

**Last Update: June 25, 2025**

**SUGIMOTO & CO., LTD**

Masayuki Sugimoto

Representative Director and

President Executive Officer

Contact: Junji Nakane, Executive

Officer and Management

Division Manager

Securities code: 9932

<https://www.sugi-net.co.jp>

The corporate governance of SUGIMOTO & CO., LTD (the “Company”) is described below.

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

### 1. Basic Views

The Company’s most important management task is to build Group-wide organizational structures and mechanisms that will enable us to respond promptly and appropriately to the rapidly changing business environment in the global market, and to maintain and improve our long-term corporate performance and enhance our corporate value.

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

[Supplementary Principle 1-2 (5)] Exercise of Voting Rights by Institutional Investors at the Stockholders’ Meeting

The Company does not, in principle, currently allow substantial shareholders such as institutional investors who hold shares in the name of trust banks, etc. to attend a Stockholders’ Meeting and exercise their voting rights, ask questions, or express opinions. However, we will continue to closely monitor trends among trust banks, etc. and substantial shareholders, and consider developing internal regulations, etc. in the future.

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

[Principle 1-4] Cross-Shareholdings

The Company’s policy with respect to shares held for purposes other than pure investment is to hold such shares after comprehensively determining whether or not they contribute to the maintenance and strengthening of medium- to long-term stable relationships, provide benefits in terms of business strategy, and enhance the corporate value of the Group, as well as determining the risks and returns associated with their holding and their significance with regard to business strategies involving business relationships and business alliances.

In accordance with the above policy, the Board of Directors has examined the two stocks currently held by the Company as cross-shareholdings and determined that they present no problems. In addition, the exercise of voting rights related to these cross-shareholdings is conducted by the Management Division Manager, taking into comprehensive consideration not only whether any proposal complies with the above policy, but also matters such as whether it is expected to enhance the corporate value of

the issuing company, and the results are reported to the Board of Directors once a year.

#### [Principle 1-7] Related Party Transactions

All transactions conducted by the Company, including those between related parties, are subject to approval through approval procedures, which clarify authority and responsibilities in line with the scale and materiality of the transaction, in accordance with internal regulations. These transactions are audited by the Internal Audit Office, and may be viewed by Auditors at any time. Transactions involving conflicts of interest with Directors are subject to approval by the Board of Directors in accordance with laws and regulations. There are currently no such applicable transactions.

#### [Supplementary Principle 2-4 (1)] Ensuring Diversity in Core Human Resources, including the Promotion of Women, Foreign Nationals, and Mid-Career Hires, and Disclosure of Human Resource Development Policies, Etc.

The Company recognizes that ensuring diversity in the workplace is important for our medium- to long-term growth.

To promote the active participation of women, we have set a goal of increasing the ratio of females employed in career positions to 30% annually. As a result, the number of females stood at thirteen (13) in FY2023 (31.0%), ten (10) in FY2024 (24.3%), and fourteen (14) in FY2025 (35.5%).

We will continue our initiatives to increase the hiring of females in career positions to 30% or higher each fiscal year.

With regard to mid-career hires, the Company is strengthening its recruitment of human resources with specialized skills, regardless of gender. Mid-career hires with outstanding skills are also promoted to managerial positions.

The Company provides the same human resource development training regardless of gender or recruitment path. Our policy is to actively promote talented human resources to managerial positions, and we are creating promotion opportunities for all employees.

#### [Principle 2-6] Roles of Corporate Pension Funds as Asset Owners

In light of the scale, etc. of the corporate pension funds, the Company does not employ or assign specialized personnel. However, we work to ensure the role of the pension fund as asset owner by monitoring the asset manager.

#### [Supplementary Principle 3-1 (3)] Disclosure of Management Strategies Including Investments in Sustainability, Human Capital, and Intellectual Property

Based on the Company's corporate philosophy to "sell sincerity rather than products," we provide work environments where employees can comfortably work and further their own growth.

We also actively recruit employees regardless of the recruitment path, and by bringing together diverse human resources, we are creating an environment that is capable of responding to various social changes.

SDGs are disclosed on the Company's website: (<https://www.sugi-net.co.jp/en/company/sustainability.html>).

#### Investment in human capital

We are engaged in extensive recruitment activities throughout Japan to develop human resources. We provide a working environment where employees can choose from among a variety of work styles to ensure a good work-life balance. By promoting transparent evaluations, we provide an environment where the system is not used unfairly.

In addition, we will improve the educational environment for employees by gradually expanding training programs at each level.

#### Investment in intellectual property

We believe that the relationships with business partners and sales know-how (expertise) that we have cultivated over the past 100 years are important intellectual property, and we are taking measures including system renewal in order to digitize products so that they can be used more.

#### Disclosure of climate change based on TCFD

The Company has been working on environmental conservation initiatives both internally and externally. In light of the four TCFD recommendations and guidance, we will continue to consider additional measures to further promote our initiatives and take appropriate action by leveraging our strengths as a wholesaler.

#### [Principle 3-1] Full Disclosure

(1) Company goals (including corporate philosophy), management strategies, and management plans

As stated in our Corporate Behavior Charter, we are an economic entity that pursues profits through fair competition, as well as a useful entity for society, and we will develop healthy corporate activities both in and outside Japan with social common sense by respecting human rights and complying with all laws and regulations, international rules, and their spirits. In addition, we have set medium- to long-term management goals in our fourth medium-term management plan, “Start of the next 100 years – Taking on the Challenge of Change,” which was announced in May 2024. This medium-term management plan is disclosed on the Company’s website (<https://www.sugi-net.co.jp>). (Japanese only)

(2) Basic views and basic policies on corporate governance

In addition to making appropriate disclosures as required by laws and regulations, in order to achieve sustainable growth and enhance corporate value over the medium to long term in accordance with the Corporate Behavior Charter posted on the Company’s website, we believe that the most crucial aspects of corporate governance are to ensure transparency and fairness in decision-making, to be accountable to all stakeholders, including shareholders, business partners, and employees, etc., mainly through the Board of Directors, and to increase management vitality through swift and decisive decision-making.

(3) Policies and procedures for Directors to determine remuneration for senior management and Directors

Remuneration for Directors, etc. is determined within the total framework decided at the Annual Stockholders’ Meeting, taking into consideration the Company’s business performance, social conditions, trends of other companies in the same industry, and the responsibilities and achievements of each Director, and following consultation with the Nomination and Remuneration Advisory Committee, and is approved at a meeting of the Board of Directors held following the Stockholders’ Meeting.

(4) Policies and procedures for the Board of Directors to appoint and dismiss senior management and to nominate candidates for Directors and Auditors

The appointment and dismissal of Directors, etc. is subject to the approval of the meeting of the Board of Directors held following the Stockholders’ Meeting, taking into consideration a comprehensive range of factors including past performance, management capabilities, and administrative capabilities, and the results of consultation with the Nomination and Remuneration Advisory Committee.

(5) Promoting management that is conscious of cost of capital and stock price

In order to achieve sustainable growth and enhance our medium- to long-term corporate value, the Company announced “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” in August 2024, and clarified our actions by setting targets for each indicator.

The Company has decided to once again acquire a maximum of 2,500,000 shares of treasury stock in the current fiscal year.

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

At meetings of the Board of Directors, the Company determines and decides matters that are required by laws and regulations to be resolved by the Board of Directors, as well as similar matters that are deemed to be appropriate to be resolved by the Board of Directors in light of their materiality and nature, in accordance with standards for matters to be discussed at Board of Directors meetings.

The Company has introduced an executive officer system to clarify the responsibilities and roles of business execution and to accelerate decision-making at the operational level. In addition, executive officers participate in meetings of the Board of Directors as observers, as necessary, reporting on the results of business execution and, if requested, expressing their opinions on the business strategies and business plan formulations, etc. discussed by the Board of Directors in order to facilitate smooth and prompt decision-making regarding business operations at meetings of the Board of Directors.

[Supplementary Principle 4-1 (3)] Supervision of Succession Plan for Chief Executive Officer, etc.

The Representative Director of the Company appoints Directors and executive officers based on the comprehensive consideration of past performance, management capabilities, and administrative capabilities, etc. Going forward, under the Board of Directors structure, the Nomination and Remuneration Advisory Committee will proceed with the consideration of specific succession plans for Directors and the Chief Executive Officer, among others.

[Supplementary Principle 4-2 (1)] Appropriate Ratio of Monetary Compensation and Own Stock Compensation

Remuneration for Directors of the Company is determined by the Board of Directors, taking into consideration business performance, etc., within the scope of remuneration resolved by the Stockholders’ Meeting, and currently all remuneration is in the form of monetary compensation. Going forward, under the new Board of Directors structure, the Nomination and Remuneration Advisory Committee will continue to discuss and consider the ratio of monetary compensation and stock compensation in order to increase the link with medium- to long-term business performance and shareholder value.

[Principle 4-9] Independence Standards and Qualifications for Independent Outside Directors

In addition to the standards stipulated by the Companies Act and the Tokyo Stock Exchange, the Company has established its own internal standards, the “Guidelines for Election and Independence of External Officers,” which emphasize the high level of expertise and wealth of experience required to advise and supervise the Company’s management, and candidates are selected based on these guidelines.

[Supplementary Principle 4-10 (1)] In the Event that Independent Outside Directors Do Not Comprise a Majority of the Board of Directors, a Nomination and Remuneration Advisory Committee Should be Established to Receive Input and Advice on Important Matters such as Nomination and Remuneration

The Company is a Company with a Board of Auditors, and although Independent Outside Directors do not comprise a majority of the Board of Directors, we have established a Nomination and Remuneration Advisory Committee, the majority of whose members are Independent Outside Directors, to ensure the transparency and objectivity of procedures by providing advice on the appointment and dismissal of each Director and on remuneration for each Director.

[Supplementary Principle 4-11 (1)] Approach to Policies and Procedures for the Overall Balance, Diversity, and Size of the Board of Directors, and Policies and Procedures for the Appointment of Directors

The Company has been discussing the diversity of knowledge, experience, and skills that its Board of Directors should possess in light of its management strategy at a meeting of the Board of Directors, and disclosed the results as a skills matrix in the notice of convocation of the annual stockholders' meeting in June this year. Going forward, the Company plans to continue consulting with the Nomination and Remuneration Advisory Committee under the Board of Directors structure regarding the appointment of Directors, etc., and make decisions at a meeting of the Board of Directors after receiving a report from the Committee.

[Supplementary Principle 4-11 (2)] Status of Concurrent Positions Held by Directors and Auditors

Directors and Auditors devote the time and effort necessary to appropriately fulfill their roles and responsibilities, and their concurrent positions are considered to be within a reasonable range. Details of significant concurrent positions held by Directors and Auditors are stated in the Reference Documents for the Stockholders' Meeting.

[Supplementary Principle 4-11 (3)] The Board of Directors Should Analyze and Evaluate its Effectiveness and Disclose a Summary of the Results

The Company conducts an evaluation of the effectiveness of the Board of Directors once a year and discloses the results in a timely manner. Five items were disclosed on February 20, 2025: (1) the composition of the Board of Directors; (2) the operation of the Board of Directors; (3) the agenda for meetings of the Board of Directors; (4) systems supporting the Board of Directors; and (5) the Board of Directors' dialogue with shareholders. As a result of the evaluation, it was determined that the effectiveness of the Board of Directors as a whole was generally adequate. However, it was recognized that ongoing discussions are necessary with regard to: 1) the volume of materials provided for meetings of the Board of Directors and the time required for prior review; 2) issues surrounding sustainability; and 3) the provision of training opportunities tailored to each individual Director. Going forward, in order to achieve sustainable growth and enhance corporate value over the medium to long term, the Company will continue to work on improving the effectiveness of the Board of Directors based on the results of the evaluation and responses to issues.

[Supplementary Principle 4-14 (2)] Training Policy for Directors and Auditors

The Company continually provides its Directors and Auditors with opportunities to participate in external seminars and specialized training sessions in order to acquire the knowledge and skills necessary to fulfill their respective roles and responsibilities.

[Principle 5-1] Policy for Constructive Dialogue with Shareholders

The Company fully recognizes that the timely and appropriate disclosure of company information is the foundation for a sound financial instruments market. As described in [Principle 3-1] Full Disclosure, we believe that information disclosure is a crucial aspect of corporate governance, and our policy is to implement the following measures.

(1) Dialogue with shareholders and investors

Regarding dialogue with shareholders and investors, the Director in charge of IR will discuss the response policy with the Representative Director and President Executive Officer, and will respond appropriately.

(2) Means of dialogue other than individual meetings with shareholders and investors

We aim to help shareholders deepen their understanding of the Company's management strategy through financial results briefings held at the end of each fiscal year and through information disclosure on the Company's website.

(3) Feedback to the Company

The content of meetings with shareholders and investors is reported to the Board of Directors, including Representative Director and President Executive Officer, as appropriate, and used for reviews, etc.

(4) Disclosure of insider information

Dialogue with shareholders and investors is carried out in strict compliance with information management in accordance with the "Insider Information Management Regulations."

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

Content of Disclosure <b>Updated</b>	Disclosure of Initiatives (Update)
Availability of English Disclosure <b>Updated</b>	Available
Date of Disclosure Update <b>Updated</b>	April 25, 2025

### Explanation of Actions **Updated**

In order to achieve sustainable growth and enhance our medium- to long-term corporate value, the Company announced "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" in August 2024, and clarified our actions by setting targets for each indicator.

The policy and indicators are explained in materials disclosed on August 20, 2024.

[https://www.sugi-net.co.jp/for\\_investors/material.html](https://www.sugi-net.co.jp/for_investors/material.html) (Japanese only)

"Action to Implement Management that is Conscious of Cost of Capital and Stock Price"

The status of progress toward achieving the current indicators is explained in the materials disclosed on April 25, 2025.  
[https://www.sugi-net.co.jp/for\\_investors/material.html](https://www.sugi-net.co.jp/for_investors/material.html) (Japanese only)  
 Results Briefing for the Fiscal Year Ended March 31, 2025 (Japanese only)

## 2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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### Status of Major Shareholders Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,225,100	11.60
Masahiro Sugimoto	1,062,630	5.50
HIKARI TSUSHIN, INC.	531,800	2.80
Custody Bank of Japan, Ltd. (Trust account)	511,400	2.70
Naohiro Sugimoto	502,548	2.60
Eisaku Sugimoto	420,222	2.20
SUGIMOTO & CO., LTD Employee Shareholding Association	409,062	2.10
firm Co., Ltd.	400,000	2.10
Aichi Bank, Ltd.	396,000	2.10
Mitsuo Hatai	334,444	1.46

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	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Business Sector	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	500 or more but fewer than 1,000
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	Fewer than 10

### 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 Board of Auditors
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#### Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	5
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
Yuki Tsuru	Attorney-at-law											
Haruyuki Yoshida	From another company											

\*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.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- 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/Member of the Board of Auditors
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- 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)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yuki Tsuru	○	---	<p>Ms. Yuki Tsuru is currently active as an attorney-at-law, and she is expected to supervise the Company's management, particularly from the perspective of compliance management, and to provide advice on the overall corporate management. The Company therefore appointed her as Outside Director.</p> <p>Furthermore, since she does not fall under any of the items stipulated by the stock exchange as "factors to be considered when determining any possible conflict of interest with shareholders," and since she is deemed to be sufficiently independent in light of the "Guidelines for Election and Independence of External Officers" formulated by the Company, the Company has designated Ms. Tsuru as an Independent Director.</p>
Haruyuki Yoshida	○	<p>Mr. Haruyuki Yoshida has been an Outside Director of Daifuku Co., Ltd. since March 2025. Although the Company has transactions with Daifuku Co., Ltd., the transaction amount is less than 2% of the consolidated net sales for both Daifuku Co., Ltd. and the Company. We have determined that there are no issues based on the Independence Guidelines.</p>	<p>Mr. Haruyuki Yoshida has long engaged in the management of Kubota Corporation. Based on a wealth of experience and broad insight, he is expected to supervise the Company's management, give appropriate advice on the overall corporate management, and contribute to the enhancement of corporate governance. The Company therefore appointed him as Outside Director.</p> <p>Furthermore, since he does not fall under any of the items stipulated by the stock exchange as "factors to be considered when determining any possible conflict of interest with shareholders," and since he is deemed to be sufficiently independent in light of the "Guidelines for Election and Independence of External Officers" formulated by the Company, the Company has designated Mr. Yoshida as an Independent Director.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson
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	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Inside Director

Supplementary Explanation
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The Nomination and Remuneration Advisory Committee is comprised of the Representative Director and President Executive Officer and two Outside Directors, with the Representative Director and President Executive Officer serving as Chairperson as the result of election by committee members. The Committee strives to improve governance functions by establishing a system that ensures the appointment and dismissal of Directors and Executive Officers, and the composition of their remuneration.

## Board of Auditors Members

Establishment of Board of Auditors	Established
Number of Board of Auditors Members Stipulated in Articles of Incorporation	4
Number of Board of Auditors Members	3

Cooperation among Board of Auditors Members, Accounting Auditors and Internal Audit Departments
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The Board of Auditors holds regular meetings with the Accounting Auditor at the beginning and end of each fiscal year and at the end of each quarter, and accompanies the Accounting Auditor on inspections as necessary and engages in the exchange of information and opinions as appropriate.

Regarding cooperation between Auditors and the Internal Audit Office, in addition to conducting daily audits, the Internal Audit Office periodically visits business sites and conducts internal audits of the appropriateness of overall operations and compliance with laws and regulations and the Articles of Incorporation. The results of these audits are reported to Auditors at regular monthly

meetings and as necessary.

Appointment of External Auditors	Appointed
Number of External Auditors	3
Number of Independent External Auditors	3

#### External Auditors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Teruyuki Aotani	From another company													
Motoharu Iyomasa	Certified Public Accountant													
Yoshitsugu Kawano	From another company													

\*Categories for "Relationship with the Company".

(Use \* "○" when the auditor presently falls or has recently fallen under the category; "△" when the auditor fell under the category in the past; "●" when a close relative of the auditor presently falls or has recently fallen under the category; "▲" when a close relative of the auditor fell under the category in the past)

- Person who executes business for the Company or its subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An auditor of a parent company of the Company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- 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/ member of the Board of Auditors
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- 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)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)
- Other

#### External Auditors' Relationship with the Company (2)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Teruyuki Aotani	○	---	Mr. Teruyuki Aotani has served at financial institutions for many years, held important positions as an executive officer of Mizuho Servicing Co., Ltd. and has a wealth of experience and deep insight in a wide range of fields. The Company therefore considers that he is suitable as an External Auditor and appointed him. Furthermore, since he does not fall under any of the items

			<p>stipulated by the stock exchange as “factors to be considered when determining any possible conflict of interest with shareholders,” and since he is deemed to be sufficiently independent in light of the “Guidelines for Election and Independence of External Officers” formulated by the Company, the Company has designated Mr. Aotani as an Independent Auditor.</p>
<p>Motoharu Iyomasa</p>	○	---	<p>Mr. Motoharu Iyomasa is a certified public accountant and has expertise in the field. The Company therefore considers that he is suitable as an External Auditor and appointed him. Furthermore, since he does not fall under any of the items stipulated by the stock exchange as “factors to be considered when determining any possible conflict of interest with shareholders,” and since he is deemed to be sufficiently independent in light of the “Guidelines for Election and Independence of External Officers” formulated by the Company, the Company has designated Mr. Iyomasa as an Independent Auditor.</p>
<p>Yoshitsugu Kawano</p>	○	---	<p>Mr. Yoshitsugu Kawano has long engaged in finance and accounting and has expertise and a wealth of experience in the management field. The Company therefore considers that he is suitable as an External Auditor and appointed him. Furthermore, since he does not fall under any of the items stipulated by the stock exchange as “factors to be considered when determining any possible conflict of interest with shareholders,” and since he is deemed to be sufficiently independent in light of the “Guidelines for Election and Independence of External Officers” formulated by the Company, the Company has designated Mr. Kawano as an Independent Auditor.</p>

## Matters Concerning Independent Directors and Independent Auditors

Number of Independent Directors and Independent Auditors	5
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Other Matters Concerning Independent Directors and Independent Auditors
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## Incentives

Implementation Status of Measures related to Incentives Granted to Directors	None
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Supplementary Explanation for Applicable Items
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Remuneration for Directors (including bonuses) is determined based on business performance, etc., and no incentives are provided.

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
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The number of Directors and the total amount of remuneration are disclosed in the Business Report (Japanese only). The number of Directors, the type of remuneration, and the total amount of remuneration for each category of Director and External Officer is disclosed in the Annual Securities Report (Japanese only).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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The Company has decided that remuneration for its Directors, etc. shall be approved by the meeting of the Board of Directors held following the Stockholders' Meeting within the total framework determined at the Annual Stockholders' Meeting, taking into consideration the Company's business performance, social conditions, trends among other companies in the same industry, and the responsibilities and achievements of each Director, and following consultation with the newly established Nomination and Remuneration Advisory Committee.

### **Support System for Outside Directors (and/or External Auditors)**

The General Affairs Department regularly notifies Outside Directors of event schedules and other information, and the officer in charge exchanges information in advance by reporting and communicating agenda items for meetings of the Board of Directors and other important matters by telephone and email, etc.

At the regular meetings of the Board of Auditors held once a month, the Auditor reports matters such as internal meetings, the status of cooperation with the Internal Audit Office and Accounting Auditor, and daily audits by the Auditor to External Auditors, and also exchanges information and opinions by telephone and email, etc. as necessary.

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

The Company has established a Board of Directors and a Board of Auditors. Furthermore, in order to clarify both management decision-making and supervisory functions and business execution functions, and to carry out prompt and flexible management, we introduced an executive officer system in April 2009. The Company strives to enhance corporate governance by having Executive Officers who are in charge of business execution flexibly execute business, and by having Auditors, the Accounting Auditor, and Internal Audit Department cooperate to conduct effective audits.

### (1) Board of Directors

The Board of Directors currently consists of five (5) members (including two (2) Independent Outside Directors), and meets once a month in principle, and as necessary. The term of office of Directors is one (1) year, and management responsibilities are clearly defined. Outside Directors attend meetings of the Board of Directors, and provide advice and suggestions to ensure the validity and appropriateness of decisions of the Board of Directors, while External Auditors attend meetings of the Board of Directors, and provide comments and opinions from an objective and professional perspective, thereby fulfilling the roles expected of Outside Directors and External Auditors.

The Board of Directors works to improve management efficiency and ensure the legality and appropriateness of business execution by making important decisions regarding business execution and overseeing the execution of Directors' duties. Executive Officers strive to execute business in accordance with management policies determined by the Board of Directors, and report the status of business execution to the Board of Directors as appropriate.

In addition, the Company holds managers' meetings four (4) times a year to streamline business operations and standardize decision-making across the company.

### (2) Board of Auditors

The Company has three (3) Auditors, all of whom are Independent External Auditors. In accordance with accounting policies and audit plans formulated by the Board of Auditors, Auditors monitor the implementation status of governance, attend meetings of the Board of Directors and other important meetings, audit the execution of duties by Directors, review important approval documents, and conduct on-site visits. In addition, they strive to audit the execution of duties by Directors through effective audits by exchanging opinions and cooperating with the Accounting Auditor and the Internal Audit Department. External Auditors collect and provide information from their respective positions independently.

### (3) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee has been established as a voluntary advisory body to the Board of Directors, and is comprised of the Representative Director and President Executive Officer and two (2) Outside Directors, with the Representative Director and President Executive Officer serving as the Chairperson. The Committee strives to improve governance functions by establishing a system that ensures fairness and transparency in the process of appointing and dismissing Directors and determining their remuneration.

### (4) Internal Audit Office

The Company has established the Internal Audit Office reporting directly to the President to conduct internal audits. The Office is currently comprised of four (4) members, and conducts planned audits of sales offices and subsidiaries from an independent standpoint regarding the appropriateness and efficiency of their operations based on the Internal Audit Regulations. The Internal Audit Office reports the results of audits to the President, and confirms the implementation status of necessary measures and



improvements. Furthermore, the Office cooperates with Auditors and the Accounting Auditor to ensure efficient internal audits.

(5) Accounting Auditor

The Company has appointed Deloitte Touche Tohmatsu LLC as its Accounting Auditor. The Certified Public Accountants who performed the audit are Messrs. Minoru Nishikata and Koji Kitaoka, neither of whom have worked in the auditing business for more than seven (7) years. The auditing operation was assisted by six (6) Certified Public Accountants and twenty three (23) people who have passed the CPA exam.

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

The supervision of Directors by the Board of Directors, and the auditing of Directors by the Board of Auditors are currently functioning sufficiently. Therefore, the corporate governance system will continue to be centered around the Director and Auditor system.

To ensure the effectiveness of corporate governance, the Company appoints Outside Directors and External Auditors. Outside Directors supervise and advise each Director, and External Auditors audit and advise Directors from their respective professional perspectives.

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

#### 1. Measures to Vitalize Stockholders' Meeting and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the Stockholders' Meeting	The Notice of the Stockholders' Meeting is dispatched a few days prior to the legal deadline (seven days prior in the current fiscal year). The Notice is simultaneously disclosed to the Tokyo Stock Exchange and posted on the Company's website.
Scheduling of the Stockholders' Meeting on a Non-Peak Day	To ensure that as many shareholders as possible can attend the Meeting and understand the Company's policies, we have been holding Meetings on non-peak days.
Electronic Exercise of Voting Rights	Electronic exercise of voting rights has been adopted since the Annual Stockholders' Meeting held in June 2022.
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 been participating in a platform for the electronic exercise of voting rights since the Annual Stockholders' Meeting held in June 2022, and is working to enhance the environment for institutional investors to exercise voting rights.
Provision of Notice (or Summary of Notice) of the Stockholders' Meeting in English	The Company has been providing reference materials for the Stockholders' Meeting in English since the Annual Stockholders' Meeting held in June 2022.

#### 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	We will consider revising the manner in which briefings are held, taking into consideration future infection conditions, etc.	Held
Online Disclosure of IR Information	Annual securities reports, quarterly reports, financial summaries, business reports, convocation notices, resolution notices, and timely disclosure materials based on stock exchange listing regulations are posted on the Company's website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	There is no dedicated department but the Management Division undertakes that role.	

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

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Based on the Corporate Behavior Charter formulated by the Company, we comply with all laws and regulations, international rules, and their spirits, and engage in healthy corporate activities with social common sense. In addition, as a company open to society, we will actively and extensively communicate not only with stockholders but also with society, and disclose information concerning general corporate management as necessary in an appropriate manner in order to fulfill our social mission.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Information on sustainability, including activities for SDGs, is disclosed on the Company's website ( <a href="https://www.sugi-net.co.jp/en/company/sustainability.html">https://www.sugi-net.co.jp/en/company/sustainability.html</a> ).
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Corporate Behavior Charter stipulates "3. Information disclosure: As a company open to society, we will actively and extensively communicate not only with stockholders but also with society, and disclose information concerning general corporate management as necessary in an appropriate manner."

## IV. Matters Concerning the Internal Control System

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

#### 1. System Related to the Storage and Management of Information Concerning the Execution of Duties by Directors

Information concerning the execution of duties by Directors shall be recorded, stored, and managed appropriately and reliably in a highly retrievable state according to the storage medium, in accordance with the procedures stipulated in the Approval Regulations and the Document Management Regulations, and the storage period shall be in accordance with the Document Management Regulations.

#### 2. Regulations and Other Systems Related to the Management of Risk of Loss

In order to deal with the various risks related to the Group's business activities, the President shall appoint the Management Division Manager as the person in charge of risk management. Together with Directors in charge of each division, the Management Division Manager shall establish necessary risk management regulations, in addition to existing business regulations and insider trading management regulations, in order to systematically manage risks. In addition, risk management for the Group as a whole shall be undertaken in cooperation among Group companies.

In the event of an unforeseen incident, an "Emergency Response Headquarters" headed by the President shall be established to manage the crisis, prevent the damage from spreading, and put in place a system to minimize such damage.

Auditors and the Internal Audit Office shall audit the risk management status of each Group company and each division, and report the results to the Board of Directors. The Board of Directors shall periodically review the risk management system and strive to identify and rectify any problems.

#### 3. System to Ensure the Effectiveness of the Execution of Duties by Directors

Directors shall execute their duties effectively by complying with the respective persons responsible and their responsibilities, and with the execution procedures stipulated in the "Organizational Regulations," the "Division of Duties Regulations," and the "Duties Authority Regulations." In addition, based on the "Affiliated Company Management Regulations," the Company shall promote Group-wide cooperation, ensure consistency in business operations, and manage the effective execution of business operations.

#### 4. System to Ensure that the Execution of Duties by Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation

The Company has established a company-wide Compliance Office that shall endeavor to develop a Group-wide compliance system and identify issues based on the "Basic Compliance Regulations." For matters involving important decisions, the system ensures the compliance of duties by officers and employees by investigating and examining in advance their compliance with laws and regulations and the Articles of Incorporation.

The Board of Auditors and the Internal Audit Office shall conduct audits of the appropriateness of business activities and their compliance with laws and regulations for each Group company and division, and shall provide advice and recommendations for business improvement while maintaining appropriate cooperative relationships.

#### 5. The Following Systems and Other Systems to Ensure the Propriety of Business Operations by the Corporate Group Comprising the Company and its Subsidiaries

a. System for Reporting Matters to the Company Related to the Execution of Duties by Directors, etc. of the Company's Subsidiaries

b. Regulations and Other Systems Related to the Management of Risk of Loss at the Company's Subsidiaries

c. System to Ensure the Effectiveness of the Execution of Duties by Directors, etc. at the Company's Subsidiaries

d. System to Ensure that the Execution of Duties by Directors and Employees of the Company's Subsidiaries Complies with Laws and Regulations and the Articles of Incorporation

The Company shall receive reports from Directors of subsidiaries in attendance at the meeting of the Board of Directors on the subsidiary's business performance, financial status, and other important matters. Furthermore, based on the "Affiliated Company Management Regulations," the Management Division Manager shall hold consultations in advance on the business operations of the subsidiaries and receive reports.

In addition, for b., c., and d. above, the Company establishes and operates a Group-wide system as described in 2., 3., and 4. above.

6. Matters Related to Employees Assisting Auditors in their Duties, Matters Related to the Independence of Said Employees from Directors, and Matters Related to Ensuring the Effectiveness of Instructions Given to Said Employees

If requested by Auditors, the Company shall appoint audit staff to assist Auditors in their operations, and said staff must follow only the directives and orders of Auditors.

7. System for Directors and Employees, etc. of the Company and its Subsidiaries to Report to Auditors and Other Systems Related to Reporting to Auditors, System to Ensure the Absence of Unfavorable Treatment for Reason of the Reporting, and Other Systems to Ensure the Effectiveness of Audits Conducted by Auditors

Directors and employees of the Company and its subsidiaries shall promptly report to Auditors any important matters that affect or may affect the business practices or business performance of the Company and its subsidiaries. Notwithstanding the above, Auditors may, at any time and as necessary, request Directors and employees of the Company and its subsidiaries for reports on the execution of duties.

The Company prohibits the unfavorable treatment of Directors and employees of the Company and its subsidiaries for reason of having made a report to Auditors of the Company and its subsidiaries, and shall thoroughly inform all Directors and employees of the Company and its subsidiaries to this effect.

If an Auditor requests the payment of expenses for the utilization of independent external experts (attorneys-at-law, accountants, etc.), the Company shall bear those expenses unless it is deemed that said expenses are not necessary for the Auditor to execute his or her duties.

8. System to Ensure the Reliability and Accuracy of Financial Reporting

In order to ensure the reliability and accuracy of financial reporting, the Company shall establish, maintain, and improve a system for effective internal control over financial reporting.

Auditors and the Internal Audit Office shall monitor and verify the establishment and operation of financial reporting and its internal control, and, if necessary, report improvement measures to the Board of Directors.

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

Basic Views and System for Eliminating Anti-Social Forces

The Company believes that severing ties with anti-social forces is essential from the perspective of corporate defense, and we will strengthen our efforts to ensure there is no response to any unreasonable demands from groups or individuals that pose a threat to public order.

We have established a Corporate Behavior Charter as a set of internal rules, clearly stipulating that individual employees and the

Company itself shall sever all ties with anti-social forces, educating employees to this effect, and establishing a system to seek the opinions of external experts as necessary.

## V. Other

### 1. Adoption of Anti-Takeover Measures

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

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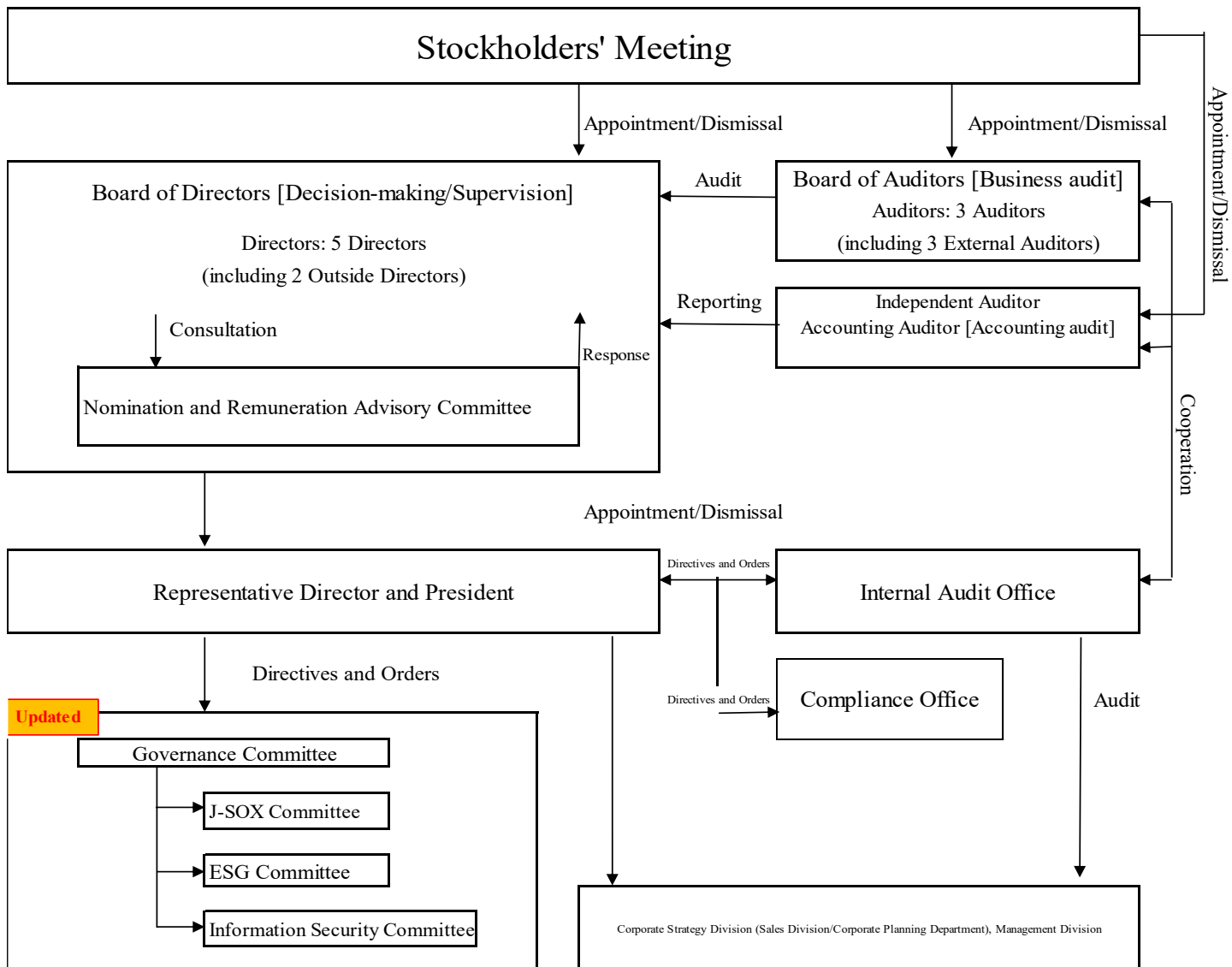
### 2. Other Matters Concerning the Corporate Governance System

As of the current fiscal year, the Company has established the Governance Committee, chaired by the President Executive Officer, with the aim of controlling Group-wide governance and smoothly reporting to stakeholders.

At the same time, we have established the J-SOX Committee, the ESG Committee, and the Information Security Committee as subcommittees of the Governance Committee.

END

[Corporate Governance System (Diagram)]





[Overview of Timely Disclosure System (Diagram)]

