining independence as stipulated by the Tokyo Stock Exchange.

【Supplementary Principle 4.10.1 Nomination and Compensation Advisory Committee】

The Nomination and Compensation Advisory Committee, consisting of a majority of independent outside directors, has been established to review and deliberate on matters related to nomination and compensation. In appointing directors and officers, the Nomination and Compensation Advisory Committee deliberates and reports to the Board of Directors, taking into consideration gender and skill perspectives.

The composition and role of the Nomination and Compensation Advisory Committee is disclosed in the Annual Securities Report.

【Supplementary Principle 4.11.1 Policy on the Balance Between Knowledge, Experience and Skills of the Board as well as Diversity and Appropriate Board Size】

Please refer to Reasons for Non-compliance with the Principles of the Corporate Governance Code (Supplementary Principle 4.11.1) in this report.

【Supplementary Principle 4.11.2 Concurrent Directorships】

When a director concurrently serves as an officer of another company, the Company takes into consideration the reasonable extent to which the director concurrently serves as an officer of that company. The status of directors' concurrent positions is disclosed in the Notice of the Annual General Meeting of Shareholders and in the Annual Securities Report.

【Supplementary Principle 4-11.3 Summary of Analysis and Assessment of the Effectiveness of the Board of Directors】

In May 2024, the Company conducted a questionnaire survey of all directors and corporate auditors regarding deliberations at the Board of Directors meetings and the environment for ensuring the effectiveness of the Board of Directors. Based on that results, the effectiveness of the Board of Directors is analyzed and assessed. The results of this survey are available on our website (<https://www.dinsgr.co.jp/english/csr/governance/>).

【Supplementary Principle 4.14.2 Training Policy for Directors】

With the General Affairs Department of the Business Administration Division acting as a secretariat, training sessions for all directors are held at least once a year, and other training is provided from time to time at seminars given by external experts. For more information about our training, please visit our website (<https://www.dinsgr.co.jp/english/csr/governance/>).

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

The Company communicates with shareholders and institutional investors through general meetings of shareholders, quarterly financial results briefings, and individual meetings. Dialogue with shareholders and institutional investors is handled by the President and Representative Director and the executive officer in charge of overseeing the IR department. Dialogue focuses on an overview of the Group's business, growth strategies, and business performance in an ongoing and constructive manner. By giving an overview of the industry and explaining the Group's competitive advantages and M&A track record, among other things, we strive to gain the understanding of our shareholders and institutional investors regarding the Group's growth potential.

The President and Representative Director and the executive officer in charge also provide feedback on the status and opinions obtained through dialogue with shareholders and

institutional investors at meetings of the Board of Directors and various meeting bodies, and then reflect the feedback in management operations.

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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[Status of Major Shareholders]

Name or Company Name	Number of Shares Owned	Percentage (%)
Wing Towa K.K.	61,399,500	62.33
The Master Trust Bank of Japan, Ltd. (trust account)	6,172,900	6.27
Custody Bank of Japan, Ltd. (trust account)	2,520,200	2.56
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2,049,800	2.08
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,711,334	1.74
Daiei Kankyo employee stock ownership plan	1,485,025	1.51
RBC IST 15 PCT NONLENDING ACCOUNT - CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	1,476,200	1.50
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	1,400,000	1.42
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,093,700	1.11
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	884,853	0.90

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	Wing Towa K.K.
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Supplementary Explanation

1. Shareholding ratio is calculated excluding treasury stock.
2. The above major shareholders are correct as of September 30, 2024.
3. Wing Towa K.K. is a company established for the purpose of managing the assets of Fumio Kaneko, President and Representative Director of the Company, and his relatives, in which Fumio Kaneko and his relatives have invested.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange (Prime)
Fiscal Year-End	March
Business Sector	Services
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

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

In the event that a transaction with a controlling shareholder takes place, we will ensure that the terms of the transaction are the same as any other normal transaction and do not harm the interests of minority shareholders. In the event of such a transaction, a special committee composed of independent outside directors will be established to deliberate the matter. Daiei Kankyo has also established its Management Rules for Related Parties. These rules build a framework for making decisions after thorough deliberations on the terms and conditions of the transactions and their appropriateness. Transactions with directors or major shareholders, including new competing transactions or transactions involving conflicts of interest, are subject to resolution by the Board of Director.

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit & Supervisory Committee
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[Directors]

Number of Directors Stipulated in Articles of Incorporation	10
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors in Outside Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tomoko Murakami	Lawyer											
Kazumasa Murai	CPA / Tax Accountant						△					
Noriko Kitajima	Lawyer											

* Categories for Relationship with the Company

* If the person is applicable to each item in the "current/recent" category, the number is "○"; if the person is applicable to each item in the "past" category, the number is "△"

* If their next of kin is applicable to each item in the "current/recent" category, the number is "●"; if the next of kin is applicable to each item in the "past" category, the number is "▲"

a. Person who executes business for the Company or its subsidiary

b. Person who executes business for or a non-executive director of the Company's parent company

c. Person who executes business of the Company's fellow subsidiary

d. Person/entity for which the Company is a major client or a person who executes business for said person/entity

e. Major client of the Company or a person who executes business for said client

f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets

- from the Company in addition to remuneration as a director/company auditor
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
 - h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
 - i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
 - j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
 - k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Tomoko Murakami		○	—	<p>Ms. Tomoko Murakami has a wealth of expertise in corporate legal affairs, etc. as an attorney-at-law. She has been appointed to the Board with the expectation that she will further enhance corporate governance by providing appropriate advice to the Company's management from an independent standpoint.</p> <p>The Company has designated her as an independent director of the Company as it has been determined that she satisfies the independence requirements as stipulated by the Tokyo Stock Exchange and that she is unlikely to have a conflict of interest with general shareholders.</p>
Kazumasa Murai	○	○	Mr. Kazumasa Murai had an audit contract with the Company under the Companies Act until the fiscal year ended March 2020, but as there is no audit contract with the Company at this time, we do not believe that this will affect his	Mr. Kazumasa Murai is a certified public accountant and licensed tax accountant with considerable knowledge of finance, accounting, and tax affairs. Since he also serves as an outside corporate auditor of a listed company, the Company judged that he would be able to enhance the auditing and supervisory functions of the Company's overall management from an independent standpoint, and therefore appointed him as an outside

			independence.	<p>director.</p> <p>The Company has designated him as an independent director of the Company as it has been determined that he satisfies the independence requirements as stipulated by the Tokyo Stock Exchange and that he is unlikely to have a conflict of interest with general shareholders.</p>
Noriko Kitajima	○	○	—	<p>Ms. Noriko Kitajima has extensive expertise in corporate legal affairs, etc. as an attorney at law. Since she also serves as an outside corporate auditor and an outside director who is an audit and supervisory committee member of a listed company, the Company has appointed her based on the judgment that she would be able to enhance the auditing and supervisory functions of the Company's overall management from an independent standpoint.</p> <p>The Company has designated her as an independent director of the Company as it has been determined that she satisfies the independence requirements as stipulated by the Tokyo Stock Exchange and that she is unlikely to have a conflict of interest with general shareholders.</p>

[Audit & Supervisory Committee]**Composition of Audit & Supervisory Committee and Attributes of the Chairperson**

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	3	1	1	2	Inside Directors

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed
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Matters Concerning Independence of Said Directors and/or Staff from Executive Officers

The duties of the Audit & Supervisory Committee are assisted by Staff belonging to the Audit Office as assistant employees. Such assistant employees perform their duties instructed by the Audit & Supervisory Committee under the direction and orders of the Audit & Supervisory Committee.

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

The Audit & Supervisory Committee, the Accounting Auditors, and the Audit Office hold a three-way audit liaison meeting on a regular basis, hosted by a director who is a member of the Audit & Supervisory Committee, to exchange information and opinions on mutual audit plans and audit results, etc.

A three-way cooperative relationship has also been established that enables the sharing of necessary information in a timely manner.

[Voluntary Established Committee(s)]

Appointment of Voluntary Established Committee(s) equivalent to the Nomination Committee or Compensation Committee	Appointed
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Inside Experts	Other	Committee Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Advisory Committee	3	0	1	2	0	0	Outside Director
Voluntarily Established Committee Equivalent to Compensation Committee	Nomination and Compensation Advisory Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

The Nomination and Compensation Advisory Committee has been established to enhance corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors. The Committee is chaired by an independent outside director and consists of the Representative Director and President, and two independent outside directors. The Nomination and Compensation Advisory Committee deliberates and reports to the Board of Directors on matters consulted by the Board of Directors, including policies for the selection and dismissal of directors, the compensation structure for directors, and policies for determining compensation.

[Matters Concerning Independent Directors]

Number of Independent Directors	3
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Other Matters Concerning Independent Directors

All those who meet the qualifications for independent director are designated as independent directors.

[Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme
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Supplementary Explanation for Applicable Items

The Company has introduced a performance-linked restricted stock compensation plan for its directors (excluding outside directors and directors who are members of the Audit & Supervisory Committee) in order to provide incentives aiming a sustainable increase in corporate value and to promote further value sharing between directors and shareholders.

The performance-linked restricted stock compensation is determined in advance by the Board of Directors, and is based on the basic number of shares to be allotted and the degree of achievement of performance targets (net income for the fiscal year attributable to shareholder of the parent company) during one fiscal year (the "performance evaluation period"). Depending on the degree of performance, restricted stock is allotted to eligible directors after the performance evaluation period ends.

Number of shares to be allocated in relation to the performance target (Net income for the fiscal year attributable to shareholder of the parent company)

Less than 5% increase from previous year: x1.0

More than 5% increase from previous year: x1.5 More than 10% increase from previous year: x2.0

Persons Eligible for Stock Options	—
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Supplementary Explanation for Applicable Items

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[Director Remuneration]

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

Not stated because there are no persons whose total amount of consolidated remuneration, etc. is 100 million yen or more. The total amount of remuneration, etc. by director classification is disclosed in the Annual Securities Report.
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Policy on Determining Remuneration Amounts and Calculation Methods	Appointed
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

<p>The Articles of Incorporation stipulate that director remuneration shall be determined by resolution at the Annual General Meeting of Shareholders, and shall be determined within the maximum amount resolved at the Annual General Meeting after fully taking into consideration their positions, terms in office, business performance, and other factors.</p> <p>Moreover, the Nomination and Compensation Advisory Committee has been established to enhance corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to remuneration. The Committee is chaired by an independent outside director who is the member of the Audit & Supervisory Committee and consists of the Representative Director and President, and two independent outside directors. The Nomination and Compensation Advisory Committee deliberates and reports to the Board of Directors on matters consulted by the Board of Directors, including director remuneration plans and policies for determining compensation.</p> <p>At the Board of Directors meeting held on May 27, 2024, the Company reviewed its executive compensation system and resolved to introduce a performance-linked restricted stock</p>
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compensation plan for directors, and a non-performance-linked restricted stock compensation plan for outside directors and directors who are members of the Audit & Supervisory Committee. The resolution to introduce both the performance linked and non-performance-linked restricted stock compensation plans was approved at the 45th Annual General Meeting of Shareholders held on June 26, 2024. Under these plans, the total amount of monetary compensation claims to be paid to directors (excluding outside directors and directors who are members of the Audit & Supervisory Committee) shall not exceed 64 million yen per year, the total amount to be paid to outside directors (excluding directors who are members of the Audit & Supervisory Committee) shall not exceed 16 million yen per year, and the total amount to be paid to directors who are members of the Audit & Supervisory Committee shall not exceed 32 million yen per year.

In accordance with our transition to a Company with Audit & Supervisory Committee and the introduction and review of the above-mentioned restricted stock compensation plans, a resolution was passed at the Board of Directors meeting held on June 26, 2024 to change the content of the policy for determining the content of individual director compensation, etc. The policy for determining the content of individual director compensation after the change is as follows:

a. Basic Policy

Remuneration for Directors of the Company shall consist of base remuneration and restricted share-based remuneration from the perspective of reflecting business performance and sharing value with shareholders.

b. Policy on Determination of Base Remuneration

Base remuneration shall be a fixed remuneration determined according to the position, job responsibilities, etc. of Directors in accordance with the Officer Remuneration Regulations, and shall be reviewed as necessary in consideration of business performance and social circumstances. The revision of fixed remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee and decided by resolution of the Board of Directors. However, fixed remuneration of Directors who are Audit & Supervisory Committee members shall be determined upon deliberation among the Directors who are Audit & Supervisory Committee members.

c. Policy on Determination of Restricted Share-Based Remuneration

Restricted share-based remuneration is paid in accordance with the Officer Remuneration Regulations to provide incentives for sustainable enhancement of corporate value and to improve share value between Directors and shareholders.

Changes to the restricted share-based remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee and decided by resolution of the Board of Directors.

However, restricted share-based remuneration of Directors who are Audit & Supervisory Committee members shall be determined upon deliberation among the Directors who are Audit & Supervisory Committee members.

Support System for Outside Directors or Outside Corporate Auditor

If an outside director requests additional information, the General Affairs Department of the Business Administration Division, which serves as the administrative office for the Board of Directors, responds by providing the information, etc. Directors may also directly contact individual departments.

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

Updated

The Board of Directors consists of seven directors, including three independent outside directors. In principle, the Board of Directors meets once a month, and extraordinary meetings are held and when necessary to ensure a flexible response. The Company also makes decisions on important management matters and ensures transparency through the appointment of independent outside directors. The Company's Articles of Incorporation stipulate that the Company may delegate all or part of important business execution decisions to directors, thereby ensuring prompt and accurate decision-making through the transfer of authority.

The Audit & Supervisory Committee consists of one director who is a full-time Committee member and two outside directors who are Committee members, and is scheduled to meet once a month in principle. As well as sharing information and exchanging opinions on the status of directors' performance, full-time Audit & Supervisory Committee members report on the status of audits and the results of internal document inspections at key meetings, and also consult with the Audit Office and accounting auditors. The outside directors who are members of the Audit & Supervisory Committee consist of a certified public accountant with expert knowledge in accounting, and a lawyer with expert knowledge in legal affairs. With their combined experience, both outside directors help to strengthen the Audit & Supervisory Committee's auditing and supervisory functions.

The Nomination and Compensation Advisory Committee is chaired by an independent outside director who is also a member of the Audit & Supervisory Committee and consists of the Representative Director and President, and two independent outside directors. To strengthen the fairness, transparency, and objectivity of the procedures related to nomination and remuneration, and to enhance corporate governance, the Committee deliberates on matters raised by the Board of Directors, such as the policy and standards for the election and dismissal of directors, the

remuneration system for directors, and the policy for determining remuneration, and reports back to the Board of Directors.

The Group Management Meeting consists of the Company's full-time directors, the full-time Audit & Supervisory Committee member, and executive officers stationed at the Company's Group Headquarters, and is attended by related parties including from Group subsidiaries as and when necessary. In principle, it meets once a month to make decisions concerning the Group's management from a company-wide perspective in order to optimize the Group's management.

The Risk Management & Compliance Committee is chaired by the Representative Director and President and consists of the full-time Audit & Supervisory Committee member, the director in charge of business administration, the general manager of the Business Administration Division, the general manager of the General Affairs Department, and the manager of the Audit Office. This committee meets at least once every quarter. By establishing standard items regarding risk management to prevent the occurrence of risks and ensure compliance, the committee strives to minimize the Group's losses and enhance its social credibility. Moreover, a risk management promotion manager and a person in charge of risk management promotion is deployed to each department, thereby ensuring that each department is thoroughly informed of matters related to risk management and compliance.

The Rewards & Disciplinary Committee is chaired by the general manager of the Business Administration Division and consists of the full-time Audit & Supervisory Board member, the manager of the Human Resources Department, the manager of the General Affairs Department, and the manager of the Audit Office as its members. This committee strives to ensure sound management through the strict and proper application of the regulations regarding rewards and discipline stipulated in the employment regulations.

The Sustainability Promotion Committee is chaired by the Representative Director and President, and consists of full-time directors, the full-time Audit & Supervisory Board member, the general manager of the Corporate Strategy Planning Division, the general manager of the Business Administration Division, the general manager of the Enterprise Division, the General Sales Manager, and the manager of the IR/Sustainability Promotion Department, and meets at least twice a year. The committee is responsible for formulating and revising the Basic Policy for Sustainability, identifying material issues, setting goals and manages progress toward resolving social issues. When receiving a consultation from the Board of Directors, discusses management plans from the perspective of promoting sustainability and reports back to the Board of Directors.

The Audit Office, consisting of eight members including the General Manager, conducts internal audits of the Group. As an organization reporting directly to the Representative Director and President, it ensures independence from business execution departments. It also collaborates with Audit & Supervisory Board members and accounting auditors to conduct effective internal

audits.

The Company has introduced an executive officer system to ensure the prompt execution of business operations by separating the decision-making and business execution processes.

3. Reasons for Adoption of Current Corporate Governance System

We have chosen to establish a Company with Audit & Supervisory Committee in order to strengthen the supervisory function of the Board of Directors. This enables a dual check function whereby the Audit & Supervisory Committee members, who are also directors (the majority of which are outside directors), have voting rights at Board of Directors meetings and conduct audits on the legality of business operations.

In addition, to strengthen our corporate governance structure, we have established the Risk Management & Compliance Committee and other committees as well as the Group Management Meeting to facilitate prompt decision-making, agile business execution, and Group management.

We have adopted the current structure because we believe it will enhance our corporate value and contribute to an effective governance structure.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the Annual General Meeting of Shareholders	The Company endeavors to send out the convocation notice of the Annual General Meeting of Shareholders as early as possible. The convocation notice for the 45th Annual General Meeting of Shareholders held on June 26, 2024, was sent out on June 10, 2024.
Scheduling of the Annual General Meeting of Shareholders on a Non-Peak Day	In order to ensure that as many shareholders as possible can attend the meeting, the General Meeting of Shareholders is scheduled on June 26, 2024 for the fiscal year ending March 31, 2024, avoiding days, where possible, when most general meetings are held.
Electronic Exercise of Voting Rights	Adopted from the 44th Annual General Meeting of Shareholders held on June 27, 2023.
Participation in a Platform for the Electronic Exercise of Voting Rights and other Initiatives to Enhance Environment for	Starting from the 44th Annual General Meeting of Shareholders held on June 27, 2023, the Company provides an environment that enables institutional investors and overseas investors to exercise their voting rights through a platform for the electronic exercise of voting rights.

Institutional Investors to Exercise Voting Rights	
Provision of the Convocation Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Starting from the 44th Annual General Meeting of Shareholders held on June 27, 2023, English translations of the convocation notice (narrow definition and reference documents) are provided through the Company's website, the Tokyo Stock Exchange and a platform for the exercise of voting rights.
Other	As soon as the Board of Directors' resolution to convene a General Meeting of Shareholders and other procedures are completed, the information to be included in the convocation notice is promptly announced by electronic means.

2. Status of IR-related Activities

Updated

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company discloses information in a timely, appropriate and impartial manner to its shareholders, investors and all other stakeholders, and also promotes constructive dialogue through proactive communications in order to facilitate greater understanding of the Company. For more information on our disclosure policy, please visit our website (https://www.dinsgr.co.jp/english/ir/management/disclosure/).	
Regular Investor Briefings held for Individual Investors	We are not currently holding briefing sessions for individual investors, but we will consider them in the future. Starting from the third quarter financial results for the fiscal year ending March 2023, videos and materials from financial results briefings for analysts and institutional investors, as well as the annual report, are available on our website.	Not Held
Regular Investor	Financial results briefings for analysts and institutional investors are held at each quarter and at the end of the fiscal	Appointed

Briefings held for Analysts and Institutional Investors	year. In-person and remote one-on-one meetings and small group meetings are held at each quarter and at the end of the fiscal year.	
Regular Investor Briefings held for Overseas Investors	After disclosing financial results presentation materials in English at each quarter and at the end of the fiscal year, the Company conducts in-person and remote one-on-one meetings and small group meetings in Japan at each quarter and at the end of the fiscal year, and conducts one-on-one meetings and small group meetings overseas at the end of each fiscal year.	Appointed
Online Disclosure of IR Information	We have a dedicated Investor Relations page on our website (https://www.dinsgr.co.jp/english/ir/) where we disclose financial results, semiannual reports, financial results presentation materials, annual securities reports, and other information.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The department in charge of investor relations is the IR/Sustainability Promotion Department in the Corporate Strategy Planning Division.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>We have formulated the Daiei Kankyo Group Business Conduct Guidelines. By having all of our employees put these guidelines into practice, we will become a company that is even more trusted and needed by society, building the Daiei Kankyo Group into one where people can work with pride.</p> <p>In addition, the Group formulated a Multi-stakeholder Policy on May 8, 2024 to demonstrate its respect for the human rights of all people and to clarify its commitment to appropriate cooperation with a diverse range of stakeholders, including not only shareholders but also customers, business partners, creditors, local communities and employees. Alongside this, the</p>

	Group decided on the Human Rights Policy at the meeting of the Board of Directors held on June 21, 2024.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Our sustainability initiatives can be found on our website (https://www.dinsgr.co.jp/english/csr/).
Formulation of Policies, etc. on Provision of Information to Stakeholders	We have established Information Disclosure Rules and have built a system to appropriately disclose information thereby ensuring substantial equality for shareholders.

IV. Matters Concerning the Internal Control System

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

<p>Daiei Kankyo has formulated its Basic Policy on Internal Control, setting up an internal control system to ensure the proper and efficient execution of operations.</p> <p>The Daiei Kankyo Group's systems for ensuring the appropriateness of its operations are as follows:</p> <ol style="list-style-type: none"> 1. System to ensure the appropriateness of operations of the corporate group consisting of Daiei Kankyo Co., Ltd. and its group companies <ol style="list-style-type: none"> (1) In order to establish a governance system as a group, we have determined the department in charge of subsidiary management, its authorities, and the directors in charge of subsidiary management. (2) We have established the Affiliate Company Management Rules to clarify our basic policies on the management of subsidiaries, and the subsidiary management departments receive prior approval and reports on important management matters from each subsidiary. (3) The directors in charge regularly report to our Board of Directors on the status of business execution, financial conditions, and other matters. (4) Our Audit Office conducts audits of subsidiaries. (5) We have established systems through which to contact Daiei Kankyo in the event of a crisis. 2. System to ensure that the execution of duties by directors and staffs complies with laws and regulations and the Articles of Incorporation
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- (1) In addition to establishing the Daiei Kankyo Group Business Conduct Guidelines as specific standards of conduct to be observed by directors and staffs, we carry out our business activities in compliance with our Articles of Incorporation, The Risk Management & Compliance rules, and other internal rules and regulations. In particular, in order to prevent any kind of relationship with anti-social forces, we have established the Rules for the Elimination of Antisocial Forces and other regulations to ensure that the entire company takes a resolute and unified stance against such organizations.
- (2) We have established the Whistleblower System Rules as an internal reporting system in the event that any violation of laws, regulations, or the Articles of Incorporation is discovered. As well as building an internal reporting system, we ensure that all officers and employees are thoroughly informed through annual training programs, etc.
- (3) In the event that a director discovers a significant fact concerning a serious violation of laws, regulations, or other internal rules, he or she shall immediately report the matter in question to Daiei Kankyo's Audit & Supervisory Committee (or to an Audit & Supervisory Committee member in the case of subsidiaries to which Audit & Supervisory Committee member are assigned). In addition, he or she shall also report the matter in question to Daiei Kankyo's Board of Directors (or to the subsidiary's Board of Directors and Daiei Kankyo's Board of Directors in the case of subsidiaries) without delay (for subsidiaries that do not have a Board of Directors, he or she shall immediately report it to the subsidiary's president and Daiei Kankyo's Board of Directors without delay).
- (4) We have established an Audit Office independent of the audited divisions of the Group thereby maintaining an internal audit system.

3. System to ensure the efficient execution of duties by Directors

- (1) In addition to stipulating matters concerning the operation of the Board of Directors in the Rules of the Board of Directors, we hold meetings of the Board of Directors on a monthly basis, as well as extraordinary meetings as necessary.
- (2) We have established the Rules of Administrative Authority to stipulate decision-making matters that are reserved for the Board of Directors and those that are delegated to the President, executive officer, and general managers of divisions.

4. System for the storage and management of information related to the execution of duties by directors

We store and manage important documents and information related to management, confidential information, and personal information for a specified period of time in accordance with laws, regulations, and the Document Handling Rules.

5. Basic stance on eliminating antisocial forces and the status of development of such measures

- (1) The Daiei Kankyo Group shall not have any involvement with antisocial forces that threaten social order and sound corporate activities, and shall take a resolute stance against any unreasonable demands from such antisocial forces.
- (2) The General Affairs Department of the Business Administration Division plays a central role in promoting the development of internal systems for the elimination of antisocial forces in cooperation with outside professional organizations such as lawyers and the police, as well as in the collection of information.

6. Rules and other systems for managing risk of loss

- (1) We carry out risk management in an effective and comprehensive manner under a consistent policy based on the Risk Management and Compliance Rules.
- (2) We have formulated the Internal Control Rules for Financial Reporting as a means of establishing internal control over the financial reporting of our group, thus ensuring the reliability of our financial reporting.

7. System for reporting to Audit & Supervisory Committee members

Directors and staffs report matters related to the performance of their duties when requested to do so by Audit & Supervisory Board members.

8. Matters related to staffs assisting the duties of Audit & Supervisory Committee members and matters related to the independence of staffs from directors

The Audit & Supervisory Committee assigns staffs to assist the duties of Audit & Supervisory Committee members in accordance with the Rules of the Audit & Supervisory Board.

9. Other systems to ensure that audits by Audit & Supervisory Committee members are conducted in an effective manner

- (1) Audit & Supervisory Committee members attend important meetings, exchange opinions with the president, and collaborate with the accounting auditor in order to understand the processes by which important decisions are made and the state of execution of duties.
- (2) Audit & Supervisory Board members conduct timely on-site inspections of the various departments, offices and group subsidiaries in cooperation with Daiei Kankyo's Audit Office.

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

The Daiei Kankyo Group does not have any involvement with antisocial forces that threaten social order and sound corporate activities, and takes a resolute stance against any unreasonable demands from such antisocial forces. The General Affairs Department of the Business Administration Division plays a central role in promoting the development of internal systems for the elimination of antisocial forces in cooperation with outside professional organizations such as lawyers and the police, as well as in the collection of information.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Held
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Supplementary Explanation for Applicable Items

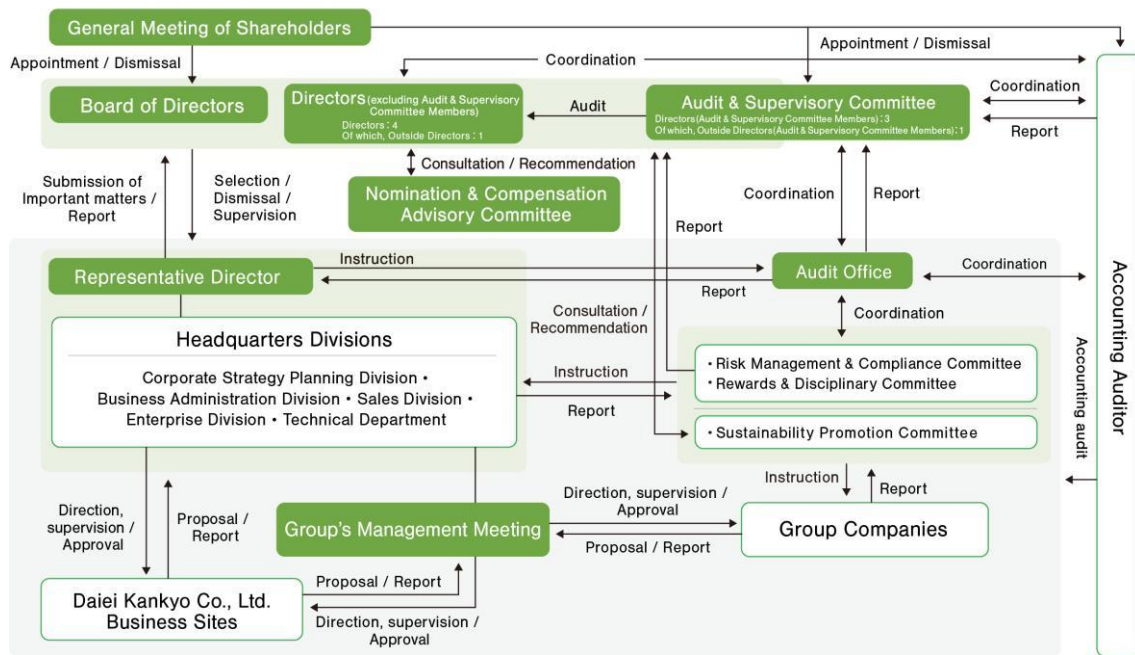
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2. Other Matters Concerning the Corporate Governance System

Updated

A schematic diagram of of the Group's corporate governance system and timely disclosure system is attached for reference.

■ Schematic diagram (reference material)



■ Outline of timely disclosure system (schematic diagram)

