

Information on our corporate governance is provided below.

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

1. Basic approach

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

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

The reasons for not implementing the principles of the Corporate Governance Code are stated based on the Corporate Governance Code as revised in June 2021 (including the principles for the Prime Market that will be applied from April 2022).

(Supplementary Principle 4.2.2) [Formulation of a basic policy on initiatives related to sustainability]

The Company recognizes that addressing issues related to sustainability is an important element of its management strategy. The Company will formulate a basic policy on initiatives related to sustainability based on its management policy.

(Supplementary Principle 5.2.1) [Basic policy for business portfolio]

The basic policy regarding the business portfolio and the status of the review of the business portfolio will be presented in the next Medium-Term Management Plan after discussion by the Board of Directors.

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

The reasons for not implementing the principles of the Corporate Governance Code are stated based on the Corporate Governance Code as revised in June 2021 (including the principles for the Prime Market that will be applied from April 2022).

(Principle 1.4) Cross-Shareholdings

The Company holds cross-shareholdings for the purpose of strengthening and facilitating business relationships and alliances. Every year, the Board of Directors reviews the economic rationale of major cross-shareholdings of this type from a medium- to long-term perspective to determine whether or not to keep them.

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

(Principle 1.7) Transactions between Related Parties

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

Competitive transactions and transactions with conflicts of interest by Directors are conducted in accordance with laws, regulations and internal rules, and with the approval of the Board of Directors. In particular, transactions involving conflicts of interest by Directors are subject to prior approval by the Audit/Supervisory Committee. In addition, the Company requires directors to fill out an annual questionnaire on Information on Transactions with Related Parties to gain an understanding of transactions with related parties, and discloses the results in the annual securities report. etc.

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

Based on the recognition that employees are an important source of support for the growth of the Group, the Company strives to create a work environment and corporate culture that allows diverse human resources to demonstrate their full potential while maintaining a harmonious work-life balance.

Currently, we have not set a target ratio or number of women, foreigners, mid-career hires, etc. to be appointed to management positions. This is because we have adopted a personnel system that respects diversity, targets employees with motivation and ability, and does not distinguish between employees based on age, gender, or company history. In terms of human resource development, from the standpoint of placing importance on diversity, we have established training programs by job level and elective training programs that do not discriminate against opportunities, as well as selective training programs that prioritize motivation and ability.

In addition, to achieve the qualitative goal set in the 2nd Medium-Term Management Plan, "reforming the thinking, habits, and behavior patterns of our employees," we have established a department specializing in promoting corporate culture reform and work style reform. In addition, we have formulated the "Action Plan for Supporting Cultivation of the Next Generation" to promote a balance between work and child rearing, and we will continue to review the "Action Plan for Promoting Women's Advancement."

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

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

(Principle 3.1) Full Disclosure

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

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

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

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

(ii) Basic approach and policy on corporate governance

"2. Matters related to the functions of business execution, audit and supervision, nomination, and determination of remuneration, etc. (overview of the current corporate governance system)" in Section II of this report and "Corporate Governance" on our website

<https://sinanengroup.co.jp/sustainability/governance/corporate-governance.html>).

(iii) Board policies and procedures for the Board of Directors to determine the remuneration of the senior management and directors
The Company's internal rules stipulate the remuneration for Directors other than Audit/Supervisory Committee Members, and the remuneration consists of a basic portion, a performance-linked portion, and a stock-based remuneration portion. The Board of Directors resolves each year to pay remuneration in accordance with the regulations, based on the content discussed by the Nominating and Compensation Committee, which is voluntary and not governed by the Companies Act. Remuneration for Audit/Supervisory Committee Members is determined through discussions by the Audit/Supervisory Committee. The remuneration for Audit/Supervisory Committee Members does not include the performance-linked portion or the stock-based remuneration portion.

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

(v) Explanation of individual selection, dismissal, and nomination when the Board of Directors appoints and dismisses senior management and nominates Directors based on (iv) above
The selection and nomination of candidates for Directors are explained in the "Reference Materials for the General Meeting of Shareholders" in the notice of the convocation of the General Meeting of Shareholders each time. In addition, the convocation notice is posted on the Company's website.

(Supplementary Principle 3.1.3) [Initiatives for sustainability]

(i) Our company's initiatives for sustainability

The Group strives to collaborate with a wide range of stakeholders, proactively disclose information, and improve transparency. For more information on our sustainability initiatives, please refer to the "Sustainability" section of our website and the Integrated Report.

Sustainability: <https://sinanengroup.co.jp/sustainability/>

Integrated Report: <https://sinanengroup.co.jp/ir/library/annual/>

(ii) Investment in human capital, etc.

In recognition of the importance of employees in supporting the growth of the Company, the Group conducts a variety of human resource development training programs to foster human resources with entrepreneurial skills. In addition to the succession plan and selective training for the development of the next generation of management personnel, we have introduced training by job level, from new employees to managers, as well as selective training to support the individual growth of employees. We are also focusing on the promotion of specialists, especially in corporate divisions, and in particular, the IT division, which is responsible for the promotion of digital transformation, is doubling its personnel structure between 2019 and 2021.

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

As a pillar of our 2nd Medium-Term Management Plan, we are actively promoting IT-related investments for DX. For details of specific initiatives, please refer to our website "Driving Digital Transformation" (<https://sinanengroup.co.jp/company/management/dx-promotion/>). In addition, we are actively investing in patent rights and technology development related to new businesses.

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

Taking into account the purpose of the revised Code in June 2021, the Company will make preparations for disclosing the impact of climate change-related risks and opportunities on its business activities and earnings in accordance with the framework of TCFD.

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

The Board of Directors makes decisions on matters stipulated by laws and regulations, the Articles of Incorporation, and the Regulations of the Board of Directors, as well as matters equivalent thereto, and delegates other matters to the management team in accordance with the resolutions of the Board of Directors and internal rules, thereby clarifying the authority and responsibility of each person.

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

In appointing Independent Outside Directors, the Company considers that they do not have sufficient independence for the Company if they fall under any of the following items in addition to the independence standards set forth by the financial instruments exchanges.

1. A person from the Company and its consolidated subsidiaries (below, the "Group")
2. Major shareholder of the Company (Note 1)
3. Business executors of companies that fall under any of the following
 - Major business partners of the Group (Note 2)
 - Major lenders to the Group (Note 3)
 - Companies, etc. in which the Group owns 10% or more of the shares on a voting right basis
4. Certified public accountants belonging to the auditing firm which is the Accounting Auditor of the Group
5. Consultants, accountants, tax accountants, attorneys at law, judicial scriveners, patent attorneys, and other professionals who receive a large amount (Note 4) of money or other assets from the Group
6. Business executors of other companies with which the outside officers have a mutual relationship of appointment (Note 5)
7. Notwithstanding the provisions of the preceding paragraph, any other person who is deemed to have special reasons that may cause a conflict of interest with the Company

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

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

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

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

- In the case that the relevant expert provides services to the Group as an individual, the amount of consideration received from the Group

(excluding Officer compensation) exceeding 10 million yen per year is considered a large amount.

• In the case that a corporation, partnership, or other organization to which the expert belongs provides services to our group, the total amount of consideration received by the organization from the Group shall be considered a large amount if it exceeds 2% of the annual gross income of the organization. However, even if the amount does not exceed 2%, it shall be considered a large amount if the total amount of consideration received by the organization for the services directly provided by the expert exceeds 10 million yen per year. (Note 5) Relationship means a relationship in which a business executor of the Group is an external officer of another company and an executive officer of that other company is an external officer of the Company.

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

The Company shall establish a voluntary Nominating and Compensation Committee not based on the Companies Act discusses appointment and dismissal of Directors (excluding Directors who are members of the Audit/Supervisory Committee) of the Company, the officers and corporate auditors of group companies, and deliberates on compensation for officers. The voluntary Nominating and Compensation Committee is chaired by the President and CEO and consists of four Directors who Audit/Supervisory Committee Members and one external expert, and the majority of the voluntary Nominating and Compensation Committee consists of Independent Outside Directors. Nominations of candidates for Directors (including Directors who are Audit/Supervisory Committee Members) and Auditors of the Company and its Group companies are made by the Board of Directors based on the recommendations of the President and CEO, which are deliberated and proposed by the voluntary Nominating and Compensation Committee. Note that the consent of the Audit/Supervisory Committee is obtained for nominations of candidates for Director who are Audit/Supervisory Committee Members. With regard to the remuneration of Directors and auditors of the Company and its Group companies, based on internal rules, the voluntary Nominating and Compensation Committee decides the compensation for officers who are not Audit/Supervisory Committee Members, and the remuneration of Directors who are Audit/Supervisory Committee Members is proposed by the voluntary Nominating and Compensation Committee and decided by the Audit/Supervisory Committee. This enhances the transparency and objectivity of the procedures regarding the nomination of officers and the determination of individual officers' compensation, leading to further enhancement of the corporate governance function. We will continue to strengthen the independence, objectivity and accountability of the Board of Directors and enhance its corporate governance system.

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

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

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

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

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

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

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

The Secretariat of the Board of Directors periodically conducts written questionnaires on the effectiveness of the Board of Directors, which are reported to the Board of Directors and improvements are made as necessary. An outline of the results of the evaluation of the effectiveness of the Board of Directors is disclosed in the "Corporate Governance" section of the Company's website.

(Supplementary Principle 4.14.2) [Training policy for Directors]

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

In addition, for newly elected Directors who are not members of the Audit/Supervisory Committee, we carry out training primarily utilizing external training programs.

(Principle 5.1) Policy for Constructive Dialogue with Shareholders

Our officer in charge of IR oversees dialog with shareholders and works to realize constructive dialog. Specifically, the officer in charge of IR seeks information from the General Affairs Department, Finance and Accounting Department, and other major departments to build a system of cooperation with the relevant departments.

In regard to dialog and interviews with shareholders, basically either the President or the officer in charge of IR participates in interviews directly. This is to fulfill our accountability as a listed company and to faithfully reflect the knowledge and ideas gained through constructive dialog with shareholders in future management decisions. In such dialog, we do not communicate insider information (material facts that have not been made public).

In addition, we actively disclose IR information on our website to promote a deeper understanding of the Group's management policies, basic strategies, financial situation, etc. and will continue working on enhancing that information.

2. Capital structure

Percentage of shares held by foreigners Less than 10%

[Largest shareholders]

Name or designation	Number of shares	Percentage (%)
UHPartners2 Co., Ltd.	1,067,900	9.79
HIKARI TSUSHIN, INC.	992,900	9.10
The Master Trust Bank of Japan, Ltd. (trust account)	861,200	7.89
Cosmo Oil Marketing Co., Ltd.	789,105	7.23
Meiji Yasuda Life Insurance Company	672,000	6.16
Idemitsu Kosan Co.,Ltd	473,808	4.34
Sinanen Group Clients Shareholding Association	457,616	4.19
Sumitomo Mitsui Banking Corporation	260,787	2.39
Aso College Group	260,000	2.38
Sinanen Group Employee Shareholding Association	250,541	2.29

Controlling shareholders (excluding the parent company)	-----
Parent company	No

Supplementary descriptions

3. Company attributes

Stock exchange listing and market classification	Tokyo Stock Exchange, First Section
Fiscal year end	March
Industry	Wholesale business
Number of (consolidated) employees at the end of the previous fiscal year	1,000 or more
Consolidated net sales for the most recent fiscal year	100 billion yen or more but less than 1 trillion yen
Number of consolidated subsidiaries at the end of the previous fiscal year	10 companies or more but less than 50 companies

4. Guidelines on measures to protect minority shareholders in transactions with controlling shareholders

5. Other special circumstances that may have a significant impact on corporate governance

II Status of management control organization and other corporate governance systems related to management decision-making, execution and supervision

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

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

Number of Directors as set forth in articles of incorporation	10
Term of office of Directors as set forth in articles of incorporation	1 year
Chair of Board of Directors	President
Number of Directors	8
Status of appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Outside Directors designated as Independent Officers	4

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k		
Kazuhisa Hirano	People from other companies													
Yutaka Shigemori	People from other companies								△					
Ren Shino	Attorney at law													
Nobutaka Murao	Scholar													

* Selections regarding the relationship with the company

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

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

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

Relationship with the Company (2)

Name	Member of Audit/Supervisory Committee	Independent Officer	Supplemental explanation on compliance items	Reason for election
Kazuhisa Hirano	○	○	----	We elected Mr. Hirano because we determined that his expertise as a US certified public accountant and certified internal auditor can be utilized to improve the Company's corporate governance.
Yutaka Shigemori	○	○	Mr. Shigemori is a former employee of Meiji Yasuda Life Insurance Company, with which the Company has regular insurance transactions.	We elected Mr. Shigemori because we determined that his extensive business experience can be utilized to improve the Company's corporate governance.
Ren Shino	○	○	----	We elected Mr. Shino because we determined that his extensive experience and broad knowledge as a lawyer can be utilized to improve the Company's corporate governance.

Nobutaka Murao	○	○	----	We elected Mr. Murao, based on the judgment that he can utilize his rich experience and wide range of insight as a financial bureaucrat, news program anchor, and university professor to improve the Company's corporate governance.
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[Audit/Supervisory Committee]

Composition of committee members and attributes of the chairman

	All members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	Chairman (chairperson)
Audit/Supervisory Committee	4	1	0	4	Outside Director
Directors and employees to assist the Audit/Supervisory Committee in its duties	Yes				

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

- Internal audits conducted by such employees in consultation with the Audit/Supervisory Committee are not subject to the direction and orders of directors other than the Audit/Supervisory Committee Members.
- The consent of the Audit/Supervisory Committee must be obtained for the appointment of employees to assist the Audit/Supervisory Committee.

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

- The Audit/Supervisory Committee and the Internal Auditing Department meet regularly to mutually review and exchange opinions on the results of internal audits and matters pointed out and proposed, and when necessary, the Audit/Supervisory Committee Members attend internal audits to ensure close information exchange and mutual cooperation.
- The Audit/Supervisory Committee and the Internal Auditing Department cooperate with each other by closely exchanging information and opinions on the development and operation of the internal control system.
- The Audit/Supervisory Committee and the Internal Auditing Department cooperate with the Accounting Auditor by regularly exchanging information and opinions, for example, by attending the Audit Plan and Audit Result Report Meetings of the Accounting Auditor.

[Voluntary committees]

Voluntary committees equivalent to the Nominating Committee or the Compensation Committee

Yes

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

	Name of the committee	All members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	External experts (persons)	Other (persons)	Chairman (chairperson)
Voluntary committees equivalent to the Nominating Committee	Nominating and Compensation Committee	6	0	1	4	1	0	Inside Directors
Voluntary committees equivalent to the Compensation Committee	Nominating and Compensation Committee	6	0	1	4	1	0	Inside Directors

Supplementary descriptions

- The Nominating and Compensation Committee performs the functions of both the Nominating Committee and the Compensation Committee.
- The Nominating and Compensation Committee is chaired by the President and CEO, and consists of the Chairman, four Audit/Supervisory Committee Members and one external expert.
- The Committee deliberates and makes proposals on the selection, dismissal, and remuneration of the Company's Directors and the Directors and Auditors of Group companies.
- The secretariat of the committee is located in the Human Resources Department.

[Independent officers]

Number of independent officers Update 4

Other matters concerning independent officers

All of the Company's Outside Directors meet the qualifications for independent officers, and all of the Outside Directors have been designated as independent officers.

[Incentives]

Status of implementation of measures to provide incentives to Directors

Introduction of performance-linked compensation system, etc.

Supplementary descriptions of applicable items

The Company has introduced the following compensation system for Directors other than Audit/Supervisory Committee Members.

- Performance-linked compensation system: In order to raise awareness of the need to improve the Company's performance in each fiscal year, the Company has set consolidated ordinary income as the target performance indicator for a single fiscal year, and the amount calculated in accordance with the degree of achievement of the target value is paid in cash every month as performance-linked compensation in addition to the fixed compensation. The reason for selecting consolidated ordinary income as the performance indicator is that the Company believes it is important to improve overall profitability, including not only operating activities but also financial activities.
- Stock based compensation (stock based compensation with restrictions on transfer) system: The Company has introduced this system to provide incentives for the sustainable enhancement of the Group's corporate value and to promote further value sharing with our shareholders.

Persons to whom stock options are granted

Supplementary descriptions of applicable items

[Remuneration for Directors]

Status of disclosure (of individual Director remuneration)

Individual remuneration is not disclosed

Supplementary descriptions of applicable items

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

Policy for determining the amount of remuneration or its calculation method

Yes

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

The Company resolved at the meetings of the Board of Directors held on March 31, 2021 and May 24, 2021 to revise and enact rules and regulations concerning officer compensation, including a policy for determining the details of remuneration, etc. for individual Directors (below, the "decision policy"). The individual remuneration of Directors who are members of the Audit/Supervisory Committee will be determined through consultation with the Audit/Supervisory Committee.

(Outline of the details of the decision policy)

- A) The basic remuneration for the President shall be determined at a competitive level, taking into consideration the levels of other companies in the same industry and public.
- B) The basic remuneration for full-time officers shall be determined by multiplying the base amount by a coefficient determined for each position, with the base amount for the President as the base amount. The determination of the base amount and the coefficients for each position shall be left to the discretion of the Nominating and Compensation Committee.
- C) Remuneration for part-time Directors (excluding Directors who are members of the Audit/Supervisory Committee) shall be determined separately.
- D) The ratio of performance-linked compensation to the total amount of compensation for officers shall be approximately 15%.
- E) The performance-linked compensation for the President shall be determined by calculating the consolidated ordinary income, etc., and this shall be the performance-based amount. The performance-linked compensation for other full-time officers shall be determined by multiplying the performance-based amount by a coefficient determined for each position. The total amount of performance-linked compensation shall not exceed a certain percentage of consolidated ordinary income, etc. The performance-linked compensation for each individual, including the President, will be finally determined by taking into account the contribution to medium- to long-term performance. The determination of the performance-based amount, coefficients for each position, and medium to long-term evaluation shall be left to the discretion of the Nominating and Compensation Committee.
- F) Stock based compensation with restrictions on transfer is granted to Directors other than those who are Audit/Supervisory Committee Members, and the restriction on transfer is lifted on the condition that certain performance targets determined by the Board of Directors of the Company are achieved. The number of shares to be granted shall be equivalent to 10% of the basic remuneration, and the specific allocation to each eligible Director shall be determined by the Board of Directors.

[Support system for Outside Directors]

Update

A full-time staff member has been appointed in the Audit/Supervisory Committee Office to support the Audit/Supervisory Committee Members. We have established a structure so that, without exception, Outside Directors are invited to meetings of the Board of Directors and are offered the same explanations from the departments submitting proposals as the other Directors. The notices, materials, and other information sent to Outside Directors is the same as what is sent to the other Directors. In addition, full-time Audit/Supervisory Committee Members participate in important meetings, including the Management Meetings, and have access to important management information and are able to express their opinions.

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

Business execution is carried out in accordance with laws and regulations, the Articles of Incorporation, as well as the Regulations of the Board of Directors and the Approval Regulations, depending on the importance of the business. The Company has established the

Management Meeting as an organization to assist the President and CEO in the execution of business. The Management Meeting consists of Directors who execute business, full-time Audit/Supervisory Committee Members, officers in charge, and persons designated by the President, and discusses management policies and important management matters.

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

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

3. Reasons for selecting the current corporate governance system Update

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

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

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

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

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

Update

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

2. IR activities

	Supplementary descriptions	Explanations by representative
Regular IR conferences for individual investors	The Company holds company briefings for individual investors multiple times a year. In addition, we record and distribute financial results briefings held for analysts and institutional investors, and try to ensure fairness in the dissemination of information by providing individual investors with an environment in which they can also watch.	No
Regular IR conferences for analysts and institutional investors	The Company holds financial results briefings for analysts and institutional investors. We also make efforts to communicate with analysts and institutional investors by disclosing financial results presentation materials on the Company's website for quarterly financial results, as well as by visiting institutional investors and responding to individual interviews.	Yes
Publishing of IR material on website	We have established an IR site on our website, where we post not only financial results and financial information, but also explanatory materials for financial results, timely disclosure materials, shareholder newsletters, and various notices. Some of the above material is also provided in English.	
Establishment of IR department (persons in charge)	We have established a PR/IR team within the Corporate Planning Department.	
Other	In order to deepen the understanding of our company, we focus on providing information via the Internet, and actively disseminate the details of our initiatives through Group Topics on our website and various SNS.	

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

Update

	Supplementary descriptions
<p>Provision on respect for stakeholder's perspective within internal rules</p>	<p>The Sinanen Holdings Group Charter of Corporate Conduct stipulates the fulfillment of our corporate social responsibility, which is based on the concept of faith to fulfill our duties in response to the trust of a wide range of people, including stakeholders, as the foundation of our management.</p>
<p>Implementation of environmental conservation and CSR activities</p>	<p>The Sinanen Holdings Group Charter of Corporate Conduct recognizes the importance of the global environment and stipulates that we will actively work to address environmental problems.</p> <p>In addition to addressing environmental issues through our business activities, such as our renewable energy business, in 2020, Sinanen Co., Ltd. launched the "Sinanen Akari-no-Mori Project" for protecting bountiful forests through the use of clean energy. Through the project, we collaborate with municipalities and non-profit organizations on tree planting and forest protection activities in the aim of creating bountiful forests and preventing global warming.</p> <p>At the Group's headquarters office, we are engaged in energy conservation activities, including thorough air conditioning temperature control and turning off lights at lunchtime.</p> <p>Achievements in other CSR activities</p> <p>[Support for cultivation of the next generation]</p> <ul style="list-style-type: none"> • Holding the "Itsumo Arigato (Thank You) Essay Competition" for elementary school students nationwide • Career education and environmental education activities for junior and senior high school students <p>[Social/international contribution]</p> <ul style="list-style-type: none"> • Participation in the "Kids Earth Fund" for children around the world in need of assistance due to illness, conflict, or disaster • Support for agriculture-welfare collaboration activities which aim to support the employment of people with disabilities through agriculture <p>Other specific activities are stated in the Social Contribution Activities section of our website.</p>
<p>Establishment of policy on providing information to stakeholders</p>	<p>The Sinanen Holdings Group Charter of Corporate Conduct stipulates the appropriate disclosure of corporate information.</p>

IV Matters related to internal control systems, etc.

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

Update

The Company has resolved the basic policy for the establishment of internal control systems as follows in accordance with the provisions of the Companies Act.

1. System to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation
 - (1) The Company shall establish the Group Charter of Corporate Conduct and Compliance Rules, and make compliance with laws and regulations a prerequisite for all corporate activities of the Group.
 - (2) The Company shall establish the Risk Management and Compliance Committee, chaired by the Chief Compliance Officer, to establish the Group's compliance system.
 - (3) The Chief Compliance Officer shall develop the compliance system, identify problems, give instructions on measures to prevent the recurrence of compliance violations, and conduct training. Particularly important issues shall be discussed by the Risk Management and Compliance Committee and reported to the Board of Directors and the Audit/Supervisory Committee.
 - (4) The Company shall establish an internal consultation service and an external lawyer consultation service as an internal reporting system, and endeavor to secure information related to compliance.
 - (5) The Company recognizes that having relationships with antisocial forces is a violation of compliance and have implemented measures to firmly refuse such dealings as an ongoing priority.
2. System for the storage and management of information related to the execution of duties by Directors
 - (1) The Company shall stipulate the basic matters for document management in its internal rules and appropriately store and manage important information related to the execution of duties by Directors.
 - (2) Directors may access the information in the preceding item at any time.
3. Rules and other systems for managing the risk of loss
 - (1) The Company shall establish internal rules for risk management, clarify the risks involved in the execution of business, and conduct appropriate management in accordance with the risks.
 - (2) In accordance with the organizational rules, each position and organization shall manage risks that arise or are encountered in the course of operating the company in accordance with the authority and responsibility assigned to them.
 - (3) In accordance with the Internal Audit Regulations, the Audit Department shall conduct internal audits based on the risk-based audit plan approved by the Board of Directors, and the audit results shall be reported directly to the Board of Directors.
 - (4) The Company shall conduct an inventory of the risks and risk management status of the Company and its group companies at the Risk Management and Compliance Committee, and propose methods to improve risk management and reduce risks to the President as necessary.
4. System to ensure the efficient execution of duties by Directors
 - (1) The Board of Directors shall formulate a Medium-Term Management Plan, set priority management targets and budgets for each fiscal year, review monthly business results, and implement improvement measures.
 - (2) The Board of Directors shall formulate a Medium-Term Management Plan in internal rules and set priority management targets and budgets for each fiscal year.
 - (3) The Company shall establish a Management Meeting to assist the President in decision-making. The Company shall also establish the Group Management Meeting and other bodies to address management issues of the Group.
 - (4) The Company shall establish a voluntary Nominating and Compensation Committee to enhance the objectivity and transparency of the procedures for determining the nomination and compensation of directors (including officers of Group companies).
5. System to ensure the appropriateness of business operations of the corporate group consisting of the relevant stock company and its subsidiaries
 - (1) The Company shall establish rules for the management of operating companies, which require reporting to the Company of important information on Group companies, and shall dispatch Directors to each Group company for appropriate management and supervision.
 - (2) The Company shall establish common risk management rules and compliance rules for the Group, and the Risk Management and Compliance Committee shall comprehensively manage the risks and compliance of the Group companies.
 - (3) All officers and employees of the Group companies shall be able to use the internal consultation service and the external lawyer consultation service established by the Company for internal reporting, etc., and shall strive for early detection of compliance violations.
 - (4) The Company shall prohibit the disadvantageous treatment of any person who has made a report as described in the preceding item on the grounds that such report was made.
 - (5) The Audit Department shall conduct internal audits of Group companies as necessary to check the appropriateness of operations.
 - (6) Corporate auditors and internal auditing departments of Group companies shall share audit results with the Audit Department, and the Audit Department shall report the audit status of Group companies to the Audit/Supervisory Committee.
 - (7) The Company shall improve the operational and financial efficiency of the entire Group by introducing a common accounting management system and cash management system for the Group.
6. Matters related to employees who are requested by the Audit/Supervisory Committee to assist in the performance of their duties
Employees to assist the Audit/Supervisory Committee Members in their duties shall be assigned to the Audit/Supervisory Committee Office and shall perform their duties under the direction of the Audit/Supervisory Committee Members.
7. Matters concerning the independence of the employees set forth in the preceding paragraph from Directors other than the Audit/Supervisory Committee Members and ensuring the effectiveness of the Audit/Supervisory Committee's instructions
 - (1) Internal audits conducted by the Audit Department in consultation with the Audit/Supervisory Committee are not subject to the direction and orders of directors other than the Audit/Supervisory Committee Members.
 - (2) The consent of the Audit/Supervisory Committee must be obtained for the appointment of employees to assist the Audit/Supervisory Committee.
8. System for reporting to the Audit/Supervisory Committee by Directors and employees other than Audit/Supervisory Committee Members, and officers and employees of subsidiaries
 - (1) Directors other than Audit/Supervisory Committee Members shall report the following matters to the Audit/Supervisory Committee.
 - 1) Important matters concerning the monthly management status
 - 2) Important matters concerning the status of internal audits and risk management conducted by the Audit/Supervisory Committee
 - 3) Important matters concerning the assessment of the appropriateness of financial information conducted by the Audit Department

- 4) Status and details of reporting under the whistleblowing system
 - 5) Matters that may cause significant damage to the Group
 - 6) Serious violations of laws, regulations, or the Articles of Incorporation
 - 7) Other important compliance matters
 - (2) All officers and employees of Group companies may report directly to the Audit/Supervisory Committee if they discover any material fact related to 4) to 6) above.
 - (3) The Company shall prohibit the disadvantageous treatment of any person who has made a report as described in the preceding item on the grounds that such report was made.
9. Other systems to ensure that audits by the Audit/Supervisory Committee are conducted effectively
- (1) The Audit/Supervisory Committee shall regularly exchange opinions with the President, the Chairman of the Risk Management and Compliance Committee, and the Accounting Auditor.
 - (2) In the event that an Audit/Supervisory Committee Member makes a request for advance payment or reimbursement of expenses incurred in the performance of his or her duties, the Audit/Supervisory Committee shall comply with such request, unless the expenses incurred are deemed to be unnecessary for the execution of the Audit/Supervisory Committee Member's duties.
10. System to ensure the appropriateness of financial reporting
- (1) The Company and its Group companies shall establish accounting rules and other internal rules, and comply with accounting standards and other relevant laws and regulations.
 - (2) The internal control departments of the Group companies shall share the results of their assessment of the appropriateness of financial reporting with the Audit Department, which shall report the assessment of the Group companies to the Audit/Supervisory Committee and the Chairman of the Risk Management and Compliance Committee.

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

We recognize that having relationships with antisocial forces is a violation of compliance and have implemented measures to firmly refuse such dealings as an ongoing priority.

1. Our Group Charter of Conduct and Basic Policy on Development of an Internal Control System contain explicit repudiation of relationships with antisocial forces and have been published internally and externally to demonstrate our intent.
2. We have placed the Legal Affairs Office in charge of our response and assigned a person responsible for preventing unreasonable requests. This person participates in external training and provides feedback within the Group.
3. We have joined a specialized external group and work to gather information while putting together a system for taking inquiries and receiving guidance in the event of an incident.
4. A clause excluding organized crime groups is inserted in our contract templates.

VOthers

1. Introduction of anti-takeover measures

Introduction of anti-takeover measures	No
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Supplementary descriptions of applicable items

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

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

1. Basic policy on timely disclosure of corporate information

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

2. Internal system for timely disclosure of corporate information

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

3. Disclosure method

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

4. Group Rules on Timely Disclosure

The Company has established "Internal Information Management Rules" to ensure thoroughness of the prohibition of insider trading and to take all possible measures for information management. In addition, the Company strives to ensure that all employees are familiarized with the relevant regulations through training at personnel orientation upon joining the Company and regular announcements by the department in charge of stock administration.

Management supervision and business execution structure and internal control

—————▶ : Appointment, audit, and supervision
◄-----▶ : Discussion

