

# Corporate Governance Report

## CORPORATE GOVERNANCE

NISHIO HOLDINGS CO., LTD.

**Last Update:** December, 22, 2025

**Nishio Holdings Co., Ltd.**

Masashi Nishio, President

Contact: Office of the President  
(06)-6251-7302

Securities code: 9699

<https://nishio-grp.co.jp/>

The corporate governance of Nishio Holdings Co., Ltd. (hereinafter, the “Company”) is described below.

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

### 1. Basic Views

(1) The Company thinks that shareholders, customers, business partners, employees and other stakeholders are equally important and that we must enhance corporate value from each of their perspectives by strengthening corporate governance.

(2) The Company positions its managers (directors) as “people who have a relationship of trust with the Company.” We design the organization so that managers can clarify the whereabouts of responsibility and make judgment with a sense of speed, but conversely, we impose a heavy “duty of loyalty” to the Company.

In particular, we handle matters similar to the “self-dealing” of managers (selection and evaluation of officers, compensation, related party transactions, etc.) with caution.

(3) The Company has adopted a company with an Audit and Supervisory Board system. This is because we aim for simple and highly efficient management by clarifying the whereabouts of responsibilities based on the above way of thinking.

(4) The Company has adopted a holding company framework and aims for the sustainable growth of the Group as a whole and the improvement of corporate value over the medium to long-term with the Company, the holding company, managing and supervising the business execution of each operating company, and working on the formulation of medium to long-term corporate strategies for the Group as a whole, the improvement of safety and quality, and the strengthening of compliance, while each operating company concentrates on business execution and further enhances its diversity and expertise. The directors of the Company are in charge of operations from the perspective of the overall optimization of the Group, and the President and Representative Director oversees this and manages and supervises each operating company. In addition, outside directors confirm the appropriateness of business execution based on expert knowledge and experience from an independent and objective standpoint.

The Company’s Audit and Supervisory Board members audit the directors’ execution of duties, accounting, etc., and in particular, the outside Audit and Supervisory Board members confirm the legality of the execution of duties based on expert knowledge and experience from an independent and objective standpoint.

(5) The Company discloses important management policies and guidelines in its business report and annual securities report.

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

(Supplementary Principle 1.2.5)

In principle, the Company does not currently allow beneficial shareholders such as institutional investors to attend general shareholder meetings, exercise voting rights or ask questions. We will continue to consider this matter while keeping a close eye on the requests of beneficial shareholders and the trends of trust banks, etc.

(Principle 3.1.(4) and (5))

The Company does not disclose its policies and procedures for nomination of candidates for directors and Audit and Supervisory Board members and appointment/dismissal of directors and Audit and Supervisory Board members.

However, the Company handles with caution the nomination of candidates for directors and Audit and Supervisory Board members and appointment/dismissal of directors and Audit and Supervisory Board members as matters similar to the “self-dealing” of managers. The Company provides elaborate explanations of drafts of candidates to outside directors in advance, and keeps records of the results.

Then, the Company will make the proposal to a General Meeting of Shareholders after resolutions at the Board of Directors and the Audit and Supervisory Board.

The status of implementing prior explanations, etc. to outside directors regarding proposals of candidates for directors and Audit and Supervisory Board members

is disclosed in “Disclosure Based on the Principles of Corporate Governance Code” in the corporate governance report.

(Supplementary Principle 4.1.1)

In order to realize expeditious corporate management, the Board of Directors, in principle, delegates decisions on business execution, other than matters legally regarded as exclusive to decisions by the Board of Directors, to the President and Representative Director. The President and Representative Director directs the business execution of each director and the managers of operating companies and decides on measures based on business plans determined by the Board of Directors.

(Supplementary Principle 4.8.1)

The Company does not hold meetings consisting solely of independent outside directors currently, but will consider holding such meetings in the future as necessary.

(Supplementary Principle 4.8.2)

Since the number of independent outside directors is small, they can communicate with management on an individual basis; therefore, the Company does not currently appoint a lead independent director.

(Supplementary Principle 4.10.1)

Although the Company does not have a nomination committee or a remuneration committee, it provides outside directors with detailed explanations in advance, from the perspectives of diversity (including gender) and skills, in order to obtain appropriate involvement and advice on matters that may involve managerial “self-dealing,” such as the appointment and remuneration of directors.

(Supplementary Principle 4.14.2)

The Company does not disclose its policies for training for directors and Audit and Supervisory Board members.

This is because the Company believes, as a general principle, that directors and Audit and Supervisory Board members should be proactive in recognizing their roles and responsibilities and should acquire the knowledge required of managers. When directors or Audit and Supervisory Board members voluntarily request opportunities for knowledge acquisition, the Company will cooperate.

(Supplementary Principle 5.2.1)

The Company does not formulate basic policies regarding business portfolios. However, the Company reviews and revises its portfolio based on market growth potential and ROI (return on investment—the ratio of profits to investments in rental assets) with respect to its rental asset portfolio, which forms the core of its business.

## **Disclosure Based on each Principle of the Corporate Governance Code** Updated

(Principle 1.4)

The Board of Directors meeting held on October 31, 2025, verified the significance and reasonableness of the holding.

(Supplementary Principle 2.4.1)

The Company recruits human resources and appoints employees to managerial positions, regardless of gender, nationality and the timing of joining its payroll.

In the fiscal year ended September 30, 2025, the percentages of female workers, foreign workers and mid-career hires in managerial positions were 5.7%, 12.5%, and 32.9%, respectively.

(Principle 3.1.(3))

Individual officers' remuneration was revised at the Board of Directors' meeting held on May 31, 2024. (Revised every two years.) The revision was determined pursuant to certain rules, based on the performance evaluation of individual officers. The individual officers' performance evaluation for the fiscal year ended September 30, 2023, which serves as the standard, was explained to outside directors by the President and Representative Director on October 20 and 23, 2023, and was reported to the Board of Directors' meeting held on October 27, 2023.

With respect to the officers' bonuses for the fiscal year ended September 30, 2025, individual officers' performance evaluation and the amounts of officers' bonuses paid were explained to outside directors on October 28, 2025, and the total amount of officers' bonuses paid was reported at the Board of Directors' meeting held on October 31, 2025.

The individual ratio of remuneration for restricted stock (internal directors) for the fiscal year ended September 30, 2025, was determined pursuant to certain rules at the Board of Directors' meeting held on December 19, 2025.

(Principle 3.1.(4) and (5)) A draft for candidates for Audit and Supervisory Board members was explained to outside directors by the President and Representative Director on October 28, 2025, and was proposed to the General Meeting of Shareholders held on December 19, 2025, after being deliberated at the Board of Directors' meeting held on November 21, 2025, and obtaining consent from the Audit and Supervisory Board.

(Supplementary Principle 4.11.1)

A skills matrix has been prepared in terms of knowledge, experience and others possessed by each director and is disclosed in “Other Matters Concerning the Corporate Governance System” in this report.

(Supplementary Principle 4.11.2)

The concurrent positions of directors and Audit and Supervisory Board members are disclosed in the Business Report and the Annual Securities Report for the fiscal year ended September 30, 2025.

(Supplementary Principle 4.11.3)

The Company discusses the effectiveness of the Board of Directors at a meeting of Board of Directors once a year. In order to ensure that outside directors and outside Audit and Supervisory Board members express their opinions and fulfill their roles and responsibilities to the fullest extent possible, the Company discussed points to be improved at the Board of Directors meeting held on October 31, 2025, as the most recent occasion.

(Principle 5.1)

The Company accepted individual interviews and visits by a total of 69 investors during the fiscal year ended September 30, 2025. In addition, the Company took part in the company presentation organized by the Securities Analysts Association of Japan on December 3, 2025.

Status of dialogue with shareholders

The Company has designated the Office of the President as the contact point for IR inquiries, and its IR personnel hold regular individual meetings with analysts, fund managers and others from domestic and foreign institutional investors. Additionally, the President and Representative Director offers explanations on occasions including financial results briefings and information meetings for individual investors.

The main contents discussed in meetings are earnings, market environments, progress in the medium-term management plan, capital expenditures, and shareholder return, among others. The opinions obtained therein are reported to the President and Representative Director and fed back to the Board of Directors as necessary.

The Company disclosed “Company Initiatives Related to the Corporate Governance Code” on December 19, 2025, and they are posted on the Company’s website as follows.

<https://nishio-grp.co.jp/ir/>

#### Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Updated	Disclosure of Initiatives (Update)
Availability of English Disclosure	Updated	Available
Date of Disclosure Update	Updated	December 22, 2025

## Explanation of Actions

**Updated**

In the medium-term management plan “Next Stage 2026,” the Company discloses its approach to achieving management that is conscious of cost of capital and stock price.

In addition, progress in these efforts is laid out in financial results briefing materials, annual reports and other materials.

## 2. Capital Structure

Foreign Shareholding Ratio

**Updated**

30% or more

### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Sanko Kihan, Co., Ltd.	3,060,000	11.02
The Master Trust Bank of Japan (Trust)	2,976,200	10.72
THE SFP VALUE REALIZATION MASTER FUND LTD.	2,904,100	10.46
Masashi Nishio	1,311,578	4.72
Nishio Holdings Employee Shareholding Association	1,212,714	4.37
Custody Bank of Japan, Ltd. (Trust)	984,200	3.55
Nishio Holdings Client Shareholding Association	924,536	3.33
Rent All Scholarship Foundation	840,000	3.03
Tomoko Hiura	705,857	2.54
Nishio Trading YK	700,243	2.52

Name of Controlling Shareholder, if applicable  
(excluding Parent Companies)

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Name of Parent Company, if applicable

None

### Supplementary Explanation

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### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market of Tokyo Stock Exchange
Fiscal Year-End	September
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	¥100 billion or more but less than ¥1 trillion
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

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### 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 Decision-making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*
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\*Referred to as "Company with *Kansayaku* Board" in the Corporate Governance Code reference translation

#### Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	6
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Independent Directors	2

#### Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kumiyo Nakakoji	Academic											
Sayuri Mitsuhashi	Other											

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.

- 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 for a 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/Audit and Supervisory Board Member
- 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	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kumiyo Nakakoji	○	—	<p>The Company appointed Kumiyo Nakakoji based on the judgment that she is suitable to serve as an Outside Director of the Company due to her specialist knowledge and extensive experience centered on the fields of information and communications as an academic expert.</p> <p>The Company has appointed her as an independent officer because she meets the requirements for an independent officer stipulated by the stock exchange, poses no risk of any conflict of interest with general shareholders, and, in light of her independence and expertise, is deemed capable of providing objective and neutral supervision based on her extensive academic knowledge.</p> <p>She does not fall under any of the matters stipulated in Article 211, Paragraph 4, Item 5-a of the “Enforcement Rules for Securities Listing Regulations.”</p>
Sayuri Mitsuhashi	○	—	<p>The Company appointed Sayuri Mitsuhashi based on the judgment that she is suitable to serve as an Outside Director of the Company due to her experience and high-level knowledge acquired from many years of service with the Ministry of Land, Infrastructure, Transport and Tourism.</p> <p>The Company has appointed her as an independent officer because she meets the requirements for an independent officer stipulated by the stock exchange, there is no risk of a conflict of interest with general shareholders, and, in light of her independence and expertise, the Company judges that she is capable of performing objective and neutral supervision based on the wide range of positions she has held. These include Deputy Mayor of Ichihara City and Director-General of the Cabinet Secretariat, Headquarters for Water Cycle Policy.</p> <p>She does not fall under any of the matters stipulated in Article 211, Paragraph 4, Item 5-a of the “Enforcement Rules for Securities Listing Regulations.”</p>

Voluntary Establishment of Committee(s) equivalent to  
Nomination Committee or Remuneration Committee

Not Established

### Audit and Supervisory Board Member\*

\*Referred to as "*kansayaku*" in Corporate Governance Code reference translation

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit and Supervisory Board Members	3

#### Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Company has entered into an audit contract with Ernst & Young ShinNihon LLC for accounting audits. Audit and Supervisory Board members receive timely reports from the accounting auditor on audit plans, the status of audit implementation, and audit results, and exchange necessary information and opinions as appropriate.

In addition, the Company assigns full-time staff to the Audit Office, an organization under the direct control of the President and Representative Director, to conduct pre-planned audits to improve administrative standards, mainly at each operating company in accordance with the Internal Audit Regulations. The Company formulates audit policies and audit plans in cooperation with Audit and Supervisory Board members by exchanging opinions with them on such matters at the start of a financial year. In reporting audit results, information is exchanged each time an audit is conducted, and efforts are made to solve issues through cooperation.

The Audit Office reports the results of audits of the Company and each operating company to the President and Representative Director and the full-time Audit and Supervisory Board member each time an audit is conducted, and meetings of the Board of Directors and the Audit and Supervisory Board discuss audit results as necessary. Additionally, the main matters pointed out, best practices, etc. are regularly reported to the Board of Directors and the Audit and Supervisory Board semi-annually to ensure the effectiveness of internal audits.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yukou Sakaguchi	Lawyer											
Yutaka Masuda	CPA									△		

\*Categories for “Relationship with the Company”.

(Use “○” when the director presently falls or has recently fallen under the category; “△” when the director fell under the category in the past; “●” when a close relative of the director presently falls or has recently fallen under the category; and “▲” when a close relative of the director fell under the category in the past.

- a. Person who executes business for the Company or its subsidiary
- b. A non-executive director or an accounting advisor of the Company or its subsidiaries
- c. Person who executes business for or a non-executive director of the Company's parent company
- d. An Audit and Supervisory Board Member of a parent company of the Company
- e. Person who executes business for a fellow subsidiary
- f. Person/entity for which the Company is a major client or a person who executes business for said person/entity
- g. Major client of the Company or a person who executes business for said client
- h. 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/Audit and Supervisory Board Member
- i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- k. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to ♦the director/auditor♦ him/herself only)
- l. Person who executes business for an entity receiving donations from the Company (applies to ♦director♦ him/herself only)
- m. Other

## Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Updated

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukou Sakaguchi	○	—	<p>The Company appointed Yukou Sakaguchi based on the judgment that he is suitable to serve as an Outside Audit and Supervisory Board member of the Company because he is a partner in a law firm and a legal expert mainly in corporate legal affairs.</p> <p>The Company has appointed him as an independent officer because he meets the requirements for an independent officer stipulated by the stock exchange, poses no risk of any conflict of interest with general shareholders, and, in light of his independence and expertise, is deemed capable of conducting objective and neutral audits based on his extensive knowledge as an attorney-at-law.</p> <p>He does not fall under any of the matters stipulated in Article 211, Paragraph 4, Item 5-a of the “Enforcement Rules for Securities Listing Regulations.”</p>
Yutaka Masuda	○	<p>Yutaka Masuda belonged to Ernst &amp; Young ShinNihon LLC, which is the accounting auditor of the Company, from October 1985 to June 2022.</p>	<p>The Company appointed Yutaka Masuda based on the judgment that he is suitable to serve as an Outside Audit and Supervisory Board member of the Company because he is a certified public accountant and an expert in corporate accounting and tax affairs.</p> <p>The Company has appointed him as an independent officer because he meets the requirements for an independent officer stipulated by the stock exchange, poses no risk of any conflict of interest with general shareholders, and, in light of his independence and expertise, is deemed capable of conducting objective and neutral audits based on his extensive knowledge as an accountant.</p> <p>He does not fall under any of the matters stipulated in Article 211, Paragraph 4, Item 5-a of the “Enforcement Rules for Securities Listing Regulations.”</p>

## **Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members**

Number of Independent Directors and  
Independent Audit and Supervisory Board Members 4

### **Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members**

All Outside Directors and Outside Audit and Supervisory Board members of the Company meet the standards of independent officers. Accordingly, the Company has designated all outside officers as independent officers.

## **Incentives**

Implementation Status of Measures related to  
Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme / Other

### **Supplementary Explanation for Applicable Items**

The Company discloses its policy on determining the payment ratio between performance-linked remuneration and remuneration other than performance-linked remuneration in the section on director compensation under “Disclosure of Policy on Determining Remuneration Amounts or Calculation Methods.”

- Introduction of remuneration for restricted stock plan

As of the 58th Annual General Meeting of Shareholders held on December 20, 2016, the Company introduced a restricted stock remuneration plan for internal directors. The amount of remuneration for restricted stock shall be no more than 10 million yen per year, apart from officers’ bonuses. In conjunction with the introduction of this plan, the Company plans not to grant a new round of stock compensation-type stock options, which were introduced at the 50th Annual General Meeting of Shareholders held on December 19, 2008.

Persons Eligible for Stock Options

### **Supplementary Explanation for Applicable Items**

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## Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

Updated

The content of officer remuneration is as follows:

(1) Remuneration paid to directors and Audit and Supervisory Board members

130 million yen for seven directors (including 14 million yen for outside directors (three persons))

24 million yen for three Audit and Supervisory Board members (including 11 million yen for outside Audit and Supervisory Board members (two persons))

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Maximum amount of remuneration (excluding employee salaries for directors with concurrent employee roles)

Directors: An annual amount of 300 million yen and additionally, an annual amount of 10 million yen as the amount of remuneration for restricted stock.

Audit and Supervisory Board members: An annual amount of 50 million yen

Policy, etc. on determining the content of remuneration, etc. for officers

The Company resolved the policy on determining the content of remuneration, etc. for individual directors at the Board of Directors meeting held on February 26, 2021 (some additions and changes were resolved at the Board of Directors meeting held on October 29, 2021). Additionally, the Board of Directors confirmed that the method for determining the content of remuneration, etc. and the determined content of remuneration were in line with the relevant policy on determination and has judged that they follow the relevant policy on determination.

The following are the details of the policy on determining the content of remuneration, etc. for individual directors.

(1) Basic Policy

Directors of the Company are “people who have a relationship of trust with the Company,” and are required to live up to that trust and put the Company’s management philosophy and mission statement into practice. The Company aims to make director remuneration appropriate to ensure that directors can fully fulfill their expected roles.

Specifically, the remuneration for directors in charge of business execution consists of fixed remuneration, performance-linked remuneration and non-monetary remuneration (share-based compensation). The remuneration for outside directors charged with the functions to supervise corporate management and ensure the appropriateness of business execution is comprised of fixed remuneration and performance-linked remuneration.

As the determination of director remuneration constitutes a form of directors’ “self-dealing,” it must ensure rationality, objectivity, and transparency in both the content of the remuneration and the procedures for its determination.

(2) Policy on determining the amounts of fixed remuneration, etc. for individuals and the timing or conditions of payment

Fixed remuneration will be a fixed monthly payment in cash. The amount of fixed remuneration will be determined in accordance with positions and responsibilities, and will be revised from time to time in consideration of business performance, social conditions and other factors.

In principle, the remuneration for newly appointed full-time directors will be determined by the Board of Directors within a range of 1.5 times the highest compensation amount of an employee actually working in the highest position in that organization at that time. The maximum amount of remuneration for full-time directors other than the President and Representative Director will be 2.5 times the amount of remuneration for newly appointed directors. The maximum amount of remuneration for the President and Representative Director will be 3 times the amount of remuneration for newly appointed directors.

To revise fixed remuneration, the President and Representative Director will evaluate the performance of each director and make payment plans for individuals pursuant to certain rules, based on the evaluation. The payment plans will be decided at a meeting of the Board of Directors.

However, individual performance evaluations will not be conducted for outside directors.

(3) Determination of the content of performance indicators related to performance-linked remuneration, etc., their amounts and the timing or conditions of payment, and the policy on determination

Performance-linked remuneration is compensation for short-term contributions to the enhancement of corporate value and is paid in cash. As the payment method, the cash amount calculated by multiplying profit before tax of each fiscal year by a certain rate will be paid at a certain point of time each year after the relevant fiscal year is closed. The payment amount for individuals will be determined based on positions, responsibilities and the contribution level in the relevant fiscal year.

However, individual performance evaluations will not be conducted for outside directors.

(4) Determination of the content of non-monetary remuneration, etc., its number or the calculation method and the timing or conditions of payment and the policy on determination

The non-monetary remuneration will be share-based compensation. The share-based compensation is a compensation for medium to long-term contribution to the enhancement of corporate value, and is paid in shares. As the payment method, restricted stock with the transfer restriction period set at 30 years will be granted to directors in charge of business execution at a certain point of time each year. The number of shares to be granted will be determined based on such factors as position, responsibility, and stock price.

(5) Policy on determining the percentages of the amounts of fixed remuneration, performance-linked remuneration, etc. and non-monetary remuneration to the remuneration amount, etc. for individual directors

The Company sets the difference between directors in charge of business execution and outside directors in terms of the percentages of the compensation types of fixed remuneration, performance-linked remuneration, etc. and non-monetary remuneration for directors. The Company will revise them in light of situations in society, trends in other companies and other factors, as necessary. The following are guidelines for the ratio of remuneration (assuming the performance target is achieved 100%).

Directors in charge of business execution: 60% for fixed remuneration, 37% for performance-linked remuneration and 3% for non-monetary remuneration

Outside directors: 70% for fixed remuneration, 30% for performance-linked remuneration and — for non-monetary remuneration

(6) Matters regarding the procedures for determining the content of remuneration, etc. for individual directors

In respect of specific remuneration, etc. for individual directors, the Company will delegate the formulation of a proposal to President Masashi Nishio, based on the approval of the Board of Directors. The proposal will cover fixed remuneration, performance-linked remuneration, etc. and non-monetary remuneration, etc. for each director. The President and Representative Director will first provide a detailed explanation of the proposed plan to all outside directors, and after receiving appropriate involvement and advice from them, the Board of Directors will make the final decision.

#### **Support System for Outside Directors (and/or Outside Audit and Supervisory Board Members)**

Although no full-time staff are assigned to assist outside directors and Outside Audit and Supervisory Board members, personnel of the Office of the President and the Audit Office support each outside officer in terms of necessary work related to the Board of Directors and the Audit and Supervisory Board, on a concurrent basis.

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

The Company has General Meetings of Shareholders, the Board of Directors and the Audit and Supervisory Board in place as corporate bodies of the Company under the Companies Act.

The Board of Directors consists of six directors (including two outside directors) and holds a regular meeting each month in principle. The Board deliberates and decides on matters exclusive to decisions by the Board of Directors and agenda items stipulated by the Board of Directors Regulations, as the full-time body for decision-making on corporate management.

Internal directors execute their duties, centered on the business that they are in charge of, based on matters determined by the Board of Directors.

The Audit and Supervisory Board discusses and decides on audit policies and audit plans. Based on those, three Audit and Supervisory Board members (including two outside members) audit the execution of duties by directors by attending Board of Directors meetings and other important meetings and audits by Audit and Supervisory Board members as well as conducting on-site audits of operating companies as necessary.

In addition, the Company assigns full-time staff to the Audit Office, an organization under the direct control of the President and Representative Director. The staff conduct pre-planned audits to improve the administrative level, mainly at each operating company in accordance with the Internal Audit Regulations.

The Company carefully treats the determination of director remuneration and the nomination of candidates for directors and Audit and Supervisory Board members and election and dismissal of officers as matters similar to the “self-dealing” of managers, and elaborately explain them to outside directors also from the viewpoint of diversity, including gender, and skills. The results are recorded in writing. The Company discloses the status of implementation of explanations, etc. to outside directors in the “Disclosure Based on the Principles of Corporate Governance Code.”

The accounting auditor is Ernst & Young ShinNihon LLC. The period of its continuous audit is 38 years. The certified public accountants who perform accounting auditing services are Mr. Yasuhiro Kozaki and Mr. Kimio Sudo.

An overview of the Company’s structure is as mentioned above. The status of the effort to strengthen the function of the Audit and Supervisory Board is described at the column “Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments” in Audit and Supervisory Board Member under 1. Organizational Composition and Operation.

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

The Company appoints people with abundant knowledge and experience in corporate management and specialized fields as outside directors. They provide opinions on management policies and plans based on their specialist knowledge and experience from an independent and objective standpoint. Based on that, the Company has established a management oversight function and a function that ensures the appropriateness of business execution.

A total of three Audit and Supervisory Board members including two outside members audit the execution of duties by directors and examine whether decision-making on corporate management at the Board of Directors complies with laws and regulations, and the Articles of Incorporation, as well as to check whether financial statements are prepared appropriately in cooperation with the accounting auditor. The full-time Audit and Supervisory Board member conducts audits about the process of decision-making and business execution by inspecting important approval documents and regularly exchanging opinions with the President and

Representative Director. Outside Audit and Supervisory Board members ensure the legality of the execution of duties by expressing opinions based on expert knowledge and experience from an independent and objective standpoint.

Through these measures, the Company believes that the legality of business execution and the functions to supervise and audit corporate management are maintained.

On the other hand, the Company recognizes that internal directors respect the opinions of the above outside directors and Audit and Supervisory Board members at meetings of the Board of Directors, and that such opinions are appropriately reflected in the departments under their supervision. The Company also recognizes that it has established a system that ensures the objectivity and neutrality of the function to monitor corporate management.

### **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
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The fiscal closing date of the Company is September 30 each year. Therefore, an Annual General Meeting of Shareholders is held around December 20.
Electronic Exercise of Voting Rights	The Company has adopted a system for the exercise of voting rights via the internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has adopted the platform for exercise of voting rights for institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The English version of the convocation notice is disclosed on the website of the Tokyo Stock Exchange and that of the Company.

## 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	After the announcement of these financial results, the Company held an in-person and online financial briefing with the President and Representative Director as the presenter.	Held
Online disclosure of IR information	We publish financial results information, timely disclosure materials other than financial results information, annual securities reports, semi-annual reports, financial briefing materials, the status of corporate governance, convocation notices of General Meetings of Shareholders, and annual reports.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Office of the President	
Other	The Company conducts IR activities for institutional investors by visiting them several times a year. In addition, the Company holds briefings for individual investors, though they are not periodic.	

## 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Other	The Company discloses the basic policy on the Company's corporate management, medium to long-term management strategies, basic policies regarding the operation and management of Group companies as well as basic policies regarding financial security, etc. in its business reports and annual securities reports. In the event of any matter that is subject to timely information disclosure, the Company will disclose such information promptly.

## IV. Matters Concerning the Internal Control System

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

#### (1) Basic policy on execution of duties and features of the internal control system in the Company

The Company holds up “*Shingaku Gosoku* (five rules in ethical teachings),” stated in *Sekimon Shingaku* (the philosophy advocated by philosopher Baigan Ishida) as its management philosophy and has established the mission statement based on its thinking. All of the Company’s officers (directors and Audit and Supervisory Board members) and employees aim to build a corporate culture that makes the Company broadly trusted by society while considering the management philosophy and the mission statement as the anchor in the execution of duties.

##### ○ Management philosophy

*Jikei no kokoro* (Respect others at all times)

*Sekijin no kokoro* (Develop virtue)

*Chimei no kokoro* (Create social usefulness)

*Chichi no kokoro* (Make good use of wisdom)

*Choyo no kokoro* (Have a long-term perspective)

##### ○ Mission statement

“Our Group contributes to the economy and society as a pioneer in the comprehensive rental business.”

The Company lets each operating company take the initiative in running its business. In respect of internal control as well, each operating company is responsible for running its own system, and the Company keeps an overall check on it.

#### (2) System to ensure that directors’ and employees’ execution of their duties conforms to laws and regulations and the Articles of Incorporation

The Company continues to make laws and regulations, the management philosophy, and the mission statement thoroughly known through education for each hierarchy and seminars for employees who have just been promoted that are held periodically at each operating company.

To execute duties in real settings, work procedures and manuals are provided for our members to comply with laws and regulations, the Articles of Incorporation and the mission statement. Each operating company checks whether duties are executed as instructed by such procedures.

Furthermore, the Audit Office of the Company confirms whether that checking system functions well through internal audits.

Outside Audit and Supervisory Board members ensure the legality of the execution of duties by expressing opinions based on expert knowledge and experience from an independent and objective standpoint.

In the case of violations of laws and regulations and the Articles of Incorporation, the internal disciplinary committee investigates them and reports them to the Board of Directors. The Board of Directors determines any penalty and instructs the related parties to prevent reoccurrence.

If employees find that a violation of laws and regulations or the Articles of Incorporation is underway or is going to happen, they can directly report to the whistleblowing contact inside the head office. Such reports are designed to be gathered to the President and Representative Director. Of those, reports on the conduct of officers of the Company or operating companies (directors and Audit and Supervisory Board members) are handled by outside contractors as the whistleblowing contact and are consolidated for the President and Representative Director through directors of the Company including outside directors. (Anonymous reports are also accepted.)

In addition, the Company has established a system to protect whistleblowers under the “Whistleblowing Regulations.” In order for the whistleblowing system to function effectively, it is necessary for both whistleblowers and the contact point of whistleblowing to understand the system correctly and to operate it appropriately. From this point of view, the Company focuses on education for officers and employees of the Company and each operating company.

(3) System to store and manage information related to the execution of duties by directors

The Company stores minutes of meetings of the Board of Directors and other important meetings, as well as documents such as circulating resolutions that were approved by directors during their execution of duties, for a specified period of time in accordance with laws and regulations.

(4) Regulations regarding the management of the risk of loss and other systems

The Company puts importance on managing any risk of loss that arises from the characteristics of the construction machinery rental business, which is the Company’s core business field.

First, investments in rental assets tend to be high, posing the risk of causing problems with financial safety. The Company has established guidelines for matters including the equity ratio, debt-to-monthly-sales ratio and cash-deposit-monthly-sales ratio, and discloses them in its business reports and annual securities reports.

With a broad range of users, a wide variety of industries where users operate, and diverse company sizes, there is also the risk of loss in collecting accounts receivable. The Company has established the “Credit Management Regulations” and standards to manage receivables, and the Board of Directors determines the amount of credit for important users.

Safety measures and accident prevention for construction machinery are also important issues. The Company has established a department in charge of safety and quality and formulates annual safety and health management plans, which are thoroughly communicated to each operating company.

In addition to the above, a risk management manual is in place in preparation for the risk of loss caused by natural disasters and a variety of human-made disasters.

(5) Systems to ensure the efficient execution of duties by directors

In the Company, each operating company formulates its own business plan, based on the planning guidance, obtains approval at the Board of Directors' meeting and takes the initiative in operations to achieve the plan. In this way, efficiency is ensured.

However, in order to maintain a medium to long-term focus on efficiency in addition to a short-term perspective, the Board of Directors has established guidelines for capital expenditures and investments in new business departments.

Furthermore, the Company appoints outside directors who supervise corporate management and express their opinions on management policies and plans, based on their expert knowledge and experience, from an independent and objective standpoint.

(6) System to ensure the appropriateness of business at the company group consisting of the Company and subsidiaries

(i) System for reporting on matters related to the execution of duties by directors, etc. of subsidiaries, to the Company

The Company has established the "Affiliate Company Management Regulations" that require each operating company to report regularly to the Company on its operating results, financial condition, and other important information.

(ii) Regulations regarding the management of the risk of loss of subsidiaries and other systems

In accordance with the "Affiliate Company Management Regulations" and the "Internal Audit Regulations," the Company identifies all potential risks related to the Group's businesses and has a "List of Risk Management Matters" formulated at each operating company to take preventive measures. If a risk occurs, each operating company will report it to the President and Representative Director and responsible departments of the Company to deal with it in cooperation with the Company.

The Audit Office of the Company confirms the status of management periodically and makes improvements as necessary.

(iii) Systems to ensure the efficient execution of duties by directors, etc. of subsidiaries

The Company sets basic policies regarding the operation and management of each operating company and discloses them in its business reports and annual securities reports.

Based on the policies and "Affiliate Company Management Regulations," each operating company formulates business plans for each term in line with those of the Company and takes the initiative in operations to achieve the plans. Additionally, the Company has a system in place under which officers and employees of the Company take office as directors and Audit and Supervisory Board members of operating companies to ensure the appropriateness of the execution of duties by operating companies.

(iv) System to ensure that the execution of duties by directors, etc. and employees of subsidiaries conforms to laws and regulations and the Articles of Incorporation

Each operating company has established the "Code of Ethics," based on the management philosophy and the mission statement of the Company to indicate its sense of corporate values. Also, each company formulates its easy-to-understand version as the "Code of Conduct," which is a set of standards of conduct that employees should follow, and their employees are kept informed of the code thoroughly.

The Audit Office of the Company performs regular internal audits, based on the “Internal Audit Regulations,” to confirm the status of compliance.

(7) System regarding employees in the case that Audit and Supervisory Board members ask employees to be assigned to assist their duties and matters regarding the independence of the employees from directors and the effectiveness of instructions

Under the “Standards for Audits by Audit and Supervisory Board Members” provided by the Audit and Supervisory Board of the Company, Audit and Supervisory Board members are authorized to instruct employees assigned to the Audit Office on matters necessary for audit work and should make the effort to ensure the independence of the employees and the effectiveness of instructions.

Under the “Audits by Audit and Supervisory Board Regulations,” provided by the Company, employees who receive orders necessary for audit work from Audit and Supervisory Board members are not subject to directions and orders from directors, etc. regarding the orders.

(8) System for directors and employees to report to the Audit and Supervisory Board members and other systems regarding reporting to Audit and Supervisory Board Members

A system is in place under which Audit and Supervisory Board members attend meetings of the Board of Directors to receive reports on important matters. With respect to information on accidents and other damage in particular, responsible departments and directors in charge report to the President and Representative Director and simultaneously, to Audit and Supervisory Board members.

In addition, a system is in place in which the full-time Audit and Supervisory Board member may inspect circulating resolutions and other important documents related to business execution and ask for explanations from directors and employees as necessary.

(9) System for directors, Audit and Supervisory Board members, etc. and employees of subsidiaries or those who receive reports from the aforementioned people to report to Audit and Supervisory Board members of the Company

The Company ensures a framework under which the Audit Office reports to the President and Representative Director on the status of internal audits of operating companies, attends and reports to Audit and Supervisory Board meetings, based on the “Internal Audit Regulations.”

Additionally, in the Group Audit and Supervisory Board that consists of Audit and Supervisory Board members of the Company and operating companies, Audit and Supervisory Board members of operating companies periodically report to those of the Company on the status of compliance of operating companies.

(10) System to ensure that those who reported to Audit and Supervisory Board members are not subject to disadvantageous treatment due to the reason of making the report

Each operating company has established the “Whistleblower Regulations” and prohibits any disadvantageous treatment of whistleblowers due to the reason of making reports, etc.

(11) Matters regarding the procedures for pre-payment or reimbursement of expenses incurred for the execution of duties by Audit and Supervisory Board members, and the policy on handling other expenses or liability incurred for the execution of these duties

Under the “Standards for Audits by Audit and Supervisory Board Members” established by the Audit and Supervisory Board, Audit and Supervisory Board members will budget in advance expenses deemed necessary for the execution of their duties. When a request for reimbursement is made to the Company, the Company will assume the expense.

(12) Other systems to ensure that audits by Audit and Supervisory Board members are conducted effectively

The Company ensures an environment in which Audit and Supervisory Board members attend meetings of the Board of Directors, and outside directors in particular can ask directors for explanations and express their opinions.

In addition, the President and Representative Director and Audit and Supervisory Board members make it a rule to hold necessary meetings to understand each other's intentions from time to time.

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

The Company has established a “Code of Ethics” and a “Code of Conduct.” These codes stipulate that officers and employees shall take a firm stand against, and have no relationship with, any group or individual that threatens the order and safety of civil society, in order to conduct business activities fairly and honestly as responsible corporate citizens who comply with laws and regulations.

In addition, in cooperation with external specialized bodies, the Company is developing a system that enables a systematic response and is promoting educational activities through various training programs and other opportunities.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

#### Supplementary Explanation for Applicable Items

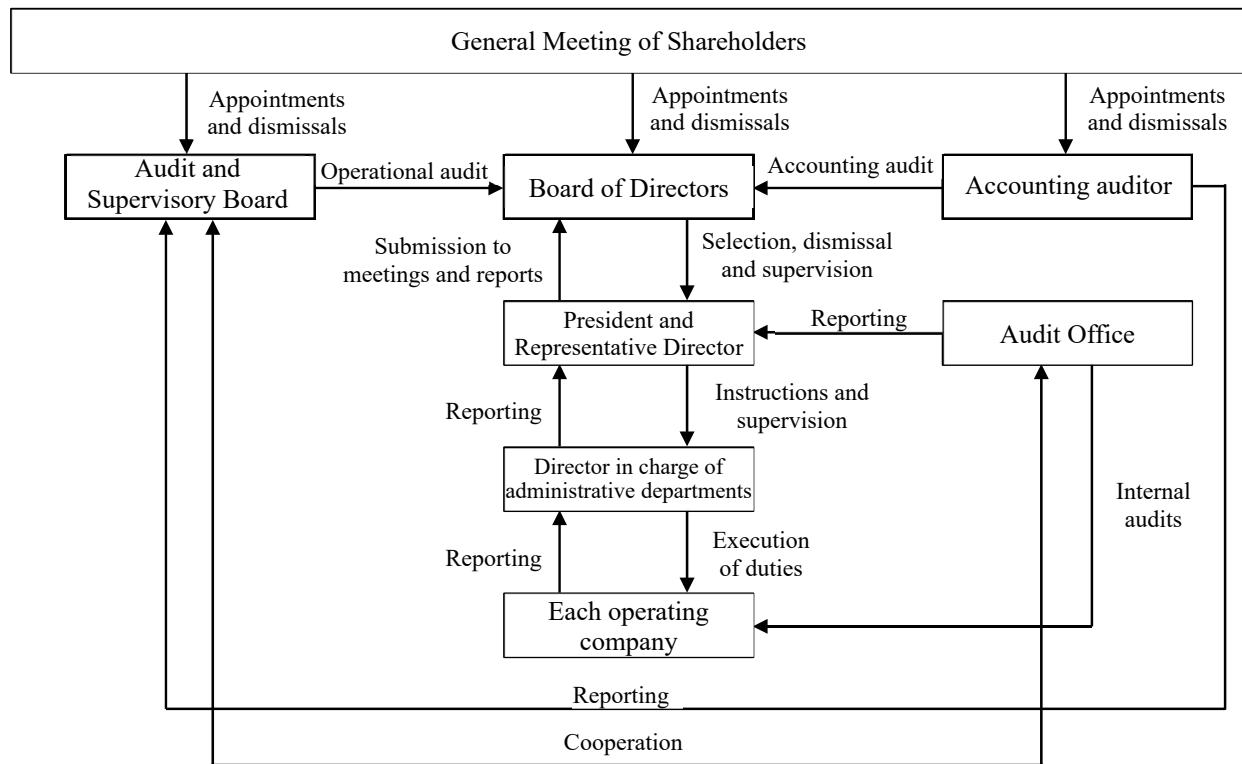
The Company regards the enhancement of its corporate value as the strongest defensive measure, and is developing business by utilizing management resources in a way that leads to the maximization of corporate value.

### 2. Other Matters Concerning the Corporate Governance System

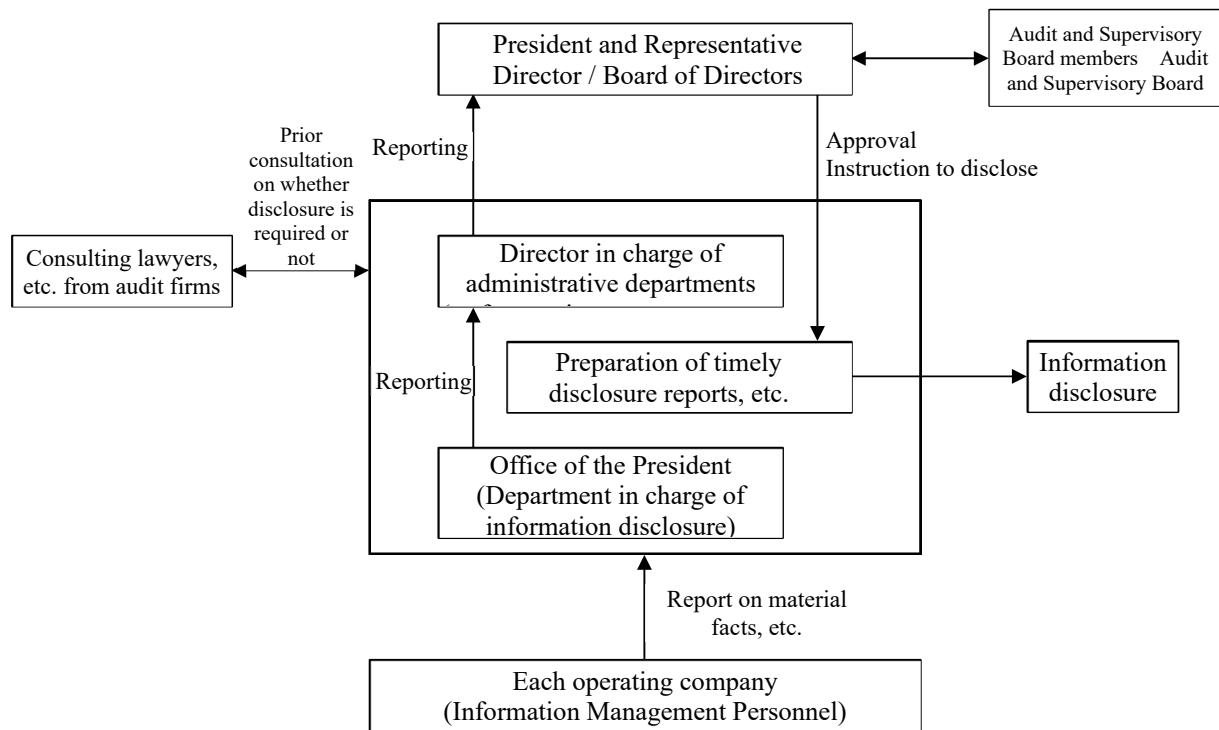
System for timely disclosure

The Company is fully aware that timely and appropriate disclosure of corporate information to investors forms the basis of a sound financial instruments market, and the Company is striving to enhance its internal systems to ensure prompt, accurate, and fair disclosure of corporate information appropriately from the constant perspective of investors. The director in charge of administration is designated as the “Information Management Officer” and the head of each division (for operating companies, their president or a person separately designated by the Company) is designated as the “Information Management Personnel.” In the event that a material fact occurs, the Company requires such information to be reported immediately to the Information Management Officer so that the information can be promptly gathered by the Company. The department in charge of information disclosure identifies the categories of the occurrence of facts and classifies gathered information into “Information related to decisions,” “Information related to facts that occurred” and “Information related to fiscal closing.” In cooperation with related departments, the department head and staff in charge of disclosure organize information, judge whether disclosure is needed or not, and prepare and disclose disclosure documents.

(Schematic Diagram of Corporate Governance Structure including Internal Control System)



(Overview of Timely Disclosure System (schematic diagram))



(Skill Matrix)

	Name	Management	Governance risk management	Finance, accounting and IT	Technology and product development	Sales and marketing	Global
President and Representative Director	Masashi Nishio	○	○	○		○	○
Director	Yoshihiro Tonomura	○	○		○	○	○
Director	Kazuo Yotsumoto	○	○	○			○
Director	Shinichi Seo	○	○		○	○	○
Outside Director	Kumiyo Nakakoji	○			○		○
Outside Director	Sayuri Mitsuhashi	○	○		○		

END