

Message from outside directors

Leveraging my national and local government experience in Board of Directors discussions

Tatsushi Mochizuki
Director



What I consider my role as an outside director

From work creating laws and other systems to work in which I directly interfaced with residents, my past experience in the Ministry of Internal Affairs and Communications (MIC) and six different local government agencies has spanned all aspects of local government. My roles in local government have been wide ranging, including in human services, education, environment, disaster management, industrial promotion, informatization, and building everyday infrastructure. Based on that experience in the MIC and local government agencies, I try to speak mainly from the perspectives of residents, communities, and government in Board of Directors meetings.

Our Group has made “delivering solutions to social issues through our business” into its eternal mission. We must gain the understanding of various stakeholders such as shareholders, investors, service users, clients and partners, and local communities, in order to seek not only our own profitability but also solutions to social issues. Seeing our Group’s businesses from the perspectives of residents, communities, and governments respectively, I hope to aid in achieving our Group’s mission of delivering solutions to social issues.

Composing the Board of Directors with diversity in mind as chair of the Nomination Committee

I serve as chair of the Nomination Committee which has the duties of deliberating on matters such as the nomination of candidates for directors and dismissal of directors, and providing the necessary reports to the Board of Directors. The majority of the members are outside directors, with three being outside directors and two inside directors. Director candidates are nominated through deliberations in the Nomination Committee. The President and CEO then gives recommendations, suitability of the candidates is deliberated in the Board of Directors, after which offers are made and motions sent to the General Meeting of Shareholders.

In nominating director candidates, it is important to first sufficiently discuss the composition of the Board of Directors

with the perspective of diversity in mind. Our Board of Directors meetings must be a forum where various opinions are exchanged for the purpose of increasing the value of our business, equipped with a good balance in terms of gender, professional background, age, specialization, and other factors. We are doing our best to nominate specific candidates through comprehensive decisions on attributes such as character, insight, moral character, ability to get things done, and decision making skills, taking the importance of diversity into consideration.

Shared awareness in the Board of Directors about the importance of sustainability

The Board of Directors also has vigorous discussions on the topic of sustainability. Sustainability of the environment and society is fundamental to the continuity of our business. “Sustainability” is a term that had primarily been used in the environmental field in the past, but its application has broadened in recent years. Now it is discussed as being linked to the responsibilities companies have toward society as a whole. Companies are heavily expected to engage in business activities that take environmental, economic, and social impact into sufficient consideration.

In 2024, we established our Human Rights Policy and Procurement Policy. In Board of Directors discussions on our Human Rights Policy, we affirmed that “respect for human rights is an important corporate social responsibility for all aspects of our business activities.” In discussing our Procurement Policy, we decided to “commit to environmental conservation and reducing our environmental impact throughout the entire supply chain” and to “ensure that transactions with suppliers are conducted in a fair and unbiased manner, treating them as equal partners.”

The Board of Directors has a shared awareness about the importance of sustainability. It is only with sustainability that we are even able to engage in these business activities in the first place. We need to have even more in-depth discussions on how to get stronger in that regard.

Compelled to bring new businesses to maturity leveraging my management experience at an engineering company

Keiji Yoshida
Director



Taking the stance of clarifying my doubts from an outsider’s perspective to contribute to Board of Directors deliberations

From expanding business domains to unearthing new businesses, projects, and more, I have been involved in many cases and projects in the management of an engineering company. Here, we also now find ourselves in a major transformation period. Looking at the business portfolio as well, the telecommunications construction domain which had traditionally been the main focus is already down to about 40% of the portfolio, while urban infrastructure and the system solutions field comprise an increasingly larger portion each year. Proposals such as M&A cases seeking to expand our business domains have also been deliberated at nearly every Board of Directors meeting recently.

All of these cases are proposed confidently after sufficient consideration in the related departments. However, since they are new businesses, they contain at least a little risk. Rather than taking a negative stance on that, I elicit explanations regarding my doubts from an outsider’s perspective. I think it is important to bring cases to maturity through that process. My aim is to continue making my experience useful in bringing more cases to maturity going forward.

Strengthening governance of Group companies is imperative

We have conducted many M&A transactions over these past few years, and the number of Group companies has grown significantly. What we need to further strengthen in terms of governance is the management of these Group companies.

In the Board of Directors, we are also receiving regular reports on the status of Group companies and following up on the problematic cases every month. For companies that joined the Group via M&A, we receive regular reports after analyzing their financial targets, progress of synergies, and capital efficiency, among other factors.

I think one of the roles of outside directors is to

recommend bold proposals for dealing with problems when they arise, and I also consider it imperative to build governance systems that can preemptively prevent them. To that end, it is important to share information with Group companies and get on the same page with their management. Currently, we are sharing information through exchanges of personnel and DX implementation, and aligning management direction in meetings with presidents of Group companies. I look forward to seeing the fruits of these efforts.

Diversity among human resources is key to building a company’s value





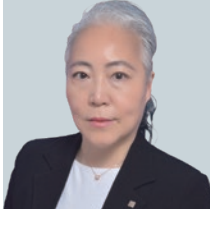
Outside-the-box thinking and swift decision-making are essential to a company’s continuous growth in a rapidly changing business environment. From that perspective, I think human resources policy is particularly important in terms of bolstering sustainability.

We are also frequently having human resources-related discussions in Board of Directors meetings. With Japan’s population of young people rapidly declining, it is no exaggeration to say that a company’s future hinges on how well it can secure, develop, and allocate diverse human resources. Along with diversifying our hiring sources, we have been implementing learning and development programs for global personnel, engineers, and our leaders, and the results are starting to show. It is essential to allocate diverse personnel to important positions such as management. We are making progress in areas such as promoting women to operating officer roles, but I hope we can utilize diverse personnel to an even greater extent.

Directors

 <p>Tetsuya Funabashi President and CEO Born in 1956 Director tenure: 6 years Number of the Company's shares held: 80,000</p>	 <p>Koji Tanaka Director and Managing Operating Officer, Representative of West Japan Head Office and Branch Manager of Kansai Branch Born in 1968 Director tenure: Appointed in June 2024 Number of the Company's shares held: 3,000</p> <p>Newly appointed</p>
 <p>Keigo Kajimura Executive Vice President and Representative Director Born in 1965 Director tenure: Appointed in June 2024 Number of the Company's shares held: 2,000</p> <p>Newly appointed</p>	 <p>Yasushi Kohara Director Born in 1953 Director tenure: 6 years Number of the Company's shares held: 5,000</p> <p>Outside Independent</p>
 <p>Koichi Mino Director and Executive Operating Officer, General Manager of Corporate Planning Division Born in 1960 Director tenure: 4 years Number of the Company's shares held: 65,000</p>	 <p>Naoko Iwasaki Director Born in 1975 Director tenure: 5 years Number of the Company's shares held: 0</p> <p>Outside Independent</p>
 <p>Noriyuki Watabe Director and Executive Operating Officer, General Manager of Electrical, Environment, and Smart Energy Headquarters Born in 1958 Director tenure: 2 year Number of the Company's shares held: 26,000</p>	 <p>Tatsushi Mochizuki Director Born in 1956 Director tenure: 4 years Number of the Company's shares held: 3,000</p> <p>Outside Independent</p>
 <p>Yuichi Koyama Director and Managing Operating Officer, General Manager of Group Business Promotion Division Born in 1959 Director tenure: 7 years Number of the Company's shares held: 51,000</p>	 <p>Keiji Yoshida Director Born in 1953 Director tenure: 3 years Number of the Company's shares held: 5,000</p> <p>Outside Independent</p>
 <p>Fumitoshi Imaizumi Director and Managing Operating Officer, General Manager of Global Business Department Managing Director and President, Exeo Global Pte. Ltd. Born in 1963 Director tenure: 2 year Number of the Company's shares held: 21,000</p>	 <p>Tomoko Aramaki Director Born in 1968 Director tenure: 1 year Number of the Company's shares held: -</p> <p>Outside Independent</p>
 <p>Shigeki Hayashi Director and Managing Operating Officer, General Manager of Accounts & Finance Division, CFO Born in 1967 Director tenure: 1 year Number of the Company's shares held: 5,000</p>	

Statutory auditors

 <p>Shinji Kojima Standing Statutory Auditor Born in 1960 Statutory Auditor tenure: 1 year Number of the Company's shares held: 9,000</p>	 <p>Eiko Osawa Statutory Auditor Born in 1963 Statutory Auditor tenure: 1 year Number of the Company's shares held: -</p> <p>Outside Independent</p>
 <p>Naruhiko Yamada Standing Statutory Auditor Born in 1963 Statutory Auditor tenure: Appointed in June 2024 Number of the Company's shares held: 15,000</p> <p>Newly appointed</p>	 <p>Akira Harashima Statutory Auditor Born in 1960 Statutory Auditor tenure: Appointed in June 2024 Number of the Company's shares held: -</p> <p>Newly appointed Outside Independent</p>
 <p>Kimiko Takahashi Statutory Auditor Born in 1963 Statutory Auditor tenure: 3 years Number of the Company's shares held: -</p> <p>Outside Independent</p>	

Note: Number of the Company's shares held are rounded down to the nearest 1,000 shares. Officers who do not hold shares are listed as having "-" shares.

Skills matrix of directors and statutory auditors

	Name	Corporate management & ESG	Innovation & DX	Engineering	Marketing & global business	Finance & accounts	Legal, human resources & labor relations
Directors	Tetsuya Funabashi	●	●	●	●		●
	Keigo Kajimura	●	●	●	●		●
	Koichi Mino	●	●	●	●		
	Noriyuki Watabe	●			●		
	Yuichi Koyama	●			●		●
	Fumitoshi Imaizumi	●	●	●	●		
	Shigeki Hayashi	●			●	●	
	Koji Tanaka	●	●	●	●		
	Yasushi Kohara	●			●		
	Naoko Iwasaki	●	●		●		
	Tatsushi Mochizuki	●					●
	Keiji Yoshida	●		●	●		●
Statutory auditors	Tomoko Aramaki	●			●	●	
	Shinji Kojima	●		●	●		
	Naruhiko Yamada	●			●		●
	Kimiko Takahashi	●				●	●
	Eiko Osawa				●	●	
	Akira Harashima	●			●		●

Note: These are the skills that directors and statutory auditors are particularly expected to have, and this table does not comprehensively indicate their entire skillsets.

Corporate governance

Governance system and rationale for adopting this system

The Company has adopted a Company with an Audit and Supervisory Board format, having determined this system to be the most conducive to ensuring appropriate corporate governance. Members of the Board of Statutory Auditors attend meetings of the Board of Directors and other important meetings in accordance with the audit policy and audit plan. They observe, from a perspective of fairness and impartiality, the execution of duties by the Board of Directors and audit the business and financial conditions of major offices and Group companies.

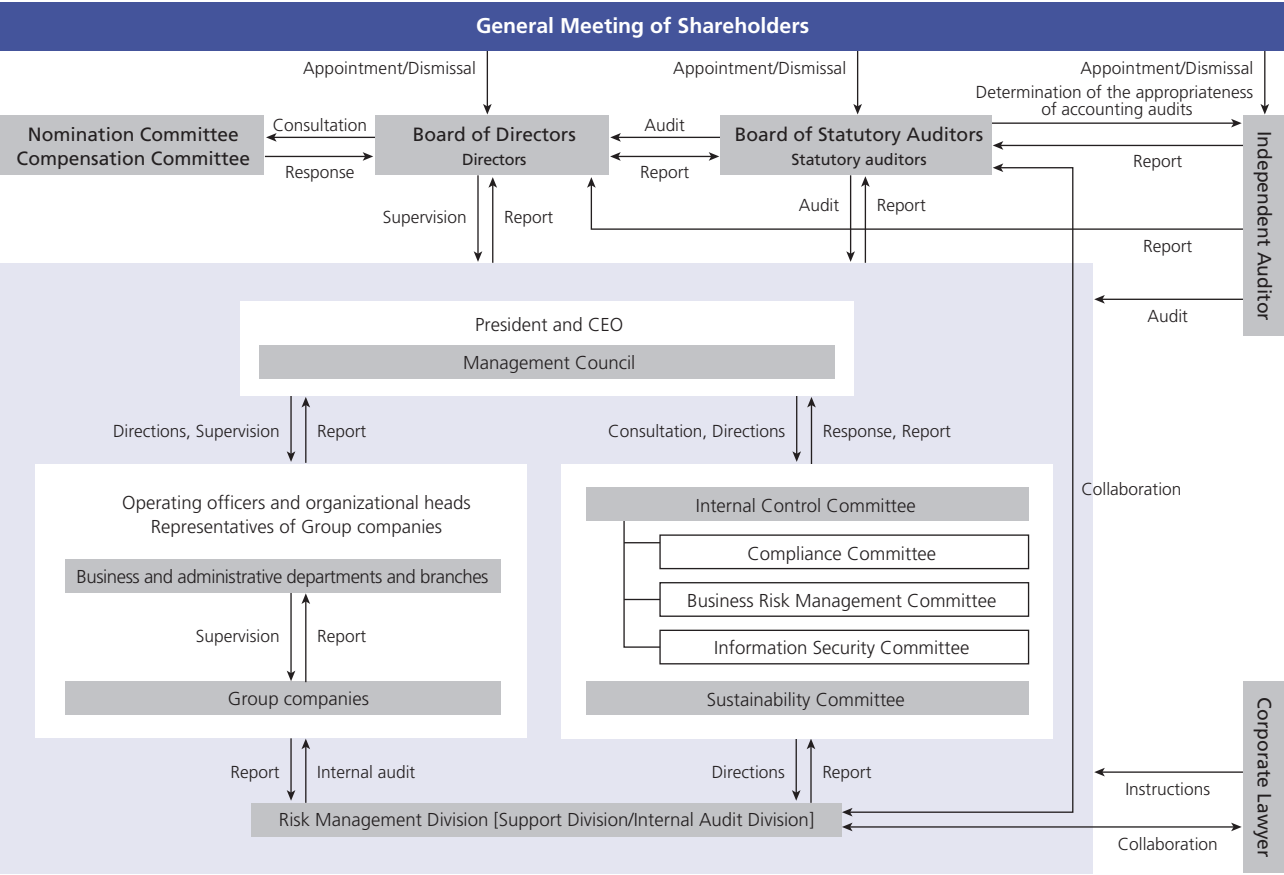
We have also adopted an operating officers system to separate the management decision-making and supervisory function from the business execution function, to achieve prompt and appropriate decision-making and business execution while further strengthening our corporate governance. The Board of Directors, chaired by the President and CEO, makes decisions on important matters and supervises business execution. Operating officers execute

operations based on the Board of Directors’ decisions. Furthermore, in our Management Council we discuss important matters pertaining to business execution.

Simplified chart of corporate governance system

Format	Company with Audit and Supervisory Board
Directors	13 (including 5 outside directors)
Statutory auditors	5 (including 3 outside statutory auditors)
Number of Board of Directors meetings held this fiscal year	15
Number of Board of Statutory Auditors meetings held this fiscal year	16
Operating officers system	Yes
Operating officers	31
Internal units of the Board of Directors	Nomination Committee and Compensation Committee

Our corporate governance system (As of June 26, 2024)



Officers’ activities in FY2023 ★ Independent officers ◎ Chair or committee chair

	Name	Board of Directors	Nomination Committee	Compensation Committee	Board of Statutory Auditors
Directors	Tetsuya Funabashi	◎ 100% (15/15)	—	—	—
	Koichi Mino	100% (15/15)	100% (3/3)	—	—
	Noriyuki Watabe	100% (15/15)	—	100% (4/4)	—
	Yuichi Koyoma	100% (15/15)	—	100% (4/4)	—
	Takafumi Sakaguchi	100% (15/15)	100% (1/1)	—	—
	Fumitoshi Imaizumi	100% (15/15)	—	100% (1/1)	—
	Shigeki Hayashi	100% (11/11)	100% (2/2)	—	—
	Kenji Asano	100% (4/4)	100% (1/1)	—	—
	Yasushi Kohara ★	100% (15/15)	100% (3/3)	◎ 100% (4/4)	—
	Naoko Iwasaki ★	93% (14/15)	100% (3/3)	100% (1/1)	—
	Tatsushi Mochizuki ★	100% (15/15)	◎ 100% (3/3)	100% (1/1)	—
Statutory auditors	Keiji Yoshida ★	100% (15/15)	100% (1/1)	100% (4/4)	—
	Tomoko Aramaki ★	100% (11/11)	—	100% (3/3)	—
	Yasuo Otsubo	100% (15/15)	—	—	◎ 100% (16/16)
	Shinji Kojima	100% (11/11)	—	—	100% (11/11)
	Masato Suwabe	100% (4/4)	—	—	100% (5/5)
	Shinnosuke Yamada ★	100% (15/15)	—	—	100% (16/16)
	Kimiko Takahashi ★	100% (15/15)	—	—	100% (16/16)
	Eiko Osawa ★	100% (11/11)	—	—	100% (11/11)
	Tomoko Aramaki ★	100% (4/4)	—	—	100% (5/5)

Note: Numbers in parentheses are times attended/number of meetings held during term as director. Discrepancies in number of meetings held are results of differences in time of appointment and/or leaving the position.

Transition to a stronger governance system

	Measure	Composition of the Board of Directors	Female directors
2023	Increased the number of outside directors (from 4 to 5) Outside officers now chair both the Nomination Committee and Compensation Committee	7 inside 5 outside	12 in total 2
2021	Increased proportion of outside directors	7 inside 4 outside	11 in total 1
2020	Increased the number of outside directors (from 3 to 4) The majority of the members of the Nomination Committee and Compensation Committee are outside members	8 inside 4 outside	12 in total 1
2018	Increased the number of outside directors (from 2 to 3)	12 inside 3 outside	15 in total 1
2015	Increased the number of outside directors (from 1 to 2) Using a third-party organization, conducted a questionnaire for evaluating the effectiveness of the Board of Directors	9 inside 2 outside	11 in total 1
2014	Appointed an outside director	11 inside 1 outside	12 in total 1
2009	Adopted an operating officers system	8 inside	8 in total 0
2003	Established Nomination Committee and Compensation Committee	18 inside	18 in total 0

Nomination Committee and Compensation Committee

We have established a Nomination Committee and Compensation Committee comprised of directors including independent outside directors who were appointed in the Board of Directors, where we build common understanding on the evaluation criteria and compensation standards of each director and improve their supervisory function. Each committee is comprised of a majority of independent outside directors.

The Nomination Committee engages in activities with the objective of strengthening corporate governance by ensuring the objectivity, timeliness, and transparency of officer personnel-related matters. During fiscal 2023, they held discussions on the composition of the Board of Directors with the perspective of diversity in mind, and the director candidates selected as a result of these discussions were deliberated.

The Compensation Committee engages in activities with the objective of strengthening corporate governance by ensuring the objectivity and fairness of the compensation and other conditions of officers. The Compensation Committee for fiscal 2023 referred to research materials from outside institutions and other information to observe trends at other companies and investor perspectives and held discussions with the aim of adding new evaluation metrics for officer remuneration. They also proceeded with considerations for awarding stock-based compensation to Group companies and provided a report in a Board of Directors meeting.






Meetings in FY2023

Nomination Committee	3 meetings
Compensation Committee	4 meetings

Composition of the Nomination Committee for FY2024

Committee chairman	Committee members				
 Mochizuki	 Mino	 Hayashi	 Kohara	 Iwasaki	

Composition of the Compensation Committee for FY2024

Committee chairman	Committee members				
 Kohara	 Watabe	 Koyama	 Yoshida	 Aramaki	

 Outside director

(honorifics omitted)

Board of Statutory Auditors

In the Board of Statutory Auditors, we consider auditing policies and audit plans, business management from the sustainability perspective, the development and operational status of internal control systems, the appropriateness of accounting audits, and agreements on the evaluations and compensation of accounting auditors. Additionally, they receive detailed explanations from the Finance Department and independent auditors hold lively discussions, and express opinions about Key Audit Matters (KAM).

For statutory auditor audits, they conduct audits according to the auditing policy and audit plan in compliance with the statutory auditor audit standards determined by the Board of Statutory Auditors. Specifically, they attend important meetings such as the Board of Directors, audit the proceedings and resolutions, and express opinions when necessary. Aside from that, they conducted 73 interviews and field visits with the representative director, Head Office executives, main business locations, and subsidiaries (held primarily online for flexibility, recordability, and efficiency, making on-location field visits as needed). In the interviews and field visits, aside from auditing business operations and financial conditions they also exchanged opinions about matters such as DX implementation initiatives, operational structures according to area characteristics, unified R&D efforts as a Group, securing and developing personnel from the perspective of human capital, and employee health and safety.

Standing statutory auditors report to the Board of Statutory Auditors on the results of their active communication and information sharing with related departments on important decision-related documents viewed, deliberations in the Management Council, and on the various issues. In everyday auditing activities, they gather information internally to comprehend the issues in our business groups and share information and opinions with outside statutory auditors in a timely manner. Outside statutory auditors express opinions from broad perspectives in the Board of Directors and Board of Statutory Auditors based on their extensive range of work experience and high-level expertise. Exchanging opinions also with the President and CEO, they receive explanations of management policies and leverage their expertise and experience to express their opinions from an outside perspective.

In fiscal 2023, outside directors and outside statutory auditors observed worksites, visited business locations, and exchanged opinions with general managers and younger executive-class personnel to gain a deeper understanding of the business being done. Three outside statutory auditors participated in these activities.

Evaluating the effectiveness of the Board of Directors

To enhance the function of the Board of Directors and business value, we evaluate the effectiveness of our Board of Directors based on the results of questionnaire surveys among all Directors and Statutory Auditors, which are collected and analyzed by an external organization to ensure objectivity. Based on the results of the analysis and discussion in the Board of Directors, it was confirmed that our Board of Directors has adequate scale and structure and is appropriately operated to ensure proper decision-making on important management agendas and supervision of business execution. As part of our efforts to strengthen our governance, we are working to increase our ratio of female officers. Since June 2023, we have one additional female independent outside director. Now with two female independent outside directors and two female independent outside statutory auditors for a total of four, women hold 24% of our officer roles.

In addition, we continued to distribute Board of Directors' meeting materials as early as possible, to enhance the explanations that we provide in advance to independent

outside directors and independent outside statutory auditors, and to arrange for site visits by independent outside directors. During fiscal 2023 under review we also conducted "Vector Meetings," for 35 projects, in which all business units get on the same page by discussing their business strategies among other matters at an early stage. The Sustainability Committee also holds sufficient discussions on initiatives to improve sustainability such as ESG and the SDGs, and reports to the Board of Directors on a regular basis. Outside directors and outside statutory auditors actively make sound comments from an independent standpoint grounded in sufficient insight in discussions at meetings of the Board of Directors. We see the undeniable effects of these efforts in the strengthened effectiveness of the Board of Directors.

Going forward, based on these results of Board of Directors effectiveness evaluations and opinions, the Company's Board of Directors will fully consider measures for improving its effectiveness and continue to implement initiatives for enhancing its functions.

Board of Directors evaluation process



Efforts in FY2024 to further improve effectiveness

Topic	Description	Efforts in FY2024
Operation of Board of Directors	Monitoring for the purpose of ongoing effectiveness improvements	<div>• M&A and investment monitoring</div> <div>• DX strategy monitoring</div> <div>In addition to the above, also promote sustainability and report the status of our global business.</div>
	Secure time for strategic discussions	<div>• Consider narrowing & raising standards for bringing up matters in Board of Directors</div> <div>• Set times for deliberation according to number of agenda items & their content</div>
Board of Directors discussions	Make discussions more in-depth and effectiveness evaluations more strategic	<div>• Continuously hold "Vector Meetings" for all business units to get on the same page by discussing their business strategies at an early stage</div> <div>• Hold free discussions after the conclusion of Board of Directors meetings</div>
	Measures to enhance discussions and strengthen effectiveness evaluations	<div>• Worksite observations by outside directors & outside statutory auditors*, hold business briefings</div> <div>• Engage in dialogues between outside directors & outside statutory auditors and executive-class personnel & Group company employees</div> <div>• Regularly report on global business</div>

* Worksite observations: Conducted four times in fiscal 2023. Outside directors and outside statutory auditors participate as much as possible at all observations. Observations are of all domestic and international plants of Group companies, etc.

Use of outside directors and statutory auditors

The Company has five outside directors and three outside statutory auditors. The functions and roles that outside directors and outside statutory auditors should carry out in the corporate governance of the Company are as follows. Outside directors fulfill the function of supervising and monitoring the management of the Company from an independent and neutral standpoint, providing comments based on their abundant experience and wide-ranging knowledge. Outside statutory auditors fulfill the management monitoring function by auditing from an objective standpoint, offering a perspective informed by advanced expertise, abundant experience, and wide-ranging knowledge.

Regarding the criteria or policies concerning independence for appointing outside directors or outside statutory auditors, the Company secures independent directors and statutory auditors in accordance with Article 436-2 and Article 445-4 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc., and the criteria for determining independence stipulated by the same exchange (“Guidelines for Listing Management, etc.”). To facilitate better Board of Directors meetings, the Company distributes Board of Directors’ meeting materials to outside directors early on, and provides them advance explanations on the backgrounds, objectives, and details of proposals for Board of Directors agenda items.

Reasons for selection of outside directors and statutory auditors

Job title	Name	Year appointed	Reasons for selection
Directors	Yasushi Kohara	2018	Having gained deep experience and insight in corporate management at the Toyota Group, Mr. Kohara has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.
	Naoko Iwasaki	2019	Ms. Iwasaki is a leading international researcher and expert on digitalization in international relations, national and local government administration, disaster countermeasures and BCP, aging society, and women’s career advancement. She has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling her role as an outside director.
	Tatsushi Mochizuki	2020	Mr. Mochizuki has been involved in key positions in central government ministries and local governments for many years. With the insight he has accumulated through his career, he has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.
	Keiji Yoshida	2021	Mr. Yoshida has a wealth of experience and insight in corporate management as an officer of JFE Engineering Corporation and other companies. He has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.
	Tomoko Aramaki	2023	Possessing a wealth of experience and expertise in finance and accounting as a CPA and tax accountant and insight in business management, Ms. Aramaki has provided appropriate advice and recommendations in important management decisions of the Company. She is appropriately fulfilling her role as an outside director.
Statutory auditors	Kimiko Takahashi	2021	Possessing a wealth of experience and expertise in finance, accounting, and law as a CPA and attorney, Ms. Takahashi has been auditing the business execution of directors from an independent standpoint while also appropriately fulfilling her role as an outside statutory auditor.
	Eiko Osawa	2023	Possessing a wealth of global experience and expertise in finance and accounting as a CPA at a major auditing firm, Ms. Osawa has been auditing the business execution of directors from an independent standpoint while also appropriately fulfilling her role as an outside statutory auditor.
	Akira Harashima	2024	Possessing a wealth of experience and outstanding knowledge in business management, including in global business as an officer at Tokyo Marine Holdings, Inc., Mr. Harashima can be expected to properly execute his duties as a statutory auditor.

Director appointment, composition, and development of successors

Desired qualities and appointment process

Our method for choosing candidates for directors is to hold deliberations in the Nomination Committee, an internal unit of the Board, on those with excellent character and insight, strong moral character, the energy to drive transformation, leadership skills, and the ability to make accurate decisions. The representative director then gives recommendations, suitability of the candidates is deliberated in the Board of Directors, after which offers are made and motions sent to the General Meeting of Shareholders. Appointments and dismissals of representative directors and executive directors are decided in the Board of Directors.

If there is a director who should be dismissed, the Board of Directors raises a motion for dismissal of the director in the General Meeting of Shareholders.

To choose candidates for statutory auditors, the representative director recommends those with business management experience, expertise in finance and accounting, and the high-level insight needed to fulfill the role of a statutory auditor. Motions are then sent to the General Meeting of Shareholders after approval by the Board of Statutory Auditors.

Composition of the Board of Directors

We are committed to improving the activity level and governance of our Board of Directors by ensuring balance and diversity among their backgrounds and areas of expertise. Based on the belief that our number of directors can enable us to swiftly and accurately accommodate drastically changing business environments, we employ an operating officers system in order to further accelerate our decision-making.

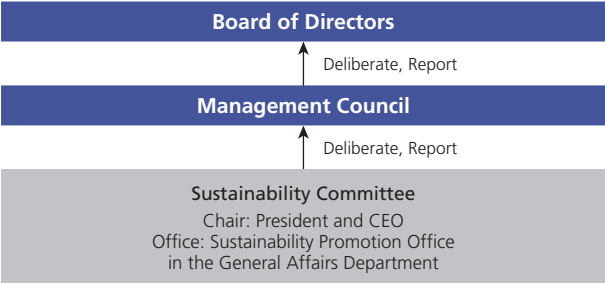
Successor planning

We promote and attract management personnel from the outside in addition to internally. From among these personnel, our representative director identifies individuals who deeply understand our Group philosophy and management vision, have high ethical standards, leadership qualities, and the capability to drive the ongoing growth of the Group, and selects them as successors. Decisions on these successors are then made after deliberation in the Nomination Committee and Board of Directors.

Sustainability Committee

Chaired by the President and CEO, the Sustainability Committee is positioned as an advisory body to the Management Council and has the stated purpose of “deliberating on our direction, important issues, goal setting, and information disclosure in terms of sustainability and monitoring the status of initiatives as part of the Group’s business strategy,” in the overall scheme of our operations. In principle, this committee meets twice per year to deliberate and report to the Management Council and Board of Directors on policies and the results of initiatives.

Organizational system for sustainability



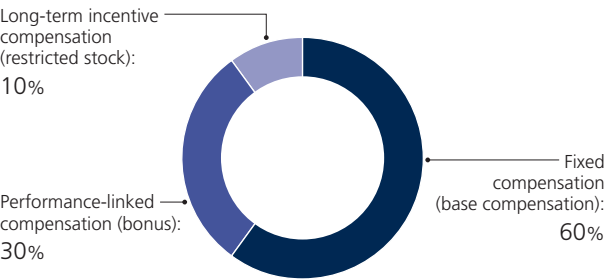
Remuneration of officers

To decide the amounts of compensation for directors and the applicable calculation methods, we have a three-pronged basic policy of “effectively-functioning incentives to drive medium- to long-term growth in business value,” “setting levels that enable us to secure and retain outstanding talent,” and “decision-making processes that are transparent and fair.” Our policy concerning decision-making is deliberated by the Compensation Committee, which is comprised of directors including independent outside directors appointed by the Board of Directors (chaired by an independent outside director), and then determined by resolution of the Board of Directors.

Compensation for directors (excluding outside directors) consists of base compensation, bonuses, and restricted stock, the ratios for which are as indicated below (ratios include employee salaries and bonuses in the case of directors who also serve as employees).

We refer to objective research data from specialized outside institutions to determine the appropriateness of director compensation levels.

Composition of director compensation (excluding outside directors)



Fixed compensation (base compensation)

Base compensation is aligned with the rank of the position and is fixed at an appropriate level based on consideration of the business environment and market rates.

Performance-linked compensation (bonus)

Bonuses are paid to directors (excluding outside directors) as performance-linked compensation. Amounts paid are determined based on a comprehensive consideration of the business environment and other factors, with the basic principle of linking bonuses to business performance during the fiscal year under review.

Metrics used for calculating bonuses are consolidated net sales, consolidated operating profit, and profit attributable to owners of parent. The reasoning behind the use of these metrics

is that directors have responsibility as managers for the overall consolidated performance. For calculation, we multiply base compensation by an index that accounts for achievement level of the business plan and a qualitative evaluation.

Performance-linked compensation calculation metrics, targets, and results

Metric	Target	FY2023 actual
Consolidated net sales	¥630.0 billion	¥614.0 billion
Consolidated operating profit	¥34.0 billion	¥34.1 billion
Profit attributable to owners of parent	¥23.6 billion	¥20.0 billion

Long-term incentive compensation (restricted stock)

As long-term incentive compensation, 11,800 shares of restricted stock have been issued to six directors (excluding outside directors). Restricted stock consists of performance-linked restricted stock and continuous service-linked restricted stock.

Compensation for outside directors and statutory auditors

Since outside directors and statutory auditors are independent from the execution of business, their remuneration is limited to base compensation.

Delegated determinations

The President and CEO determines the specific amount of compensation for each individual director in the Group based on authority delegated by resolution of the Board of Directors.

Such authority, which governs the determination of the amount of base compensation and bonuses for each director, was delegated to the President and CEO on the grounds that the President and CEO is the most suitable person to evaluate, in the context of the Company’s overall performance, each of the businesses for which directors are responsible.

The Board of Directors has made it a condition of the above delegation that the Compensation Committee shall confirm that details such as the amount of base compensation for each director are appropriate, to ensure that the above authority may be properly exercised by the President and CEO. Since the amount of remuneration for each individual director has been determined through such confirmation procedures, the Board of Directors has determined the content to be in line with the decision-making policy.

The Compensation Committee, which conducts the above procedures, met four times during fiscal 2023.

Total amount of remuneration, etc. for directors and statutory auditors

Classification of officers	Total amount of remuneration, etc. (¥Million)	Total amount of remuneration, etc. by type (¥Million)			Number of eligible officers
		Monetary remuneration		Long-term incentive compensation	
		Base compensation	Bonus	Restricted stock	
Directors (excluding outside directors)	213	105	69	37	8
Statutory auditors (excluding outside statutory auditors)	40	40	—	—	3
Outside officers	Outside directors	57	—	—	5
	Outside statutory auditor	28	—	—	4

Note: 1. Amounts are rounded down to the nearest million yen.
2. The above figures include one director and two statutory auditors who retired at the conclusion of the 69th Ordinary General Meeting of Shareholders held on June 26, 2023.
3. Tomoko Aramaki stepped down as a statutory auditor and assumed a director role at the conclusion of the 69th Ordinary General Meeting of Shareholders held on June 23, 2023, and the portion of her term as director and portion of her term as statutory auditor are categorized accordingly and included in the monetary amounts and personnel numbers above.
4. Since outside directors and statutory auditors are independent from the execution of business, their remuneration is limited to base compensation.

Components of long-term incentive compensation

Type	Performance-linked metrics	Overview and rationale for selection as metrics
Performance-linked restricted stock	Consolidated operating profit CDP	This stock is granted in accordance with the rank of the employee, based on linkage with the achievement of business results through medium- to long-term consolidated profits, for the purpose of providing medium- to long-term incentives for continued increases in our business value and promoting the sharing of value with shareholders. We use consolidated operating profit as the performance-linked metric since it is directly linked to the achievement of performance targets and sharing of value with shareholders. Starting in fiscal 2024, we are adding scores by the CDP international climate change framework in order to link the practical application of ESG management to increased business value.
Continuous service-linked restricted stock	—	The condition for waiving the restriction on transfer is that the employee continuously serves as one of our directors or in a certain other position for a certain period of time.

Matters concerning resolutions of the General Meeting of Shareholders regarding remuneration, etc. of directors and statutory auditors

Classification	Type of compensation	Maximum compensation amount	Resolutions at the General Meeting of Shareholders	Number of officers at time of resolution
Directors	Monetary remuneration	Up to ¥350 million/year*1	June 23, 2009 55th Ordinary General Meeting of Shareholders	8
	Remuneration for performance-linked restricted stock	Up to ¥50 million/year, up to 50,000 shares/year*2	June 21, 2019 65th Ordinary General Meeting of Shareholders	12 (excluding outside directors)
	Remuneration for continuous service-linked restricted stock	Up to ¥50 million/year, up to 50,000 shares/year*2		
Statutory auditors	Monetary remuneration	Up to ¥80 million/year	June 23, 2009 55th Ordinary General Meeting of Shareholders	5

*1 Not including employee salaries in the case of directors who also serve as employees
*2 Outside directors are not eligible

Internal Control Committee

Based on our Basic Guideline for Establishing Internal Control Systems, we established an Internal Control Committee (Committee chair: President and CEO) tasked with establishing organizational systems to ensure observance of laws and regulations, operational effectiveness and efficiency, and the reliability of our financial reports, in addition to comprehending and evaluating the overall operational status of the applicable internal control systems. Related committees have been established under the Internal Control Committee. These are the Compliance Committee, Business Risk Management Committee, and Information Security Committee.

Meetings in FY2023

Internal Control Committee	3 meetings
Information Security Committee	4 meetings
Business Risk Management Committee	10 meetings
Compliance Committee	4 meetings

Risk management

Basic approach

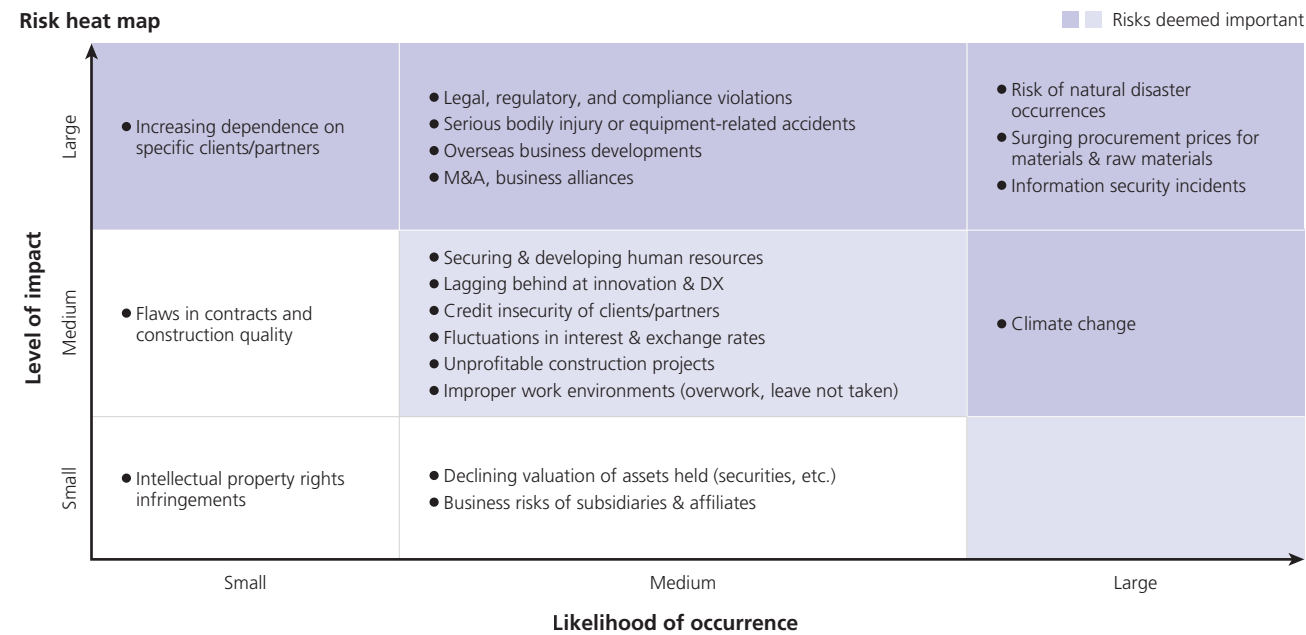
Major risks we are aware of that could significantly impact the financial standing, operating results, and cash flow status of our Group are as follows.

We also linked these major risks to the materiality (the key issues on which we should prioritize our efforts as a corporate group) that we announced in May 2023 and listed them as priorities based on level of impact and frequency of occurrence among those risks that we regularly identify and evaluate within the Group. However, what is listed below does not comprehensively cover all of the risks relevant to our Group. Other pertinent risks do exist.

Assessment process

For risk assessments in the Group, we not only assess risks particular to ourselves such as those involved with our business activities and business plans, but we also assess and revise our assessments taking social trends into consideration, as well as social issues of increasing concern in recent years.

We regularly examine and assess the risks from among all types of possibilities and plot out those for which we should



prioritize our efforts along the two axes of “level of impact” and “likelihood of occurrence” to display them graphically as a risk heat map.

The Support Divisions handle the risk management and monitoring for each of these risks respectively and circumstances assessed as serious risks are reported to the Business Risk Management Committee. We then take concrete actions to mitigate the risks and make improvements based on the Group’s organizational structure for risk management.

Risk management system

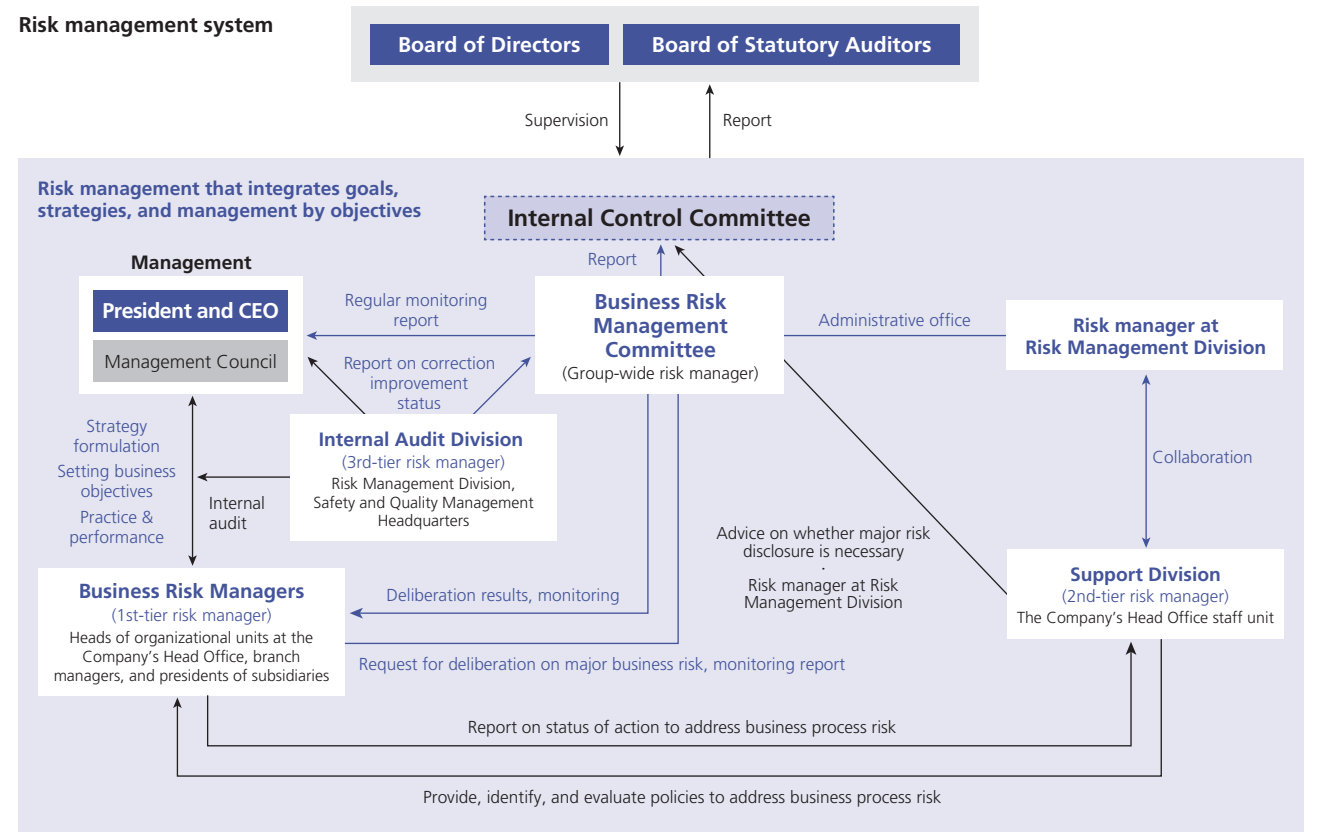
We have formulated the Risk Management Rules that specify the basic points involved in risk management and have established risk categories in addition to the Risk Management Division that handles them. We have also established the Business Risk Management Committee as the Group-wide risk manager, as we build and operate systems to identify and evaluate risks on a Group-wide level.

Business Risk Management Committee

As the Group-wide risk manager, the committee was established to provide the risk management systems required to accomplish strategies and business performance targets in the process of creating, maintaining, and realizing value and to steadily provide the Group’s stakeholders with reasonable expectations that risks can be controlled to a tolerable amount. The standing members of the Committee are the General Manager of the Corporate Planning Division, the General Manager of the Group Business Promotion Division, the General Manager of the Accounts & Finance Division, and the General Manager of the Risk Management Division.

The number of meetings held in fiscal 2023 was 10.

Risk management system



Compliance

Everybody on our management team maintains a high standard of ethics when conducting business. Furthermore, individual directors and employees take principled actions grounded in compliance to fulfill their social responsibility.

Exeo Group Basic Actions Declaration

Based on the Exeo Group Compliance Program, the officers and employees of the Group presuppose compliance with not only laws and regulations but also corporate ethics, including the spirit underlying those ethics, and engage in activities with high social value, thereby contributing to society.

Given that a company is part of society, it is a prerequisite for all stakeholders in a company, irrespective of whether they are officers or employees of the company, to comply with laws and corporate ethics when carrying out the company’s business operations. Such compliance is also to be expected of us as individual members of society.

In addition, ensuring such compliance is indispensable for the company to maintain the trust of society and realize the Group’s corporate philosophy of “Contributing to Society.”

In light of the above, we shall without hesitation prioritize laws, regulations, and corporate ethics in case we are forced to choose between earnings or ethics in our own activities.

Information security

In the course of its business operations, the Group handles important information, such as technical data and customer data owned by customers. We are working to strengthen our information security, given the increasingly critical importance of appropriate information management, amid the spread of cloud services, social media, and other forms of networks.

In terms of our system, we are improving our management system by assigning an officer in charge as the chief information security officer (CISO), as well as assigning an information management officer and information manager for each organization. In addition, under the supervision of the Information Security Committee, we determine policy for the Group’s efforts, monitor the overall status of the efforts, consider measures to prevent recurrence in the event of an accident, conduct training via e-learning systems, evaluate the status of improvement, and promote continuous improvement.

Composition of the Information Security Committee

Chair	CISO: Kazuhiko Okubo
Committee members	Comprised of 13 members, heads of the following organizations: Crisis Management Office, Safety and Quality Management Headquarters, General Affairs Department, Human Resources Department, Human Resources Development Department, Accounts & Finance Division, Procurement Division, Corporate Planning Division, Risk Management Division, Group Business Promotion Division, Digital Transformation Strategic Division, Innovation Development Unit, Global Business Department

Respect for human rights

The Group recognizes that respect for human rights is an important corporate social responsibility for a company in all settings of business activities. We will contribute to the realization of a sustainable society by fulfilling this responsibility. In order to engage in efforts geared toward respect for human rights in this manner, in January 2024, we have established the Exeo Group Human Rights Policy based on the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council.

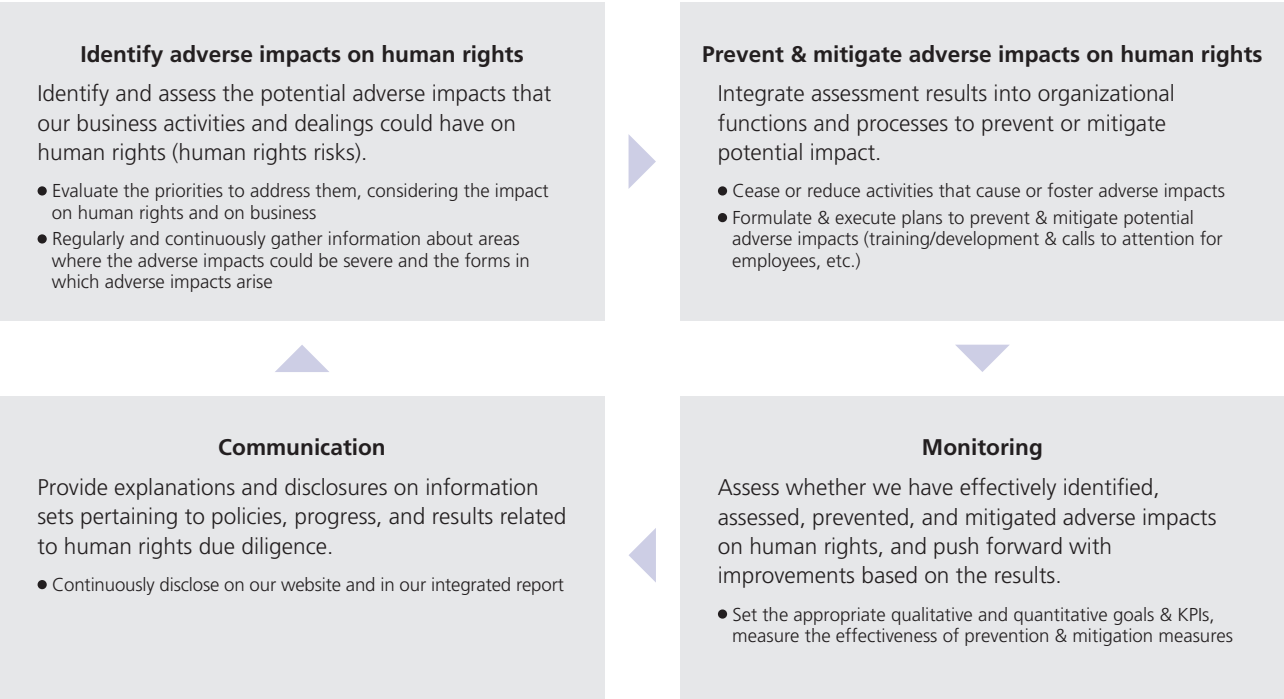
Based on this policy, we will make efforts to prevent and mitigate risks of human rights violations by conducting human rights due diligence and using remediation mechanisms according to international standards as we manage business with a commitment to respect for human rights.

Metrics and goals

Metric	Goal
Rate of undergoing training & e-learning to deepen understanding of the Exeo Group Human Rights Policy	100%

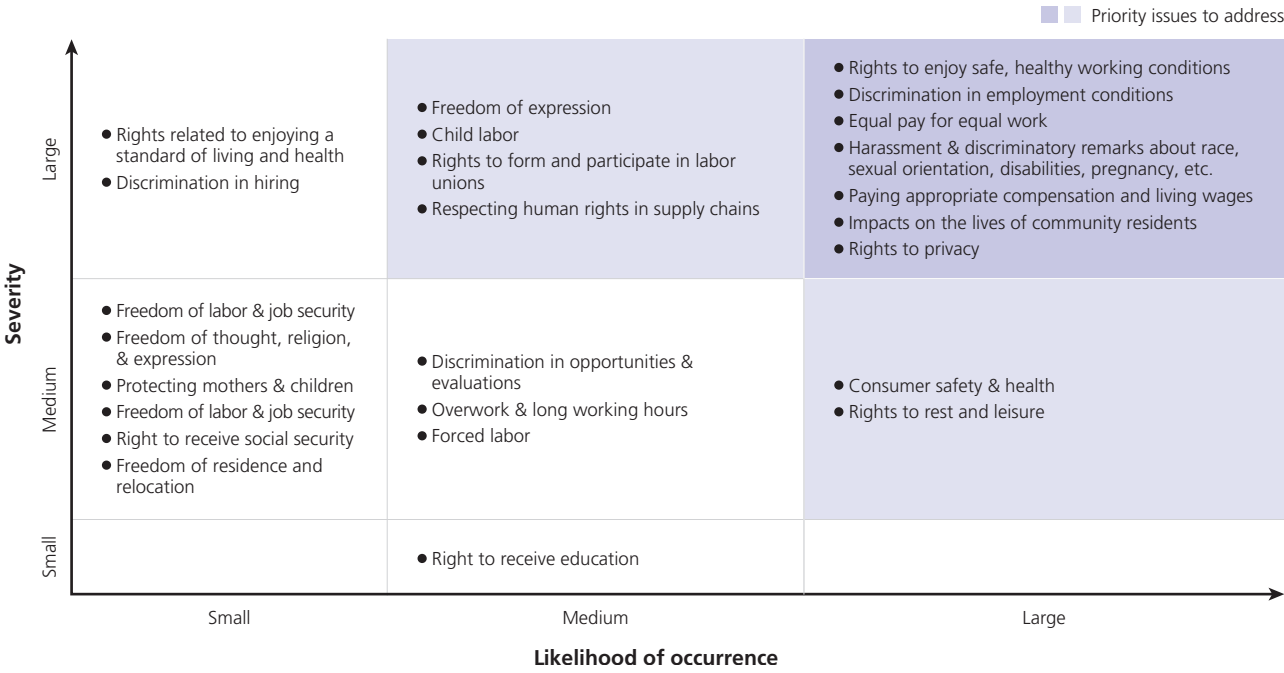
Strategy: Build a mechanism for human rights due diligence

We will build the human rights due diligence mechanism below and implement it regularly and continuously throughout the Group as a whole.



Managing risks: Human rights issues to address

We identify the priority issues to address from the human rights risk map, and work on addressing those risks.



Discussions with shareholders and investors

We disclose information about our Group in a fair, timely, and appropriate manner while also proactively engaging in IR activities that are easy to understand with the aim of promoting understanding of our Group among shareholders, investors, and all other stakeholders, and earning fair evaluations and trust from them.

Organizational system for IR activities

Three dedicated personnel for IR are assigned to the Corporate Communications Office of the Corporate Planning Division, where they engage in daily IR activities. Additionally, the President and CEO, General Manager of the Corporate Planning Division, and other executives attend financial results briefings and various other events and engage in dialogues whenever necessary.

We also facilitate cooperation to promote dialogues with the Corporate Planning Division, Accounts & Finance Division, Risk Management Division, and other related divisions, business divisions, and subsidiaries of the Group to ensure the effectiveness of our IR activities.

State of IR activities

In our everyday IR activities, we actively engage in individual interviews with both sell-side and buy-side analysts. For overseas shareholders and investors with whom we cannot easily communicate on an everyday basis, we are also increasing our dialogue by participating in conferences hosted by securities companies and making individual visits. We also actively organize events such as financial results briefings. Descriptions of our main activities during fiscal 2023 are as shown in the table below.

Activities in FY2023

Meeting	Speaker	Number of times, etc.
Financial results briefings	President and CEO	2
Small meetings	President and CEO	7
Individual meetings	General Manager of Corporate Planning Division	24
	Outside directors	1
	IR representative	136
ESG meetings	Head of relevant division or organization	3
Attend conferences hosted by securities companies	President and CEO	1 (6 sessions)
	President and CEO	2 (15 sessions)
Visit overseas investors (including online)	General Manager of Corporate Planning Division	1 (7 sessions)
Individual investor briefings	IR representative	2
Briefings at sites	IR representative	1

Additionally, from the perspective of fair disclosures, we are continuously disclosing not only legally mandated disclosures such as financial results summaries on our website, but also various other types of IR materials such as financial results briefing materials, supplemental financial results materials, monthly order status tables, and more. At the same time, we have also created an English language site for overseas shareholders and investors, which displays virtually the same information as shown on the Japanese site.

Providing feedback internally

Results of dialogues in IR activities and various reports written by outside analysts are provided as feedback to relevant organizational heads and others on a regular basis. We are also continuously working to provide reports to the Board of Directors on what transpired in financial results briefings and overseas investor visits in particular, and utilize the information for discussions in the Board of Directors by also sharing it with outside directors.

Particularly regarding capital policy, we have held discussions referencing opinions shared by stakeholders and customers in the Board of Directors and other meetings, and these have been reflected in actions such as cancellations of treasury shares that began in fiscal 2021.

We are also utilizing comments received externally to further enhance our IR activities such as the one-on-one meetings with outside directors held at the request of institutional investors in fiscal 2023.

General Meetings of Shareholders

The Company views the meeting as an important forum for communicating with its shareholders, and engages in initiatives accordingly including the following.

- Avoiding days with high concentrations of other shareholders' meetings
- Early dispatch of the convocation notice
- Disclosure of the convocation notice prior to dispatch
- Exercise of voting rights online
- Participation in the voting rights exercise platform
- Introduction of a smartphone-based voting right exercise service
- Accepting questions in advance
- Holding hybrid interactive and virtual General Meetings of Shareholders
- Disclosure of an English-language convocation notice

Designation of a quiet period

We have designated the four weeks leading up to the day of our financial results announcement as a quiet period in order to prevent leakages of information that could impact our stock price and to ensure fairness. During this period, we refrain from responding to comments and questions pertaining to our financial results. However, if we find during the quiet period that our actual earnings forecast differs from the forecast we had announced by an amount greater than what is specified in the Timely Disclosure Rules, we will swiftly disclose that information.

Group governance

In accordance with our Basic Policy on Internal Controls Pertaining to Financial Reporting, we establish frameworks for proper reporting and regularly and continuously evaluating our operational status to ensure the reliability and appropriateness of the financial reports of Group companies. Group companies are obligated by the Company's operating rules for subsidiaries to report their business performance, financial status, and other important business-related information to the Company or receive the Company's acknowledgment of this information. The Company's Internal Audit Division audits the effectiveness and appropriateness of each Group company's work operations.

We formulate a medium-term business plan for the business execution of directors at Group companies and find ways to ensure their efficiency. We also install divisions in the Company to manage Group business and strive to operate business smoothly through Group company president meetings and other arrangements.

For risk management, we formulated the Risk Management Rules for the Group as a whole, and we manage risks throughout the Group in an all-inclusive and comprehensive manner.

For compliance, we established Group compliance risk control standards and are establishing systems and processes that serve as the foundation for more reliable and precise compliance activities by Group companies, based on unified rules that meet the standards expected by society. We have also created a Group compliance manual which we are making all of our Group company directors, statutory auditors, and employees fully aware of. Every year, we also conduct training for Group company directors, statutory auditors, and employees on compliance with laws and other regulations, as we work to foster compliance awareness.

Supply chain management

In April 2024, the Group established and published its Basic Procurement Policy.

Together with our business partners, the Group will engage in sustainable, highly transparent, and responsible procurement activities in accordance with this basic policy.

Procurement Policy

- 1. Compliance with the laws, regulations, and social norms**
We comply with domestic and international laws, regulations, and social norms.
- 2. Respecting human rights**
Based on the Exeo Group Human Rights Policy, we respect the human rights of all our stakeholders and engage in efforts for the respect of human rights throughout our entire supply chain while requesting understanding and support for the Exeo Group Human Rights Policy.
- 3. Environmental initiatives**
We work on environmental conservation and reducing environmental impact throughout our entire supply chain.
- 4. Fair and impartial business transactions**
We judge technology, quality, pricing, lead time, and stable supply in a comprehensive manner and engage in fair and impartial business transactions as a partner on equal ground with our clients and partners.
- 5. Ensuring quality and safety**
We seek out technologies, ensure the quality and safety that customers desire, and strive toward further improvement together with our partner companies.
- 6. Ensuring safety and health**
We work together with our partner companies to ensure workplace safety and health and prevent occupational accidents.
- 7. Thoroughly enforcing information security**
We thoroughly work to prevent leakage of confidential and personal information. When security incidents occur or are suspected, we immediately notify the related locations while also disclosing details about the cause, the results of our response, and our recurrence prevention measures.
- 8. Disaster response**
We strive to maintain the organizational structures of our business continuity plans (BCPs) during normal times and contribute to restoration activities when disasters occur.