

Last update: June 18, 2024

Moriroku Holdings Company, Ltd.

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The status of the Company's corporate governance is as follows.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1 . Basic Approach

Our Management Philosophy is "Moriroku Group will create high value with its future-oriented creativity and advanced technologies, while contributing to the global society." By practicing this, the Moriroku Group's basic approach to corporate governance is to ensure transparency, fairness, and timeliness in management decision-making. The aim is to continuously increase its corporate value over the medium and long term, as well as to fulfill the Group's social responsibilities by maintaining close relations with all types of stakeholders, including customers, business partners, employees, local communities, and shareholders, in order to earn their trust.

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

The Company implements all the principles set in the Corporate Governance Code.

[Disclosure based on Principles of the Corporate Governance Code]

[Principle 1-4: Strategic shareholding policy]

The Company acquires and holds shares for strategic purposes in accordance with the following policies.

- (i) The Company examines whether shares for strategic purposes will be able to help maintain and reinforce business relationships and realize sustainable growth and a medium- to long-term increase in corporate value and whether the holdings may cause risks, etc. Only in the case that rationality can be recognized does the Company decide to acquire and hold such shares.
- (ii) Regarding shareholdings, the Board of Directors regularly verifies them based on quantitative evaluation such as transaction amounts and profit margin, and does a qualitative assessment on aspects such as future prospects, and then makes decisions on whether to continue holding. Based on the verification results, the Company sold 3 issues of listed shares in FY2023. In addition, the Company acquired 2 issues of unlisted shares for purposes of investing in venture companies that will lead to the creation of new businesses. We will continue to reduce shares held for strategic purposes in order to further improve asset efficiency and strengthen our financial position. Sales proceeds from the reduction of shares held for strategic purposes will be used for investments in new businesses and shareholder returns to enhance our corporate value.
- (iii) The Company shall, when exercising voting rights for listed shares held, consider whether to approve or disapprove each proposal, while comprehensively taking into account the impact of the proposal on the medium- to long-term corporate value of the investee companies.

[Principle 1-7: Transactions with related parties]

The Company shall execute transactions with its Directors or those with conflicts of interest after deliberation and approval by the Board of Directors.

In order to ensure the appropriateness of transactions with related parties, such as major shareholders and affiliated companies, the Company shall establish regulations for managing related party transactions, identify and manage transactions with related parties, and, if the transaction falls under the category of a related party transaction, confirm the necessity, economic rationality and appropriateness of the terms of the transaction, and then implement approval and decision-making procedures based on the established

regulations.

[Supplemental Principle 2-4-1: Ensuring diversity in appointment of core personnel, etc.]

Based on the concept that Moriroku cannot grow without the growth of diverse human resources, we are working to secure and promote diverse human resources. Recognizing diversity in the age, gender, nationality, disability, and values of each and every employee, demonstrate teamwork and utilize each other's strengths. We believe that this is what will lead to the realization of "Future-oriented creativity" as stated in our Management Philosophy.

<Appointment of women to management positions>

The Company aims to increase the ratio of women managers to more than 20% by 2025, and the ratio of women managers in the Group companies to about 5%. The actual ratio of women managers in the Company exceeded 10% in 2023. In addition, female executive officers have been promoted internally at the Company and Group companies and female directors are active at overseas affiliates.

We will strengthen hiring with the target ratio of new women graduates hired for career-track positions at 50% for the Company and 25% for the Group companies. In addition, we will increase the number of women managers by continuously working to foster career awareness among women employees and motivate manager candidates.

<Appointment of non-Japanese to management positions>

We are actively recruiting human resources regardless of nationality, and we currently have 21 non-Japanese employees in the Group companies, three of whom are active in management positions. In addition, at our overseas affiliates in Canada, the U.S., China, South Korea, Thailand, India, and the Philippines, non-Japanese employees are serving as Directors, and two of them are women.

We will continue to actively promote the training and appointment of non-Japanese employees, and plan to increase the number of non-Japanese employees appointed to the CEO position at overseas affiliates to three or more by 2025.

<Appointment of mid-career hires to management positions>

We are promoting the mid-career hiring of highly specialized personnel and personnel with the technology, experience, and skills necessary for the future business of the Group, and more than 30% of mid-career hires have been promoted to management positions in the Group companies.

We will continue to strengthen our diversity by hiring mid-career personnel to account for about 50% of new hires each year.

<Policies on human resource development and internal environment improvement to ensure diversity and their status>

We aim to create an environment and workplace where each employee can maximize their abilities and individuality and work with vigor and enthusiasm. To this end, we are creating a corporate culture that accepts and utilizes diverse values and new ideas, conducting training for managers to achieve this, and promoting flexible work styles regardless of where employees work, such as flextime system and telecommuting. In addition, through the diversity & inclusion promotion activities, we are actively working to create new systems and frameworks while envisioning how the activities of diverse human resources will lead to "Future-oriented creativity."

[Principle 2-6: Functioning as an asset owner of corporate pension plan]

The Company formulates a strategic asset composition ratio for its defined-benefit pension funds and manages them through dialogue and consultation with investment institutions by personnel with relevant knowledge in the departments in charge of human resources, accounting and finance. In managing assets, we entrust the management of pension assets to investment institutions that have declared their acceptance of the Stewardship Code. In addition, we have established a structure under which the departments in charge of human resources and accounting and finance regularly monitor the investment status of the entrusted investment institutions, and review and revise the strategic asset composition ratio that has been established as necessary. Furthermore, by having the relevant department staff participate in external training and

seminars, the Company strives to confirm market trends related to investment management and improve their knowledge. The Company manages conflicts of interest appropriately by entrusting the selection of individual investee companies and the exercise of voting rights to the investment trust management organization.

[Principle 3-1: Enhancement of information disclosure]

(i) Management Philosophy, Management Strategies, and Management Plan

Management Philosophy: This is posted on the Company's website.

Management Strategies and Plan: The Company has formulated the medium-term management plan, the first year being FY2022, which is posted on the Company's website.

(ii) Basic Approach and Policy on Corporate Governance

It is described in "I. 1. Basic Approach" of this report.

(iii) Policies and procedures for the Board of Directors in determining remuneration of Senior Management and Directors

The amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined by the Board of Directors within the scope of the remuneration resolved by the General Meeting of Shareholders after deliberation by the Nomination & Remuneration Advisory Committee. For details, please refer to [Directors' remuneration] in "II. 1. Matters Related to Institutional Structure & Organizational Management, etc." of this report.

(iv) Policies and procedures for the Board of Directors' election and dismissal of senior management and nomination of candidates for Directors

For the election of Directors (excluding Directors who are Audit & Supervisory Committee Members), the Company elects talented persons who have a high sense of ethics and a strong law-abiding spirit with knowledge, experience, expertise, etc. considered to be necessary for the Board of Directors in light of the skill matrix, while paying attention to the balance and diversity of the Board of Directors as a whole. In respect of Outside Directors, the Company elects persons with abundant experience in business management and advanced expertise, broad knowledge and experience in finance, accounting, legal affairs, etc. To elect a President and Representative Director, the Nomination & Remuneration Advisory Committee, a majority of whose members are independent Outside Directors, engages in repeated deliberations to clarify the election process and ensure objectivity, timeliness and transparency, thereby electing an appropriate talented person with a view in part to bringing the management philosophy and business strategy of the Company into reality.

In the case that any of the following events apply to any Executive Director or Executive Officer, the Board of Directors will lose no time and deliberate on the dismissal of the Director or Executive Officer after receiving advice from the Nomination & Remuneration Advisory Committee.

- Cases where violations of laws and regulations, the Articles of Incorporation, etc. or other forms of malpractice are found
- Cases where a substantial hindrance occurs to the execution of duties
- Cases where there is an objective and reasonable reason for not fully fulfilling the role required for the job

With regard to the procedure for nominating candidates for Director, the Company has established the Nomination & Remuneration Advisory Committee, chaired by an independent Outside Director, as an advisory body to the Board of Directors in order to ensure objectivity, timeliness and transparency in the functions concerning the nomination of Directors. The Nomination & Remuneration Advisory Committee provides advice on matters related to draft agenda for the General Meeting of Shareholders concerning the election and dismissal of Directors, the election and dismissal of Executive Directors, and their positions. Candidates for Director who is an Audit & Supervisory Committee Member are deliberated on by the Audit & Supervisory Committee prior to deliberation by the Board of Directors, which is required to obtain the consent of the Audit & Supervisory Committee.

(v) Explanation of individual elections and nominations when the Board of Directors elects and dismisses senior management and nominates candidates for Director based on (iv) above.

The reasons for each election and nomination are stated in the notice of convocation of the General Meeting of Shareholders.

[Supplemental Principle 3-1-3: Sustainability initiatives]

The Group aims to realize a sustainable society by engaging in business activities that respect all stakeholders and contributing to solving social issues, based on the "Moriroku Group Sustainability Policy." For the promotion of sustainability, we have identified priority sustainability issues based on the Group's medium- to long-term vision, the demand from the international community and stakeholders, and the business environment, and are working to strengthen the management foundation.

In particular, we consider the response to climate change issues (including TCFD requirements) and the strengthening of human capital as our top priority issues. We have set key KPIs for resolving these issues and are making efforts to achieve the targets.

Additionally, for investment in intellectual property (IP), the Group moves forward with expansion and utilization of intellectual property by integrating the three strategies of business, R&D, and IP, and takes measures to reduce risks of infringement on others' IP as well as respecting others' IP. This way, the Group makes efforts to build the Group's global IP structure, polish the skills of IP human resources, and strengthen business competitiveness.

Throughout the Group, we will continue to strive to "create shared values (social and economic)" through our business, and contribute to solving social issues through our business.

- The sustainability policy and promotion system of the Company are disclosed on the "Sustainability" page of the Company's website.
<https://www.moriroku.co.jp/sustainability/management/index.html>
- The Company's measures for priority sustainability issues are disclosed on the "Sustainability" page of the Company's website.
<https://www.moriroku.co.jp/sustainability/index.html>
- For human capital investment, we are actively promoting diversity in appointment of personnel as described in the Supplemental Principle 2-4-1.

[Supplemental Principle 4-1-1: Matters to be resolved by the Board of Directors and scope of delegation to management]

The Board of Directors deliberates and decides on matters stipulated by law and regulations and the Articles of Incorporation, and important matters of the Company and Group companies stipulated by the Board of Directors Regulations.

As a company with the Audit & Supervisory Committee, the Board of Directors delegates the authority to execute certain important business operations to Directors, and delegates decision-making authority on the execution of individual business operations to the Representative Director and officers in charge in order to expedite decision-making.

On non-Board of Directors agenda, the Company has established criteria for the President, officers in charge, etc. to make decisions, and they are set forth in the Administrative Authority Regulations.

[Principle 4-9: Criteria for determining the independence of independent Outside Directors and their qualities]

In accordance with the requirements for Outside Directors stipulated in the Companies Act and the independence criteria stipulated by the stock exchanges, the Company appoints independent Outside Directors on the premise that they have sufficient independence to perform their duties as Outside Directors from the Company's management, based on their background and relationship with the Company.

[Supplementary Principle 4-10-1: Establishment of Nomination Committee and Compensation Committee]

The current composition of the Board of Directors consists of nine Directors, six of whom are independent Outside Directors.

With regard to the nomination and remuneration of Directors, the Company has established a voluntary Nomination & Remuneration Advisory Committee, chaired by an independent Outside Director, as an advisory body to the Board of Directors, as it is necessary to strengthen the independence, objectivity and accountability of the Board of Directors' functions.

The Nomination & Remuneration Advisory Committee consists of three Outside Directors and one inside Director, and the majority of members are independent Outside Directors to enhance the independence and objectivity of the committee.

[Supplemental Principle 4-11-1: Views on the balance of knowledge, experience and ability, diversity and size of the Board of Directors as a whole]

In order to ensure a high level of decision-making on important business operations through substantial discussions at the Board of Directors meetings, as well as supervision and auditing of appropriate business operations, the Company appoints people as Directors who have the knowledge and experience that the Company considers material for its Board of Directors. Independent Outside Directors include those who have management experience at other companies.

A skills matrix that summarizes the knowledge and experience of the Company's Directors is included as a reference for this report.

[Supplemental Principle 4-11-2: Concurrent Officer position held by Directors and Audit & Supervisory Board Members at other listed companies]

The Company discloses the status of important concurrent positions of Directors and their candidates (including Officers of other listed companies) every year through the Notice of Convocation of the General Meeting of Shareholders and Securities Report.

[Supplemental Principle 4-11-3: Effectiveness assessment of the Board of Directors]

The Company conducts self-evaluation and analysis of the effectiveness of the Board of Directors with the aim of improving the functions of the Board of Directors and enhancing its corporate value. Self-evaluation and analysis were conducted in the following ways while receiving advice from external organizations.

In January 2024, the Company conducted a questionnaire survey about all Directors and Audit & Supervisory Board Members, who are members of the Board of Directors. The Company secured anonymity by having respondents directly send their answers to an external organization. Based on reports of aggregate results from the external organization, the outcome of the questionnaire was reported at the Board of Directors meeting held in March 2024, and it has been confirmed that the effectiveness of the Board of Directors of the Company has remained generally secured.

In the previous effectiveness assessment, we recognized that there were issues in terms of the enhancement of discussions on management strategies, management resources, capital efficiency, etc., and follow-up on the progress of management plans, etc. We therefore worked to enhance discussions on measures for corporate value improvement, engagement in management with an awareness of capital efficiency, etc. In order to achieve further results, we will continue to work on enhancing discussions on management strategies, management resources, capital efficiency, etc., and follow-up on the progress of management plans, etc.

Going forward, the Company will continue to make an effort to enhance the functions of the Board of Directors by resolving issues detected in evaluating the effectiveness of the Board of Directors and push forward with management aimed at sustainable enhancement of corporate value.

[Supplemental Principle 4-14-2: Training Policy for Directors]

When internal Directors assume office, the Company requires them to attend training courses to learn the legal obligations to be observed and the roles and responsibilities to be fulfilled as Directors.

The Company also provides training after the appointment of Directors to ensure that they acquire and appropriately update the necessary knowledge and promote understanding of the roles and responsibilities they should fulfill.

[Principle 5-1: Policy on constructive dialogue with shareholders]

The Officer in charge of IR supervises all dialogue and strives to enhance dialogue in cooperation with other management members. The department in charge of IR makes an effort to promote people's understanding of the status of business of the Company and enhance dialogue through measures such as holding briefings on financial results and the medium-term management plan, holding briefings for individual investors, and disclosing information on the Company's website in addition to information disclosure required by laws and regulations. Opinions acquired through dialogue will be fed back to the Board of Directors and operational companies so as to help them make business judgments.

Regulations for the prevention of insider trading are established to prevent the leakage of insider information.

[Measures for realizing management mindful of capital cost and stock price] [English language disclosure available]

The Company is implementing initiatives to enhance corporate value after understanding our cost of equity capital. We explain our measures and their progress once a year.

Documents on the Company's initiatives to improve its corporate value are disclosed in the explanatory materials for briefings on financial results on the "Investors" page of the Company's website.

<https://www.moriroku.co.jp/ir/library/presentation.html>

2 . Capital Structure

| | |
|---|---------------------------------|
| Percentage of shares held by foreigners | More than 10% but less than 20% |
|---|---------------------------------|

[Major shareholders]

| Name | Number of Shares Held | (%) |
|--|-----------------------|------|
| Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited Re-trust account, Mitsui Chemicals, Inc. Pension Trust Account) | 1,416,000 | 9.42 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,243,300 | 8.27 |
| Moriroku Employee Shareholding Plan | 1,149,038 | 7.64 |
| Shigeru Mori | 971,060 | 6.46 |
| Honda Motor Co., Ltd. | 792,000 | 5.27 |
| The Awa Bank, Limited | 526,000 | 3.50 |
| CHARLES SCHWAB FBO CUSTOMER | 461,100 | 3.07 |
| Custody Bank of Japan, Ltd. (Trust Account) | 389,300 | 2.59 |
| Toyoko Mori | 271,576 | 1.81 |
| Toshiko Izome | 270,476 | 1.80 |

| | |
|--|------|
| Controlling Shareholder (excluding Parent Company) | --- |
| Parent Company | None |

Supplementary Notes

The percentage of shares held is calculated by deducting the number of treasury stock (421,719 shares) and is rounded off to the second decimal place.

3. Corporate Attributes

| | |
|---|--|
| Stock exchange listing and market classification | Tokyo Stock Exchange, Prime Section |
| Fiscal Year End | March |
| Industry | Chemical |
| Number of (consolidated) employees at previous fiscal year-end | 1,000 or more |
| (Consolidated) net sales for previous fiscal year | 100 billion yen or more but less than 1 trillion yen |
| Number of consolidated subsidiaries at previous fiscal year-end | 10 companies or more but less than 50 |

4. Guidelines on Measures to Protect Minority Shareholders in Transactions with Controlling Shareholders, etc.

5. Other Special Circumstances That May Have Material Impact on Corporate Governance

II. Status of Management Control Organization and Other Corporate Governance Structures Related to Management Decision-Making, Execution and Oversight

1. Matters related to Institutional Structure & Organizational Management, etc.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

MORIROKU HOLDINGS COMPANY, LTD.

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| Form of organization | Company with Audit and Supervisory Committee |
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[Directors]

| | |
|---|-----------|
| Number of Directors stipulated in Articles of Incorporation | 14 |
| Term of office of Directors stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board of Directors | President |
| Number of Directors | 9 |
| Election of Outside Directors | Elected |
| Number of Outside Directors | 6 |
| Number of Outside Directors designated as Independent Officer | 6 |

Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Koichiro Shibata | Lawyer | | | | | | | | | | | |
| Kenichi Hirai | From another company | | | | | | | | | | | |
| Ryo Otsuka | From another company | | | | | | | | | | | |
| Hitomi Yokote | From another company | | | | | | | | | | | |
| Fujio Furukawa | Tax Accountant | | | | | | | | | | | |
| Chiaki Tsuji | Lawyer | | | | | | | | | | | |

* Selection items on the relationship with the Company

* If each item applies to the person in the "present or recently," "○"; for in the "past," "△".

* If each item applies to a close relative in the "present or recently," "●"; for in the "past," "▲".

a. Executives of the listed company or its subsidiary

b. Executives or non-executive Director of the parent company of listed company

c. Executives of the affiliates of listed company

d. A person whose major business partner is a listed company or Executive thereof

e. Major business partner of a listed company or Executive thereof

f. Consultants, accounting experts, or legal experts who receive a large amount of money or other assets from a listed company other than officer compensation

g. Major shareholders of a listed company (if the major shareholder is a corporation, Executive thereof)

h. Executives (only the principal) of listed company's business partners (not falling under any of d, e and f)

i. Executives (only the principal) of a party in a relationship of mutual appointment as Outside Officer

j. Executives (only the principal) of a party to which a listed company has made a donation

k. Others

Relationship with the Company (2)

| Name | Audit and Supervisory Committee Member | Independent Officer | Supplementary Note on Conformity Items | Reason for Appointment |
|------|--|---------------------|--|------------------------|
|------|--|---------------------|--|------------------------|

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MORIROKU HOLDINGS COMPANY, LTD.

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| Koichiro Shibata | — | ○ | --- | <p>He has abundant experience and extensive knowledge as a lawyer. He is particularly well versed in the fields of legal affairs and risk management, and has led the Nominating and Compensation Advisory Committee as a member from an objective and professional standpoint.</p> <p>It is expected that he will continue to supervise the execution of the duties by Directors, etc. from an independent position, thereby reinforcing the function of the Company's Board of Directors. The Company therefore elected him as an Outside Director.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management.</p> |
| Kenichi Hirai | — | ○ | --- | <p>He has been involved in corporate management in the automotive and chemical industries and is well versed also in the industries of the Company. He has extensive knowledge and experience particularly in the fields of accounting and finance, and has provided appropriate advice and suggestions to the Nominating and Compensation Advisory Committee as a member from an objective and professional standpoint. In addition, as the Lead Independent Outside Director, he has compiled opinions from Independent Outside Directors and made recommendations to the executive side.</p> <p>It is expected that he will continue to supervise the execution of the duties by Directors, etc. from an independent position, thereby reinforcing the function of the Company's Board of Directors. The Company therefore elected him as an Outside Director.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been</p> |

| | | | | |
|---------------|---|---|-----|--|
| | | | | designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management. |
| Ryo Otsuka | — | ○ | --- | <p>He has been serving as Representative Director in a manufacturing company for many years and is also well versed in the industries of the Company. The Company expects that he will continue to supervise the execution of the duties by Directors, etc. from an independent position by utilizing his abundant experience and extensive knowledge that he has accumulated to date in management in general, thereby reinforcing the function of the Company's Board of Directors. The Company therefore elected him as an Outside Director.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management.</p> |
| Hitomi Yokote | — | ○ | --- | <p>She has abundant international experience including in negotiations with foreign governments and organizations, as well as experience and knowledge in a wide range of fields including management, as the executive director of NPOs, and human resource development. It is expected that she will continue to supervise the execution of the duties by Directors, etc., from an independent position, thereby reinforcing the function of the Company's Board of Directors. The Company therefore elected her as an Outside Director.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. She has been designated as Independent Officer based on the judgment that</p> |

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| | | | | she can ensure sufficient independence to perform her duties as Outside Director from the Company's management. |
| Fujio Furukawa | ○ | ○ | --- | <p>He served in important positions at the National Tax Agency for many years, and is familiar with finance and accounting in addition to taxation. It is expected that he will supervise the execution of the duties by Directors, etc., from an independent position, thereby reinforcing the function of the Company's Board of Directors. The Company therefore elected him as an Outside Director.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. He has been designated as Independent Officer based on the judgment that he can ensure sufficient independence to perform his duties as Outside Director from the Company's management.</p> |
| Chiaki Tsuji | ○ | ○ | --- | <p>She has a wealth of experience and a high level of expertise gained as a lawyer in Germany as well as Japan. She has international experience, and it is expected that she will supervise the execution of the duties by Directors, etc., from an independent position, thereby reinforcing the function of the Company's Board of Directors. The Company therefore elected her as an Outside Director.</p> <p>There are no personal or business relationships, etc., that fall under the items described in the independence criteria established by the financial instruments exchanges. She has been designated as Independent Officer based on the judgment that she can ensure sufficient independence to perform her duties as Outside Director from the Company's management.</p> |

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

| | Number of Members | Full-time Members | Internal Director | Outside Directors | Chairperson |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Audit and Supervisory Committee | 3 | 1 | 1 | 2 | Inside Directors |

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MORIROKU HOLDINGS COMPANY, LTD.

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| Assignment of Directors and employees to assist the Audit & Supervisory Committee in its duties | Yes |
|---|-----|

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

The Company assigns Audit & Supervisory Committee staff to the Audit Committee Office to assist the Audit & Supervisory Committee in its duties. Audit & Supervisory Committee staff who are to assist the Audit & Supervisory Committee in its duties perform such assistance work under the direction and orders of the Audit & Supervisory Committee, and are not subject to the direction and orders of officers and employees of the Company.

Status of cooperation among the Audit & Supervisory Committee, Accounting Auditor and Internal Audit division

The Audit & Supervisory Committee exchanges information regularly with the Internal Auditing Division, and also exchanges opinions with the Accounting Auditor and the Internal Audit Dept. on their audit plans and results, etc., and conducts audits through mutual cooperation, while considering the independence of each.

[Voluntary committee]

| | |
|--|-----|
| Any voluntary committee equivalent to Nomination Committee or Compensation Committee | Yes |
|--|-----|

Status of establishment of voluntary committees, composition of members, and attributes of Chairperson

Voluntary committee equivalent to Nomination Committee

| Name of Committee | | | Nomination & Remuneration Advisory Committee | | | |
|-------------------|------------------|-------------------|--|----------------|--------|------------------|
| Number of Members | Full-time Member | Internal Director | Outside Director | Outside Expert | Others | Chairperson |
| 4 | 0 | 1 | 3 | 0 | 0 | Outside Director |

Voluntary committee equivalent to Compensation Committee

| Name of Committee | | | Nomination & Remuneration Advisory Committee | | | |
|-------------------|------------------|-------------------|--|----------------|--------|------------------|
| Number of Members | Full-time Member | Internal Director | Outside Director | Outside Expert | Others | Chairperson |
| 4 | 0 | 1 | 3 | 0 | 0 | Outside Director |

Supplementary Notes

With regard to the nomination and remuneration of Directors, the Company has established a voluntary Nomination & Remuneration Advisory Committee, chaired by an independent Outside Director, as an advisory body to the Board of Directors, as it is necessary to strengthen the independence and objectivity, and accountability of the Board of Directors' functions.

As of the date of submission of this report, the Nomination & Remuneration Advisory Committee consists of four members, Mr. Koichiro Shibata (Outside Director), Mr. Kenichi Hirai (Outside Director), Ms. Hitomi Yokote (Outside Director), and Mr. Naoki Kurose (Representative Director), three of whom are Outside Directors, and the majority of members are Outside Directors to enhance the independence and objectivity of the Committee.

In FY2023, meetings of the Nomination & Remuneration Advisory Committee were held ten times in total to deliberate and report to the Board of Directors on the nomination of candidates for Director, the succession plan for the President, and the system and level of remuneration for Directors. In addition, the Committee deliberates on important human resource issues, such as the skills matrix of Directors, to ensure that the Board of Directors can sustainably fulfill its functions, and also supervises the election of executive officers. The Nomination & Remuneration Advisory Committee fulfills the functions of both a Nominating Committee and a Compensation Committee.

[Independent Officers]

| | |
|--------------------------------|---|
| Number of Independent Officers | 6 |
|--------------------------------|---|

Other matters concerning Independent Officers

The Company has designated all Outside Directors who meet the qualifications for Independent Officer as Independent Officers.

The Independent Outside Director Council, consisting of Independent Outside Directors, has been

established and meets regularly. The Council exchanges information and shares awareness on the Company's management policies and the improvement of management based on its independent and objective position, and advises on the Company's business execution as necessary.

[Incentives]

| | |
|---|--|
| Implementation status of measures concerning provision of incentives to Directors | Introduction of performance-linked remuneration system |
|---|--|

Supplementary Note on Applicable Items

The performance-linked remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of bonuses and performance-linked stock-based remuneration, and the ratio of performance-linked remuneration to total remuneration shall be approximately 35%.

Bonuses are short-term incentive remuneration and are performance-linked monetary remuneration that fluctuates based on the performance for each fiscal year. The amount is calculated by multiplying the monthly fixed basic remuneration by a certain coefficient and multiplying the resulting amount by a coefficient that is based on the degree of achievement of the targets for consolidated net sales (evaluation weight: 50%) and consolidated operating income (evaluation weight: 50%) (100% when targets are achieved, fluctuating between 0% and 180%), and is paid at a certain time each year.

Stock-based remuneration is performance-linked, restricted stock-based remuneration as an incentive for medium- to long-term performance and enhancement of corporate value, and is subject to change based on performance, management indicators, etc. It shall, in principle, be granted in the first year of the medium-term management plan. The granting of shares during the tenure of office aims to promote further value-sharing with shareholders. The number of shares to be granted is set as a percentage of the basic remuneration, and the financial indicator (consolidated net sales and consolidated operating income for the final year of the 13th Medium-term Management Plan) and the sustainability indicator (enhancement of the reduction ratio of GHG emissions and employee engagement) listed in the Medium-term Management Plan are used as the conditions for the lifting of the restrictions on transfer upon achievement of targets linked to the indicators or according to the degree of achievement of the targets.

Persons eligible for stock options

Supplementary Note on Applicable Items

[Directors' remuneration]

| | |
|----------------------|---|
| Status of disclosure | Individual remuneration is not disclosed. |
|----------------------|---|

Supplementary Note on Applicable Items

The Company discloses the total amount of remuneration to Directors and Audit & Supervisory Board Members in the Annual Securities Report and Business Report.

| | |
|---|-----|
| Any policy for determining the amount of remuneration or its calculation method | Yes |
|---|-----|

Disclosure of the policy for determining amount of remuneration or its calculation method

The Company positions the remuneration system for Directors as "a mechanism to secure, maintain, and motivate human resources essential for sustainable growth, based on the Company's Basic Approach to Corporate Governance, in order to achieve sustainable enhancement of corporate value," and builds and operates the system based on the following principles.

- Remuneration amounts shall be determined so that short-, medium- and long-term performance and corporate value are enhanced
- Remuneration amounts shall be determined so that we can retain human resources essential for sustainable growth
- Remuneration shall be managed in accordance with duties, contribution to performance, business conditions, etc., based on management indicators that the Company considers important

- Amounts shall be determined through an appropriate process that ensures objectivity and transparency

The Board of Directors delegates to the Representative Director, President and CEO the authority to determine the fixed basic remuneration and bonuses for individual Directors (excluding Directors who are Audit & Supervisory Committee Members).

Such authority includes the determination of the amount of fixed basic remuneration for each Director and the amount of bonus based on the performance of each Director for the relevant fiscal year. The Board of Directors requests advice from the Nomination & Remuneration Advisory Committee and receives its report to ensure that the said authority is exercised appropriately by the Representative Director, President and CEO, and the Representative Director, President and CEO determines the amounts based on said report. For stock-based remuneration, the Board of Directors will resolve the number of shares to be allocated to each Director based on the report of the Nomination & Remuneration Advisory Committee.

The level of remuneration is verified by comparison with that of major companies of the same size as the Company, while considering the Company's business operations and environment

- a) The remuneration system for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

The remuneration, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of fixed basic remuneration, bonuses and performance-linked stock-based remuneration.

- (i) Fixed basic remuneration

This shall be monthly fixed monetary remuneration determined for each position based on the significance of responsibilities.

- (ii) Bonuses

Bonuses shall be short-term incentive remuneration and shall be performance-linked monetary remuneration that fluctuates based on the performance for each fiscal year. The amount is calculated by multiplying the monthly fixed basic remuneration by a certain coefficient and multiplying the resulting amount by a coefficient that is based on the degree of achievement of the targets for consolidated net sales (evaluation weight: 50%) and consolidated operating income (evaluation weight: 50%) (100% when targets are achieved, fluctuating between 0% and 180%), and is paid at a certain time each year.

- (iii) Stock-based remuneration

- This shall be performance-linked, restricted stock-based remuneration as an incentive for medium- to long-term performance and enhancement of corporate value, and shall be subject to change based on performance, management indicators, etc.
- It shall, in principle, be granted in the first year of the medium-term management plan. The granting of shares during the tenure of office aims to promote further value-sharing with shareholders.
- The number of shares to be granted is set as a percentage of basic remuneration.
- Using the major management indicators listed in the Medium-term Management Plan, the restriction on transfer shall be lifted subject to the achievement of the targets linked to the indicators or according to the degree of achievement of the targets.

- (iv) Composition ratio of remuneration

The ratio of fixed basic remuneration, bonuses and stock-based remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) shall be set at approximately 65:25:10.

- (v) Return of remuneration, etc. (the malus clause and the claw back clause)

For the purpose of ensuring the soundness of the remuneration system, in the event of a certain incident, such as a significant violation of internal rules or other illegal act, or a significant accounting or other error or fraud that affects the indicators used as the basis for calculating the remuneration amount, the Company may request forfeiture of unpaid remuneration (the malus clause) and return of paid remuneration (the claw back clause), meaning bonuses and stock-based remuneration, based on the decision of the Board of Directors after deliberation by the Nomination & Remuneration

Advisory Committee.

- b) The remuneration system for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members)

The remuneration shall consist solely of monthly fixed monetary remuneration, emphasizing further strengthening of their independence from management.

- c) The remuneration system for Directors who are Audit & Supervisory Committee Members

The remuneration shall consist solely of monthly fixed monetary remuneration, emphasizing further strengthening of their independence from management. The amount of remuneration for Directors who are Audit & Supervisory Committee Members shall be determined through discussion among Directors who are Audit & Supervisory Committee Members.

[Support Structure for Outside Directors]

To the Outside Directors, Directors and the Secretariat provide timely explanations, as necessary, of the contents of proposals, etc. to be submitted to the Board of Directors.

In addition, full-time Audit & Supervisory Committee Members and the Secretariat provide explanations as necessary to Outside Directors who are Audit & Supervisory Committee Members regarding the content of proposals, etc. to be submitted to the Board of Directors, and full-time Audit & Supervisory Committee Members report the results of on-site inspections and other information obtained through daily audits to the Audit & Supervisory Committee for information sharing.

[Status of persons who have resigned as the President and Representative Director, etc.]

Name and other information of Executive Advisors, Counselors, etc. who formerly served as the President and Representative Director, etc.

| Name | Title and position | Duties | Work pattern and conditions | Date of resignation as the President, etc. | Term of office |
|----------------|--------------------|--|------------------------------|--|-----------------------------|
| Takashi Kurita | Executive Advisor | Handover of the role to the new President to ensure stable management succession | Full-time, with compensation | 2024/06/18 | One year from June 18, 2024 |

| | |
|---|---|
| Total number of Executive Advisors, Counselors, etc. who formerly served as the President and Representative Director, etc. | 1 |
|---|---|

Other matters

From the perspective of clarifying management responsibility and strengthening corporate governance, the Company abolished the Executive Advisor and Counselor system, which had been stipulated as the post-retirement treatment system of Directors and Executive Managing Officers, on June 18, 2024.

After the retirement of an officer, only in cases where the former officer's knowledge in a particular field is considered to be particularly useful in the execution of business operations, the Company concludes a delegation agreement for a limited term of up to one year to appoint the former officer as an advisor, after deliberation by the Nomination & Remuneration Advisory Committee and with the approval of the Board of Directors.

2. Matters Related to Business Execution, Auditing and Supervision, Nomination, Remuneration Decision and Other Functions (Overview of Current Corporate Governance System)

[Board of Directors]

In order to enable substantive discussions at the Board of Directors meetings, the Articles of Incorporation of the Company stipulate that the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be nine or less, and the number of Directors who are Audit & Supervisory Committee Members shall be five or less.

In accordance with the Board of Directors Regulations, the Board of Directors holds regular meetings once a month and extraordinary meetings as necessary to make decisions on important management matters and supervise business execution.

As of the date of submission of this report, there are six Directors (excluding Directors who are Audit & Supervisory Committee Members) and three Directors who are Audit & Supervisory Committee Members, six of whom are Outside Directors, and all six have been registered with the financial instruments exchange as Independent Officer.

Information related to the execution of duties by Directors is appropriately and reliably stored and managed, and is maintained in a condition where it can be viewed as necessary.

In FY2023, the Board of Directors met 20 times in total. Specific matters discussed by the Board of Directors include various management issues such as management policies, corporate governance, and sustainability, as well as priority business issues and matters related to business execution.

[Audit & Supervisory Committee]

The Audit & Supervisory Committee, consisting of three Directors who are Audit & Supervisory Committee Members, discusses important matters concerning auditing. The Audit & Supervisory Committee, chaired by a Director who is a full-time Audit & Supervisory Committee Member, meets once a month in principle, and holds extraordinary meetings as necessary.

Directors who are full-time Audit & Supervisory Committee Members audit the execution of duties by gathering necessary information through attending important meetings, inspecting important documents, and cooperating with the Accounting Auditor and the Internal Auditing Division.

As of the date of submission of this report, the Audit & Supervisory Committee consists of three Directors who are Audit & Supervisory Committee Members, two of whom are Outside Directors, and both have been registered with the financial instruments exchange as Independent Officer.

[Management Meeting]

The Management Meeting deliberates and decides on important matters concerning corporate management, including management policies and management strategies of the Group. To ensure enhanced deliberation and proper decision-making, particularly important matters are discussed thoroughly at the Management Meeting before being submitted to the Board of Directors. The Meeting shall be held once a month and shall be attended by Directors who are full-time Audit & Supervisory Committee Members.

[Executive Officer System]

The Company has introduced an Executive Officer System in order to divide the roles of management supervision and business execution functions.

As of the date of submission of this document, Executive Officers is currently six, including two who concurrently serve as a Director.

[Accounting Audit]

The Company is audited by KPMG AZSA LLC.

Certified public accountants who performed the accounting audit of the Company are as follows:

- Shinya Mikami
- Atsushi Nagata

[Outline of Contracts for Limitation of Liability]

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and each Director (excluding those who are Executive Directors, etc.) have entered into an agreement to limit their liability for damage provided for in Article 423, Paragraph 1 of the same Act.

The maximum amount of liability for damages under the said agreement shall be the higher of either 1 million yen or the amount stipulated by laws and regulations.

3. Reasons for Selecting Current Corporate Governance System

The Company transitioned to a company with the Audit & Supervisory Committee pursuant to a resolution of

the 109th Ordinary General Meeting of Shareholders held on June 18, 2024.

The Company has strengthened the supervisory function of the Board of Directors by including Audit & Supervisory Committee Members, who are responsible for auditing the execution of duties by Directors, among the members of the Board of Directors, thereby further enhancing corporate governance by further strengthening the monitoring system. The Board of Directors broadly delegates decision-making authority on business operations to Directors. Through these measures, the Company separates the business execution function from the supervisory function, and expedites management decision-making, in order to further enhance its corporate value.

Outside Directors have abundant experience in business management, advanced expertise in finance, accounting, legal affairs, etc. and broad knowledge and experience in human resource development, and provide advice from diverse perspectives. In addition, the Company strengthens the supervisory function of the Board of Directors and achieves fair and highly transparent management through the appointment of several Outside Directors and establishment of the Nomination & Remuneration Advisory Committee.

III. Implementation Status of Measures Concerning Shareholders and Other Interested Parties

1. Status of Initiatives to Revitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

| | Supplementary Notes |
|--|---|
| Early dispatch of convocation notices for General Meeting of Shareholders | The Company has made efforts to send out the convocation notice early and also post it on the Company's website. |
| Scheduling shareholder meetings to avoid scheduling conflicts with other shareholder meetings | The Company endeavors to hold the Ordinary General Meeting of Shareholders as early as possible. |
| Exercise of voting rights by electromagnetic means | The Company has implemented the exercise of voting rights through electromagnetic methods. |
| Participation in the Electronic Voting Platform and other enhancements for institutional investors to exercise their voting rights | The Company has participated in a voting rights platform for institutional investors operated by ICJ, Inc. |
| Provision of Convocation Notice (Summary) in English | The Company has prepared an English translation of the Convocation Notice (Summary) and posted it on the Company's website. |
| Other | The Company takes measures to provide information electronically through the Company's website, the website of the Tokyo Stock Exchange, etc. In addition, after the General Meeting of Shareholders is held, the Company posts the notice of resolutions, the extraordinary report (results of the exercise of voting rights), videos, and other information on the Company's website. |

2. Status of IR Activities

| | Supplementary Notes | Explanation by Representative |
|---|---|-------------------------------|
| Preparation and publication of disclosure policy | The Company has prepared its IR policy and posted it on the "Investors" page of the Company's website. | |
| Periodic briefings for individual investors | The Company holds briefings for individual investors several times a year. The Company also disseminates information through "Investor-related news release" in the "Investors" section of the Company's website. | Yes |
| Periodic briefings for analysts and institutional investors | The Company holds briefings on financial results twice a year: for the full fiscal year and the second quarter (planned), and explanatory materials are posted on the Company's website. Additionally, the Company holds individual meetings with institutional | Yes |

| | | |
|---|--|------|
| | investors upon request. | |
| Periodic briefings for overseas investors | Although we do not hold briefings at present, we have translated our financial results, medium-term management plan, and corporate governance reports into English and posted them on our website. We will continue to make efforts to enhance the distribution of information for overseas investors. | None |
| Posting of IR materials on the website | Summary of financial results, business forecasts, and other timely disclosure documents, Annual Report, and Convocation Notice of General Meeting of Shareholders are posted on our website. (For details, please refer to https://www.moriroku.co.jp/ir/index.html) | |
| Establishment of IR department (person in charge) | The IR Department is responsible. | |

3. Status of Initiatives on Respect for Stakeholder Position

| | Supplementary Notes |
|---|--|
| Stipulation of respect for stakeholder position in internal rules, etc. | In order to respond to the demands of our stakeholders, we have established the "Moriroku Group Conduct Guidelines" as a guideline for actions to be taken by each and every officer and employee of the Group. |
| Implementation of activities for environmental conservation, CSR, etc. | In the business domains of Moriroku and its major operating companies, we have set objectives and targets and are working to reduce the environmental impact of our operations. We are also striving to earn the trust of society by raising the environmental awareness of all employees through education and communication activities, and by actively participating in local environmental activities. (For details, please refer to https://www.moriroku.co.jp/sustainability/environment/index.html) |
| Development of policies, etc. concerning the provision of information to stakeholders | As stated in "Basic Approach to Corporate Governance" and "Stipulation of respect for stakeholder position in internal rules, etc." above. |
| Others | <p>[Expanding support system for work-life balance]</p> <p>We have established an environment in which employees with individual restrictions, such as childcare and nursing care, can work with peace of mind and continue their careers. We have also implemented measures to support employees in balancing work and family life, such as paid child nursing care leave and short-term care leave, which exceed the legal standard (unpaid by legal standard).</p> <p>[Work style reform]</p> <p>We are working to create an environment where employees can increase their productivity and fully demonstrate their abilities, regardless of where they work, by promoting flexible work styles, such as the introduction of a flextime system and promotion of telecommuting.</p> <p>[Measures to ensure diversity]</p> <p>For measures to secure and encourage the promotion of diverse human resources, please refer to "Supplemental Principle 2-4-1: Ensuring diversity in appointment of core personnel, etc." in this report.</p> |

IV. Matters related to Internal Control System, etc.

1. Basic Approach to Internal Control System and Status of Its Development

The Group, consisting of the Company and its subsidiaries, recognizes that internal controls are an important factor for strengthening corporate governance, and is developing and operating an internal control system in accordance with the basic policies set by the Board of Directors of the Company.

1. A structure to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

[Basic Policy]

- (1) We shall formulate the "Moriroku Group Conduct Guidelines" regarding compliance with laws and regulations, internal rules, corporate ethics, etc. as conduct guidelines to be applied to officers and employees of the Group, and shall ensure thorough dissemination.
- (2) We shall establish and operate a "Compliance Consultation Desk" independent from the business execution line as a contact point for reporting and consultation regarding compliance with laws and regulations, internal rules, corporate ethics, etc. in the Moriroku Group.
- (3) We shall monitor the status of compliance with laws and regulations, internal rules, corporate ethics, etc. in the Group, and shall take the necessary corrective measures for any problems identified as a result of such monitoring.
- (4) Regarding the Group's internal control system, our Internal Auditing Division shall conduct internal audits on the status of development and operation of the system, and the Audit & Supervisory Committee shall monitor and verify the content of resolutions of the Board of Directors and the status of development and operation by Directors.

[Summary of development and operation status]

- (1) We have formulated the "Moriroku Group Conduct Guidelines" to be applied to officers and employees of the Group, and prepare and distribute a booklet on the Conduct Guidelines to ensure thorough dissemination.
- (2) The Company and its subsidiaries conduct compliance training on a regular basis to raise compliance awareness.
- (3) As a contact point for reporting and consultation regarding compliance with laws and regulations, etc. in the Group, we have set up the "Moriroku Group Internal Whistleblower Hotline and Inquiry Counter" both internally and externally, and regularly disseminate information on its establishment and take action on matters reported or consulted.
- (4) The Internal Auditing Division and Legal & Intellectual Property Division conduct audits or monitor the status of compliance with laws and regulations, etc. in the Group, and take the necessary corrective measures for any problems identified as a result of such audits or monitoring.
- (5) Regarding the Group's internal control system, the Internal Auditing Division audits the status of internal control promotion operations by the divisions in charge of internal controls. The Audit & Supervisory Committee verifies the content of resolutions of the Board of Directors and the status of development and operation of the internal control system.

2. A structure for storage and management of information related to the execution of duties by Directors

[Basic Policy]

Information related to the execution of duties by Directors shall be prepared, stored and managed in the form of documents or electromagnetic records in accordance with the "Board of Directors Regulations" and other internal rules related to document and information management, and a structure shall be established and operated to enable Directors to view such information as necessary.

[Summary of development and operation status]

In accordance with the "Board of Directors Regulations" and other internal rules related to document and information management, information related to the execution of duties by Directors is appropriately stored and managed by each department in charge, and will be made available for inspection by Directors as necessary.

3. Regulations and other systems for managing risk of loss

[Basic Policy]

In order to accurately identify, assess, and address various risks surrounding the Group's business, and ensure the continuity and stable growth of the Group's business, the Company works on risk management

in accordance with the following policies.

- (1) We shall establish a company-wide and comprehensive risk management system and promote risk management.
- (2) We shall identify and assess risks, consider and implement countermeasures, and carry out monitoring, correction and improvement systematically and repeatedly to continually enhance our capability to address risks.
- (3) In the event of a risk occurrence, we shall respond promptly and appropriately to minimize losses, and strive for prompt recovery and prevention of recurrence to maintain the trust of society.
- (4) In the event an accident or disaster risk occurs, we shall give the highest priority to human life, and strive to continue business operations as much as possible after securing the safety of officers and employees.
- (5) We shall raise awareness of risks through educational activities for officers and employees and sharing of risk information, and regularly endeavor to reduce the possibility of risk occurrences and to prevent and mitigate losses.
- (6) We shall periodically review the risk management system, including this basic policy, and continually improve it to ensure that risk management always functions effectively.

[Summary of development and operation status]

- (1) We have established the "Moriroku Group Risk Management Basic Policy" and "Moriroku Group Risk Management Regulations," and each company identifies, assesses and responds to risks, periodically reviews risk assessment and priority risks, and periodically confirms the status of response to priority risks at each company accordingly.
- (2) In order to respond quickly and accurately to accidents and disasters, we have established the "Domestic Crisis Management Regulations," "Overseas Crisis Management Regulations," and other internal regulations and guidelines for crisis management, and respond to accidents and disasters accordingly. In addition, emergency drills and safety confirmation drills are conducted on a regular basis every year.

4. A structure to ensure efficient execution of duties by Directors

[Basic Policy]

- (1) We shall establish and operate rules and systems concerning the division of duties, authority, and decision-making for appropriate and efficient business execution in the Group.
- (2) We shall formulate policies concerning business operations, including management policies, medium-term plans, and annual plans for the Company and the Group, and ensure that these policies are thoroughly communicated.

[Summary of development and operation status]

- (1) The Company has established the "Administrative Authority Regulations," "Table of Administrative Authorities," and "Division of Duties Regulations," and efficient decision-making and execution of duties will be conducted accordingly.
- (2) A three-year medium-term plan for the Group and annual business plan for each Group company have been established, and based on these plans, each company and department have formulated and are executing specific business promotion plans accordingly.

5. A structure to ensure proper operations of the corporate group consisting of the Company and its subsidiaries

[Basic Policy]

- (1) Regarding the execution of business by our subsidiaries, we shall organize contracts and operate rules and systems that mandate prior approval by and reporting to the Company.
- (2) We shall establish and operate a reporting system to promptly identify and respond to important issues, compliance problems, etc. in our subsidiaries.

[Summary of development and operation status]

- (1) Subsidiaries shall report to the Company as necessary on matters stipulated in the "Affiliated Company Management Regulations" and shall obtain the Company's approval on important matters, thereby establishing a cooperation structure within the Group.
- (2) The Company works to enhance the effectiveness of Directors by having the Audit & Supervisory Committee audit the execution of duties by Directors. Audit & Supervisory Committee Members appointed by the Audit & Supervisory Committee (hereinafter referred to as "Appointed Audit & Supervisory

Committee Member") attend important meetings, and audit the execution of duties by Directors in accordance with the audit policy and audit plan. Major subsidiaries enhance the effectiveness of Directors by having the Audit & Supervisory Committee audit the execution of duties by Directors.

- (3) Our Internal Auditing Division, in accordance with the "Internal Audit Regulations," oversees or conducts audits, including on subsidiaries, and works to establish cross-sectional risk management and compliance systems to ensure proper operations in an integrated manner.
- (4) In order to identify and respond to important issues and compliance problems at subsidiaries at an early stage, we have established a reporting system in the "Moriroku Group Basic Regulations for Internal Control System" and receive reports from subsidiaries on a regular and timely basis accordingly.

6. A structure to ensure appropriateness and reliability of financial reporting

[Basic Policy]

We shall establish basic policies for internal controls over financial reporting in the Group, and develop, operate, and assess the system necessary to ensure appropriateness and reliability of the financial reporting.

[Summary of development and operation status]

We have established the "Moriroku Group Basic Policy for Internal Control System over Financial Reporting" and the "Moriroku Group Basic Regulations for Internal Control System over Financial Reporting," and develop, operate and assess the system that is necessary to ensure appropriateness and reliability of the financial reporting accordingly.

7 . Matters concerning employees who are to assist the Audit & Supervisory Committee in its duties

[Basic Policy]

When requested by the Audit & Supervisory Committee, the Company shall assign Audit & Supervisory Committee staff to the Audit Committee Office to assist the Audit & Supervisory Committee in its duties.

[Summary of development and operation status]

Audit & Supervisory Committee staff perform duties under the direction and orders of the Audit & Supervisory Committee.

8 . Matters concerning securing independence of employees who are to assist the duties of the Audit & Supervisory Committee from Directors (excluding Directors who are Audit & Supervisory Committee Members) and ensuring the effectiveness of instructions to such employees

[Basic Policy]

- (1) Audit & Supervisory Committee staff who are to assist the Audit & Supervisory Committee in its duties shall perform such assistance work under the direction and orders of the Audit & Supervisory Committee, and shall not be subject to the direction and orders of officers and employees of the Company.
- (2) Personnel change, evaluation, and disciplinary action regarding such Audit & Supervisory Committee staff shall be determined with the prior consent of the Audit & Supervisory Committee.

[Summary of development and operation status]

The Audit & Supervisory Committee staff perform their duties under the direction and orders of the Audit & Supervisory Committee, and any personnel change, evaluation, and disciplinary action will be decided with the prior consent of the Audit & Supervisory Committee.

9 . Reporting system to the Audit & Supervisory Committee

[Basic Policy]

- (1) Officers and employees of the Group shall report matters related to the execution of the Group's business operations in accordance with internal rules or at the request of Appointed Audit & Supervisory Committee Members.
- (2) We shall ensure that Appointed Audit & Supervisory Committee Members have the opportunity to attend important meetings and shall grant them the authority to inspect the agenda materials, minutes and other meeting documents.
- (3) Our Internal Auditing Division shall report the internal audit results of the Company and its subsidiaries to the Audit & Supervisory Committee.
- (4) We shall establish and operate a system to ensure that those who report to the Audit & Supervisory

Committee are not treated disadvantageously for the reason that they made such reports.

[Summary of development and operation status]

- (1) Officers and employees of the Group report matters related to the execution of business operations in accordance with internal rules or at the request of Audit & Supervisory Committee Members.
- (2) We shall ensure that full-time Audit & Supervisory Committee Members have the opportunity to attend important meetings and shall grant them the authority to inspect the agenda materials, minutes and other meeting documents.
- (3) Our Internal Auditing Division reports the internal audit results of the Company and its subsidiaries to the Audit & Supervisory Committee.
- (4) The Company has established internal regulations to ensure that officers and employees who have made whistle-blowing reports to the Audit & Supervisory Committee are not treated unfavorably on the basis of such reports, and operates accordingly.

10. Matters concerning treatment policy on expenses and debts arising from execution of duties by Audit & Supervisory Committee Members (limited to execution of duties for the Audit & Supervisory Committee)

[Basic Policy]

We shall process expenses and debts arising from the execution of duties by Audit & Supervisory Committee Members, except in cases where it is recognized that such expenses and debts are not necessary for the execution of Audit & Supervisory Committee Members' duties.

[Summary of development and operation status]

Expenses incurred in the execution of duties by Audit & Supervisory Committee Members are budgeted in the amount deemed necessary by the Audit & Supervisory Committee, and the Company bears the actual expenses incurred.

11 . Other structures to ensure effective audits conducted by the Audit & Supervisory Committee

[Basic Policy]

- (1) The President and Representative Director and other Directors (excluding Directors who are Audit & Supervisory Committee Members) shall hold meetings with the Audit & Supervisory Committee as necessary to ensure smooth communication.
- (2) We shall establish and operate a system to ensure mutual cooperation between the Audit & Supervisory Committee, our Internal Auditing Division and Accounting Auditor, such as exchanging information on audit results.
- (3) If the Audit & Supervisory Committee gives specific instructions, our Internal Auditing Division shall perform its duties in accordance with such instructions.

[Summary of development and operation status]

- (1) The Audit & Supervisory Committee holds meetings with the President and Representative Director and other Directors (excluding Directors who are Audit & Supervisory Committee Members) as necessary to foster communication.
- (2) The Audit & Supervisory Committee holds monthly meetings with our Internal Auditing Division and quarterly meetings with the Accounting Auditor to exchange information and promote mutual cooperation.
- (3) If the Audit & Supervisory Committee gives specific instructions, our Internal Auditing Division performs its duties in accordance with such instructions.

2. Basic Approach to Elimination of Antisocial Forces and Status of Its Development

1. Basic approach to eliminating antisocial forces

We have established the "Moriroku Group Basic Policy on Antisocial Forces" as follows: (1) We shall cut off all relations, including transactions, with antisocial forces:

- (1) We shall cut off all relations, including transactions, with antisocial forces.
- (2) We shall not provide any funds or conduct any backroom transactions with antisocial forces.
- (3) We shall establish a system to deal with antisocial forces, and the entire organization will take action.
- (4) We shall take appropriate measures against antisocial forces in cooperation with the police and other external specialized organizations.
- (5) We shall take legal action, both civil and criminal, against unreasonable demands from antisocial forces.

2. Developing a structure to eliminate antisocial forces

The Company has established the "Regulations for Dealing with Antisocial Forces" and takes the following measures:

- (1) Respond as an organization to unreasonable demands, etc. from antisocial forces, by appointing a Director in charge of general affairs as a chief officer to supervise the response to antisocial forces, and assigning the general affairs division as the main department in charge of managing the response to antisocial forces, as well as to assign a manager for preventing unreasonable demands at each base.
- (2) Investigate new business partners at the commencement of transactions and ongoing business partners on a regular basis to ensure that they do not fall under the category of antisocial forces, and conclude a contract or memorandum to the same effect that includes a clause to eliminate antisocial forces when concluding a transaction contract.
- (3) Investigate employees to be hired to ensure that they do not fall under the category of antisocial forces, and obtain a written pledge that includes a clause to eliminate antisocial forces upon joining the company.

V. Others

1. Introduction of Takeover Defense Measure

| | |
|--|------|
| Introduction of Takeover Defense Measure | None |
|--|------|

Supplementary Note on Applicable Items

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2. Other Matters Concerning Corporate Governance System, etc.

[Timely disclosure system]

The Group Management Philosophy and Conduct Guidelines uphold the following six principles: Compliance, Respect for life and dignity, Customer satisfaction, Contribution to society, Progressive spirit, and Total cooperation. We comply with domestic and international laws and regulations, and aim to be a trusted corporate group through fair and impartial corporate activities. Based on the Philosophy and Guidelines, we have established and are operating an internal system to appropriately disclose corporate information in a prompt, accurate and fair manner, and will continue to strengthen the system.

The officer in charge of IR and the IR Department shall be responsible for handling information as Information Controller and Information Controlling Department, respectively, develop an internal information communication and management system, and assess information, prepare materials, and conduct timely disclosure. They shall do so in close cooperation with the Corporate Planning Division, Human Resources Division, Administrative Division, Accounting & Finance Division, Information System Division, Legal & Intellectual Property Division, Sustainability Promotion Division, Corporate Communications Division, Business Planning Division, and administrative divisions of affiliated companies.

1. Information related to decision-making facts and financial information, etc.

(1) Information on decision-making facts

The IR Department shall obtain in advance the agenda items of the Board of Directors' meetings and other important meetings, and obtain the meeting minutes without delay after the completion of the meetings. In addition, the Division consolidates information on matters for approval, investigates whether or not there are any decision-making facts regarding the Company and its affiliates that are subject to timely disclosure, reports the results to the Information Controller or Representative Director, and, if applicable, immediately prepares materials for timely disclosure on the Timely Disclosure Network (TDnet) and the Company's website.

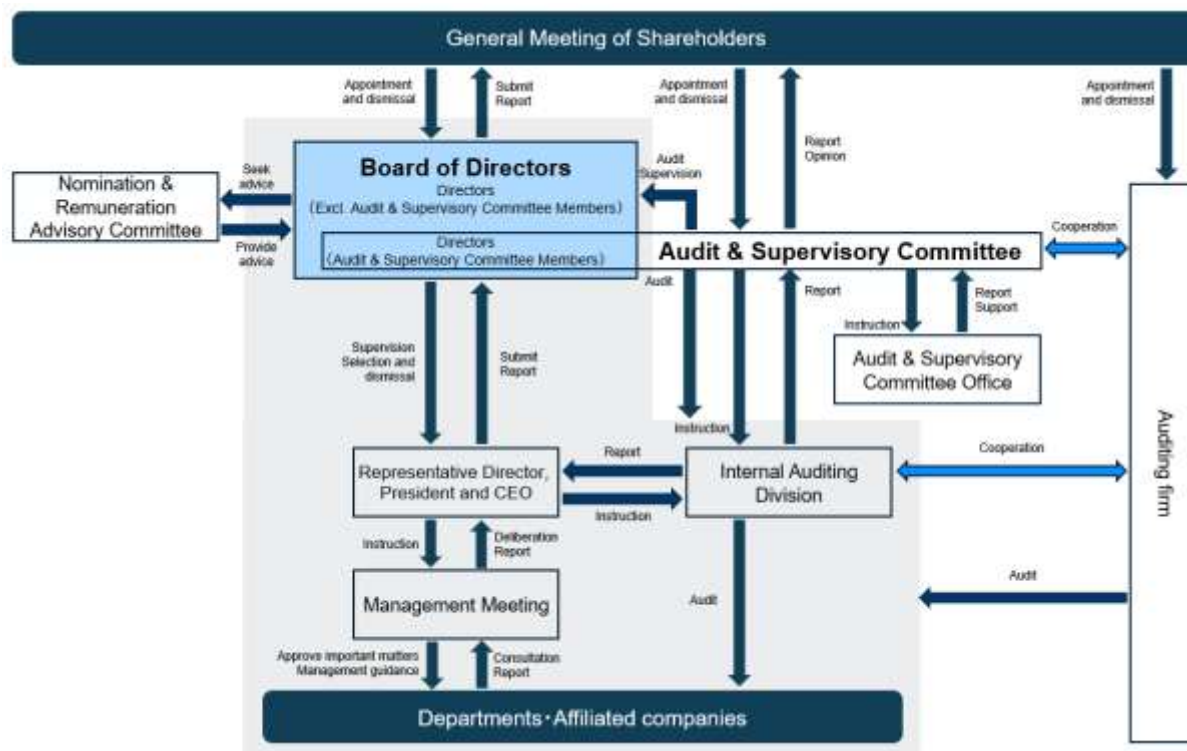
(2) Information on financial results

The IR Department, led by the Accounting & Finance Division, prepares financial disclosure materials (financial statements and quarterly summary of financial statements) jointly with the Human Resources Division, Administrative Division, Legal & Intellectual Property Division, Internal Auditing Division, and administrative divisions of affiliated companies. The results of such information are reported to the Information Controller or Representative Director, and the IR Department shall disclose the information on TDnet and the Company's website in a timely manner basically after a resolution by the Board of Directors.

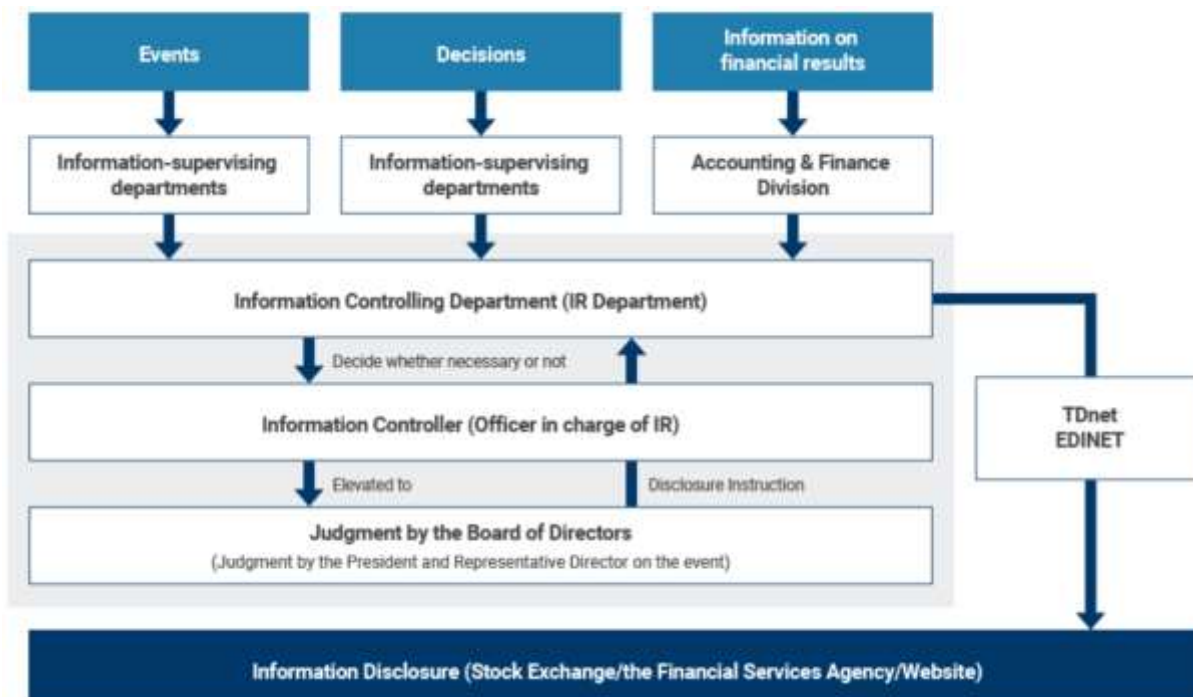
2. Information on the fact of event

Accidents, disasters, and other incidents that occur at the Group companies are reported from the department in charge of the Group and the plant or other business office where the incident occurred to the Human Resources Division, Administrative Division, Accounting & Finance Division, Information System Division, Legal & Intellectual Property Division, Sustainability Promotion Division, Corporate Communications Division, Business Planning Division, or administrative divisions of affiliated companies. Such information is consolidated by the IR Department, which investigates whether or not there are any events that are subject to timely disclosure by the Company and its affiliates, reports the results to the Information Controller or Representative Director, and if applicable, immediately prepares materials for timely disclosure on TDnet and the Company's website.

[Diagram: Reference Document]



[Diagram: Overview of Timely Disclosure System]



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

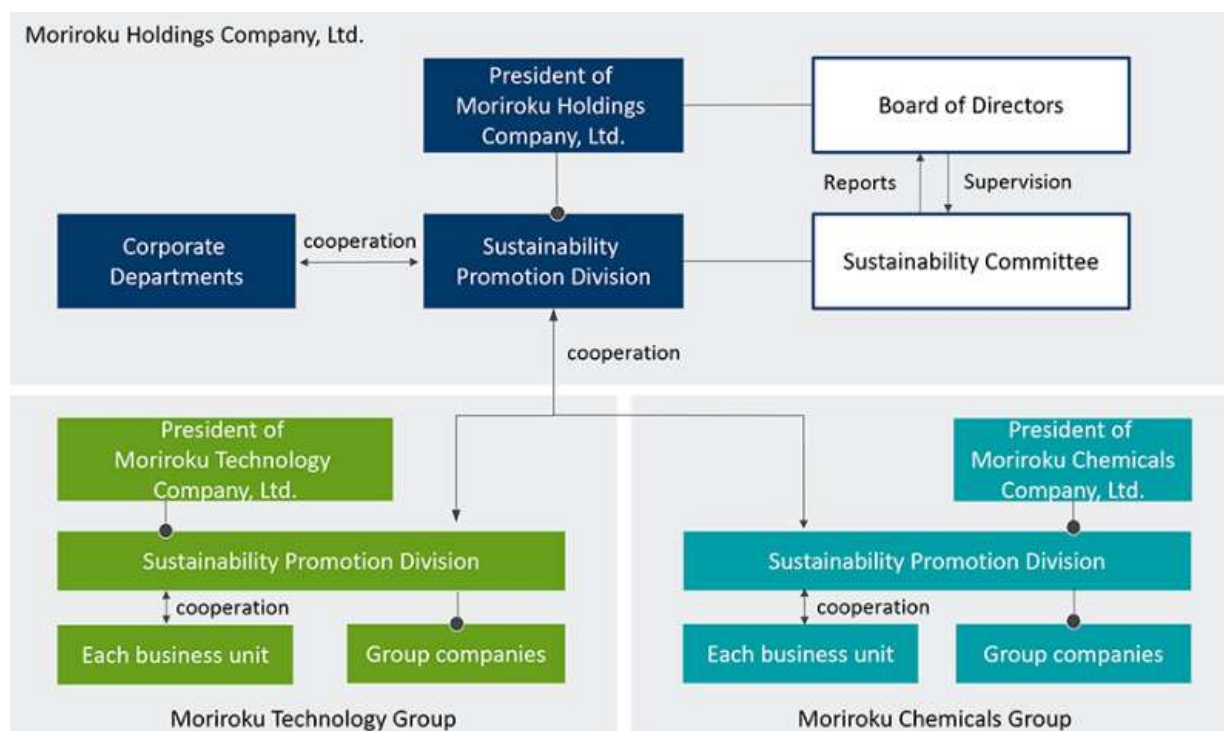
MORIROKU HOLDINGS COMPANY, LTD.

[Knowledge and experience of the Company's Directors and Audit & Supervisory Board Members]

| | Name | Position | Gender | Corporate management | Legal affairs and risk management | Finance and accounting | Global experience | Business strategy | Knowledge in business and industry | Human resources development and diversity | Sustainability |
|---|------------------|---------------------|--------|----------------------|-----------------------------------|------------------------|-------------------|-------------------|------------------------------------|---|----------------|
| Directors (Excluding Directors who are Audit and Supervisory Committee Members) | Naoki Kurose | | Male | ○ | | | ○ | ○ | ○ | | ○ |
| | Koichi Kikuchi | | Male | ○ | | ○ | ○ | ○ | | | |
| | Koichiro Shibata | Outside Independent | Male | | ○ | | | | | | ○ |
| | Kenichi Hirai | Outside Independent | Male | ○ | | ○ | ○ | ○ | ○ | | |
| | Ryo Otsuka | Outside Independent | Male | ○ | | | ○ | | ○ | | ○ |
| | Hitomi Yokote | Outside Independent | Female | ○ | | | ○ | | | ○ | ○ |
| Directors who are Audit and Supervisory Committee Members | Koichi Tada | | Male | | ○ | ○ | ○ | | | | |
| | Fujio Furukawa | Outside Independent | Male | | ○ | ○ | | | | | |
| | Chiaki Tsuji | Outside Independent | Female | | ○ | | ○ | | | | ○ |

Note: The above list does not represent all the knowledge and experience of Directors and Audit & Supervisory Board Members.

[Sustainability promotion system]



Morioku Group's Key Sustainability Issues (Materiality Matrix)

 : Most important tasks

● Business (product and technology) issues ● Social issues ● Environmental issues ● Issues related to strengthening the management base

