

The Company's Corporate Governance-Code Initiatives
(Meiko Network Japan Group Corporate Governance Guidelines)

The Company recognizes the importance of strengthening corporate governance in order to achieve sustainable growth of the Company Group and maximize corporate value for all stakeholders. The Company will strive to achieve this goal under the following basic policies.

- (1) Ensuring transparency and soundness by strengthening management oversight functions
- (2) Prompt decision-making and the establishment of an efficient execution system
- (3) Clarifying accountability
- (4) Information disclosure emphasizing timeliness, continuity, and fairness

The underlined line in the main text of the guideline described later is the Explain.

Section 1: Securing the Rights and Equal Treatment of Shareholders

General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise the IR rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders. Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

The Company ensures substantial equity for all shareholders, and emphasizes timeliness, continuity, and fairness in disclosing information in order to ensure the rights of shareholders and to contribute to the appropriate exercise of rights.

In addition, in order to secure the rights of shareholders and maximize corporate value for all stakeholders, including shareholders, we have transitioned to a company with an Audit and Supervisory Committee and appointed multiple outside directors and Audit and Supervisory Committee members. We have established an efficient execution system while balancing the strengthening of management oversight functions and swift decision-making, and have established a system for sufficiently functioning corporate governance.

Principle 1.1 Securing the Rights of Shareholders

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

The Company takes appropriate measures to ensure that all shareholders have substantial rights, including voting rights, at general meetings of shareholders. At the same time, we strive to create an enabling environment for active disclosure and smooth exercise of voting rights.

Supplementary Principle 1.1.1

When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

The Company analyzes the voting and dissenting factors of all proposals after the General Meeting of Shareholders in order to specifically understand the will of shareholders at the General Meeting of Shareholders and reflect them in management and dialogue with shareholders.

Supplementary Principle 1.1.2

When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision making and expertise in business judgment.

The Board of Directors determines basic management policies and recognizes that it is responsible for management oversight.

With the transition to a company with an Audit and Supervisory Committee, the Company has appointed a number of Outside Directors and Audit and Supervisory Committee Members. While strengthening management oversight functions and balancing swift decision-making, the Company has established an efficient execution system and has established a system to ensure that corporate governance functions sufficiently.

The Company delegates to the Board of Directors "partial exemption from liability for failure to perform duties" as defined in Article 426, Paragraph 1 of the Companies Act, "resolution on the acquisition of treasury stock" as defined in each item of Article 459, Paragraph 1 of the Companies Act, "reduction of reserves within the scope of deficit," "change in figures between items of surplus," and "dividends from surplus."

Supplementary Principle 1.1.3

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

The Company protects the rights of shareholders and promotes their exercise, and strives to ensure substantial equity for all shareholders.

We also strive to facilitate the exercise of rights that are permitted to minority shareholders under the Companies Act, such as requests to inspect the shareholders' register and the minutes of meetings of the Board of Directors.

Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

The Company sets the dates and locations of the meetings so that more stockholders can attend the meetings. In addition, we have prepared a method for mailing voting records and exercising voting rights via the Internet, thereby creating an environment in which shareholders can exercise their voting rights easily.

Supplementary Principle 1.2.1

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision making at general shareholder meetings.

The Company recognizes that proposals for major general meetings of shareholders that affect the rights and interests of shareholders should be disclosed information and appropriately. For this reason, we will promptly disclose information through the corporate website and the websites of the Tokyo Stock Exchange.

In addition, in the Notice of the General Meeting of Shareholders, the Company will provide information that is considered to contribute to the judgment of shareholders by devising creative ways to ensure an appropriate understanding of the content of the agenda items and the results of business performance.

Supplementary Principle 1.2.2

While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.

The Company strives to send convocation notices early so that stockholders can have enough time to consider the agenda. Prior to the date of shipment, the information is disclosed on the corporate website and the website of the Tokyo Stock Exchange.

Supplementary Principle 1.2.3

The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

From the perspective that the General Meeting of Shareholders is a forum for dialogue with shareholders, we take into consideration the schedule so that more shareholders can attend the General Meeting of Shareholders.

Supplementary Principle 1.2.4

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting.

Taking into account the shareholder composition of the Company, we recognize the need to create an environment that facilitates the exercise of voting rights by institutional investors and to provide information in English for foreign shareholders.

Since the Ordinary General Meeting of Shareholders held in Nov. 2015, the Company has participated in an electronic voting platform. In addition, English translations of excerpts from the Notice of the General Meeting of Shareholders are disclosed on the corporate website and the website of the Tokyo Stock Exchange

Supplementary Principle 1.2.5

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (*shintaku ginko*) and/or custodial institutions to consider such possibility.

The Company does not, in principle, allow institutional investors and other beneficial shareholders who hold shares in the name of trust banks, etc. to attend general meetings of shareholders and exercise their voting rights or ask questions. Such shareholder's voting rights are deemed to be held by persons listed or recorded on the list of shareholders.

However, in the event that an offer is made to attend the General Meeting of Shareholders through shareholders on the Shareholders' Register, admission to the General Meeting of Shareholders and attendance are permitted.

Going forward, we will continue to consider and improve the attendance of substantial shareholders at general meetings of shareholders.

Principle 1.3 Basic Strategy for Capital Policy

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

The Company's basic policy is to increase corporate value over the mid-to long-term by reinforcing its business foundation, enhancing shareholders' equity needed for growth-oriented investments, and providing stable and sustainable returns to shareholders.

Under this basic policy, dividends will be determined based on an annual dividend payout ratio of 35% or more and taking into account the optimal balance linked to business performance.

The Company's basic policy for stock buybacks is to make flexible and flexible judgments based on a comprehensive consideration of the business environment, impact on market prices, and financial conditions.

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings², they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

Shares held for purposes other than investment are held by counterparties as strategic stockholdings for the purpose of business tie-ups, maintenance and strengthening of transactions, and stabilization of stocks.

The Board of Directors examines the necessity of the reduction of the shares from the viewpoint of whether it is necessary for our growth and whether there is any other effective use of funds, as appropriate.

In addition, when exercising voting rights in relation to the shares, the supervising department shall closely examine the content of the proposal and decide whether or not to approve the proposal based on the situation of the portfolio company and the business relationship with the relevant company.

Supplementary Principle 1.4.1

When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

In the event that the Company receives an intention from a strategic shareholder to sell the Company shares, it does not prevent The Company from selling shares, etc. by suggesting a reduction in transactions, etc. When selling the Company shares, the Company considers the impact on the stock market and the interests of shareholders, and implements them in an appropriate manner after consulting with strategic shareholders.

Supplementary Principle 1.4.2

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

The Company considers transactions with strategic shareholder based on a comprehensive examination of pricing and other transaction terms and conditions, and conducts transactions with business partners that it considers to be optimal. Based on this concept, the Company considers transactions with strategic shareholder based on the same terms as those of ordinary business partners other than strategic shareholder, and decides on new transactions and continuation of transactions.

Principle 1.5 Anti-Takeover Measures

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

At The Company, we recognize that the highest priority is to continue to grow and increase corporate value in order to meet the mandate of our shareholders. At present, we do not plan to introduce takeover defenses.

Supplementary Principle 1.5.1

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

In the event that the Company shares are tendered in a tender offer, the ownership structure of the company may change, and the interests of shareholders may be affected. Accordingly, the Company will promptly disclose its approach as a The Company Board of Directors to shareholders.

The Company also respect the rights of our shareholders and do not preclude shareholders from responding to tender offers.

Principle 1.6 Capital Policy that May Harm Shareholder Interests

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and *kansayaku* should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

When conducting capital policies that have an impact on the interests of shareholders, such as capital increases and MBO, the Company will promptly disclose information on the process of its deliberation and the objectives of its implementation, while paying due consideration to the opinions of independent outside directors and outside corporate auditors. The Company will also make efforts to provide adequate explanations to shareholders, including briefings at general meetings of shareholders and financial results briefings, as needed.

Principle 1.7 Related Party Transactions

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and

The Company conduct competitive business transactions and conflict of interest transactions with corporations that are effectively controlled by directors and directors, which require deliberation and resolution by the Board of Directors.

The Company discloses the terms and conditions of transactions and the policy for determining the terms and conditions of transactions in the Notice of General Meeting of Shareholders and the Annual Securities Report. The Company has a system in

place that does not have a detrimental impact on the Company when corporate officers, companies over which directors have substantial control, and major stockholders conduct transactions as The Company customers.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

General Principle 2

Companies should fully recognize that their sustainable growth and the creation of mid to long term corporate value are brought as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured

The Company recognizes that collaboration with all stakeholders, including shareholders, is essential for sustainable growth and mid-to long-term corporate value improvement.

The company has established our corporate identity for the future society, encapsulated in our Purpose: to create memories of 'You Can If You Think You Can.' Our Vision is to evolve into a corporate group that opens up possibilities for people, realizing a shining future with the motto 'Bright Light for the Future.' Our guiding principles, Values, are to 'Stand side-by-side, Connect, Say YES to Ourselves.' The company declared the direction of our continued evolution.

On the first day of the fiscal year on Sep. 1 of each year, the Company holds the Management Policy Presentation Meeting, an opportunity for the president and other members of the management team to explain directly to all employees in their own words, every year since its founding. The management team takes the lead in fostering a corporate culture that respects the rights, positions, and corporate ethics of stakeholders.

Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

The Company has formulated the following management philosophy: "Aiming to develop human resources through contributing to educational and cultural projects," "Supporting self-realization through the dissemination and dissemination of franchising know-how," and "Nurturing human resources in the 21st century society rich in creativity and self-reliance through independent learning based on individual guidance." As part of this philosophy, The Company has formulated the following: The company has established our corporate identity for the future society, encapsulated in our Purpose: to create memories of 'You Can If You Think You Can.' Our Vision is to evolve into a corporate group that opens up possibilities for people, realizing a shining future with the motto 'Bright Light for the Future.' Our guiding principles, Values, are to 'Stand side-by-side, Connect, Say YES to Ourselves.' The company declared the direction of our continued evolution.

To realize this "Purpose," "Vision" and "Values," we will formulate a mid-term management plan and realize an increase in corporate value over the mid-to long-term through business activities in line with this mid-term management plan.

Principle 2.2 Code of Conduct

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

The Company has formulated the following management philosophy: "Aiming to develop human resources through contributing to educational and cultural projects," "Supporting self-realization through the dissemination and dissemination of franchise know-how," and "Nurturing human resources in the 21st century society rich in creativity and independence through independent learning based on individual guidance." As part of this philosophy, we have formulated the following: The Company's raison d'etre for the society of the future, "Purpose," "Vision" 『"Bright Light for the Future," and "We will realize a bright future by becoming a corporate group that extracts the potential in people." and "Values," "Stand Side-by-side," and "Say Yes to Ourselves," the guiding principles for action, and declared the future of Founding Spirit.

On the first day of the fiscal year on Sep. 1 of each year, the president and other members of the management team hold the Management Policy Presentation Meeting, an opportunity for the president and other members of the management team to explain directly to all employees in their own words, every year since the Company's founding. The management team takes the lead in fostering a corporate culture that respects the "Values" action guideline.

Supplementary Principle 2.2.1

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

The Company conducts a questionnaire once a year for all employees and conduct a review.

The results of the questionnaire are not limited to the results of the calculations. The Compliance Committee, which is composed of directors and division heads, shares information and confirms the degree of penetration of each code of conduct.

Principle 2.3 Sustainability Issues, Including Social and Environmental Matters

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

In order to realize a sustainable society, The Company provides not only the development of its mainstay Meiko Gijuku schools in 47 prefectures nationwide, but also individually optimized learning by various distinctive brands. This is an essential part of "learning infrastructures."

In Nov. 2022, we established the Sustainability Committee, which is an advisory body to the Board of Directors chaired by the President and Representative Director, and is composed primarily of directors. The committee meets quarterly to discuss and resolve basic policies and important matters related to sustainability management. In particular, the Company regards consideration for climate change and environmental issues, human rights, the working environment of employees, and thorough compliance as important themes in the Meiko Network Japan Basic Policy on Sustainability.

The Company also established the Sustainability Promotion Office to promote sustainability management. The General Manager of the Sustainability Promotion Office (Senior Executive Officer) formulates an annual plan, manages the progress of indicators and reduction targets based on the annual plan, and discusses it with the Sustainability Committee. The Sustainability Committee evaluates, monitors, deliberates, and resolves the annual plans, indicators, progress, and other important matters that have been discussed, and reports to the Board of Directors. In this way, the Company strengthens its monitoring and supervisory functions and ensures its effectiveness.

Supplementary Principle 2.3.1

With the recognition that dealing with sustainability issues is an important element of risk management, the board should take appropriate actions to this end. Given the increasing demand and interest with respect to sustainability issues in recent years, the board should consider addressing these matters positively and proactively.

In Nov. 2022, The Company established the Sustainability Committee, which is an advisory body to the Board of Directors, chaired by the President and CEO, and comprises mainly directors. The committee meets quarterly to discuss and resolve basic policies and important matters related to sustainability management. In particular, we regard consideration for climate change and environmental issues, human rights, the working environment of employees, and thorough compliance as important themes in the Meiko Network Japan Basic Policy on Sustainability.

We also established the Sustainability Promotion Office to promote sustainability management. The General Manager of the Sustainability Promotion Office (Senior Executive Officer) formulates an annual plan, manages the progress of indicators and reduction targets based on the annual plan, and discusses it with the Sustainability Committee. The Sustainability Committee evaluates, monitors, deliberates, and resolves the annual plans, indicators, progress, and other important matters that have been discussed, and reports to the Board of Directors. In this way, the Company strengthens its monitoring and supervisory functions and ensures its effectiveness.

Principle 2.4 Ensuring Diversity, Including Active Participation of Women

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

The Company is working to create a work environment where female employees can work enthusiastically and continuously in a variety of fields, and to create systems for flextime and telecommuting. Through these systems, we are working to reform work styles to realize a work-life balance. In particular, we have introduced and utilized a childcare leave and shortened working hours system to support employees in balancing work and childcare. Since there is a problem with the wage disparity between men and women, we will set targets as indicators to measure the active participation of women and work to make improvements.

<Indicators for measuring the active participation of women>

Indicators	Results (Fiscal year ended Aug. 2023)	Targets (Fiscal year ending Aug. 2025)
Ratio of Female Employees (Full-time Employees)	34.7%	40.0%
Percentage of female employees in managerial positions	24.6%	25.5%
Rate of male workers taking childcare leave	27.8%	30.0%
Wage difference between men and women of workers (all employees) However, there is no difference in wages between men and women in the base salary within the same grade.	64.0%	65.0%

Supplementary Principle 2.4.1

Companies should show their approach to ensure diversity in the recruitment of core human resources, such as by promoting women, foreigners, and mid-career recruits to managerial positions, as well as voluntary and measurable targets, and disclose the status of these. In addition, in view of the importance of human resource strategies for enhancing mid-to long-term corporate value, human resource development policies and internal environmental development policies for

The Company believes that the physical and mental health of our employees, who are our most important capital, will lead to the growth and development of the company. In addition, the Company is promoting diversity and inclusion in order to be a company and organization that is easy to work in and rewarding, which gives consideration to the human rights of all people involved with us and enables employees to make the most of their individual abilities and share diverse values. The Company will create innovation and create value for the future by leveraging our human resources with diverse backgrounds and offering opportunities that enable them to maximize their capabilities.

At present, we think there is a problem with the low ratio of managers in their 30s or younger. At present, mid-career recruits are actively promoted to positions requiring mid-career recruitment. By systematizing the education system and promoting a personnel strategy that strengthens human capital, we will work to increase the ratio of internal recruits. In order to generate innovation and continue to create value for the future, it is essential to utilize diverse human resources. We will set targets for indicators that measure the utilization of diverse human resources and work to make improvements.

<Indicators for measuring the utilization of diverse human resources>

Indicators	Results (Fiscal year ended Aug. 2023)	Targets (Fiscal year ending Aug. 2025)
Ratio of mid-career employees in managerial positions	77.8%	75%
Ratio of internally appointed employees in managerial positions	22.2%	25%
Percentage of managers in their 30s or younger	19.0%	20%

Principle 2.5 Whistleblowing

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

The Company has formulated internal rules for internal reporting, and has established an advisory lawyer as an external contact point and an internal whistle-blowing hotline in the Compliance Committee as an internal contact point. In the event of an internal report, the General Affairs Department, the secretariat of the Compliance Committee, reports to the director in charge of compliance (Chairman of the Compliance Committee), and in the event that a prompt response is required, an ad hoc Compliance Committee meets to investigate and formulate and implement countermeasures, as well as to report to the whistleblower and to ensure accuracy.

In addition, the General Affairs Department, which serves as the secretariat for the Compliance Committee, reports the status of operations to the Board of Directors as appropriate.

Supplementary Principle 2.5.1

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors⁴ and outside *kansayaku*⁵). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

In addition to the internal whistle-blowing hotline (Compliance Committee) within the company, we have established an internal whistle-blowing hotline that is independent from within the company at an external law firm. In addition, the Company has established internal reporting rules and a system that protects whistleblowers.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

The Company do not introduce a corporate pension fund system, but we have introduced a corporate defined contribution pension plan (life plan system) to ensure stable asset formation for employees. We hold in-house seminars and distribute videos of seminars to educate employees on the selection of investment products, etc.

Section3: Ensuring Appropriate Information Disclosure and Transparency

General Principle 3

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information such as financial standing and operating results, and non-financial information such as business strategies and business issues, risk and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The Company recognizes that appropriately disclosing information is a key management issue in order to gain the understanding of its shareholders and other stakeholders.

The Company appropriately disclose non-financial information, such as management strategy and issues, risks and governance, human capital management, and sustainability-related information in accordance with laws and regulations and regulations, and actively provide information other than disclosure based on laws and regulations.

Principle 3.1 Full Disclosure

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
- iii) Board policies and procedures in determining the remuneration of the senior management and directors;
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

- (i) Founding Spirit Management Philosophy, Educational Philosophy, "Purpose", "Vision" and "Values," and Mid-Term Management Plan are disclosed in corporate website and Financial Results Briefing Materials.
- (ii) The basic policies of corporate governance are disclosed in corporate website and Corporate Governance Report.
- (iii) The basic policy on remuneration for directors (excluding directors serving as members of the Audit and Supervisory Committee) is to be set at an appropriate level based on their respective responsibilities in order to function sufficiently as an incentive for the sustained improvement of corporate value, and to be determined through a process that is transparent and objective. Remuneration consists of fixed monthly remuneration, which is determined within the total amount of remuneration determined by a resolution of the General Meeting of Shareholders, and restricted stock remuneration, which is intended to provide further incentives and further promote the sharing of value with shareholders, and performance-linked stock remuneration, which is introduced with the aim of contributing to the sustained improvement of business performance and corporate value over the mid-to long-term. Remuneration for Outside

Directors (excluding Directors serving as Audit and Supervisory Committee Members) is not linked to performance because it is an independent position from the execution of business, and only base remuneration is to be paid as monthly remuneration.

- (iv) Our Board of Directors has not more than 10 directors (excluding directors serving on the Audit and Supervisory Committee) and no more than 5 directors serving on the Audit and Supervisory Committee. In addition, when appointing and dismissing senior management and nominating candidates for the position of director, they are presented to the Board of Directors as a matter solely decided by the representative director and are deliberated by the Board of Directors. In the Proposal for Director Candidates, directors who are Audit and Supervisory Committee members are distinguished from other directors, and they are submitted to the General Meeting of Shareholders as proposals for the General Meeting of Shareholders.
- (v) Reasons for election and dismissal of senior management and nomination of director candidates are disclosed in the Business Report of the Notice of Convocation of the General Meeting of Shareholders.

Supplementary Principle 3.1.1

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.

At the Company, we recognize that disclosing information is one of our key management responsibilities.

Accordingly, the Company will continue to disclose information in a plain and specific manner so that accurate information can be communicated to shareholders and all other stakeholders.

Supplementary Principle 3.1.2

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

Based on The Company's shareholder structure, we have established an English-language version of corporate website and have prepared an English-language version of our financial results briefing materials. An English version of the Notice of the General Meeting of Shareholders has been prepared from the Notice of the General Meeting of Shareholders held in Nov. 2015. At the same time, the Company will disclose this information on corporate website and other media and will continue to strive to enhance the provision of information in English to overseas shareholders.

Supplementary Principle 3.1.3

Companies should appropriately disclose their own efforts on sustainability when disclosing their management strategies. Investments in human capital and intellectual property should also be disclosed and provided in an easy-to-understand and specific manner, with an awareness of consistency with the company's management strategies and issues. In particular, prime market-listed companies should collect and analyze required data on the impact of climate-change risks and revenue opportunities on their business activities and earnings, and enhance the quality and quantity of disclosures based on TCFD or its equivalent framework, which is an internationally established disclosure framework.

Basic Sustainability Policy

As a pioneer in providing individual instruction, we have provided opportunities to gain access to high-quality education without distinguishing between men and women through our business activities. Our two management philosophies are "Aiming to develop human resources through contributions to education and cultural projects" and "Supporting self-realization through the dissemination and spread of franchise know-how" and our education philosophy "Developing human resources in a 21st century society rich in creativity and self-reliance through independent learning through individual guidance."

Taking this founding philosophy as "Founding Spirit" as our starting point, we will create a variety of businesses that provide services that anticipate the needs of the times in order to respond to the rapid changes in the social environment. Our goal is to grow into a "corporate group that extracts the potential of people" and to increase the corporate value of our Group, based on the idea that "Create a memory of "You can if you think you can."

We will continue to actively engage in dialogue with outside experts and stakeholders, correctly understand the negative impacts such as large economic disparities, forced labor, and adverse impacts on ecosystems, and promote initiatives to resolve these issues through our business activities, in order to remain a company that is chosen by society.

The Company established the Sustainability Committee to realize "a bright future society" and "the creation of a sustainable society that realizes SDGs" as "the infrastructure for learning" through our business activities. As a responsible prime market listed company, the Company will identify important company-wide issues and discuss and implement countermeasures to address them, thereby enhancing our corporate value and reducing the risk of damage to our corporate value and promoting initiatives to fulfill our social responsibilities. The Company will widely disclose our activities and their results.

Disclosures based on TCFD recommendations

The Company is keenly aware that addressing climate change and environmental issues is one of our most important management issues. Based on the framework of the Paris Agreement and the goal set by the Government of Japan to virtually eliminate CO2 emissions by 2050, we recognize the roles that companies should play in achieving a sustainable society. We believe that realizing solutions to this issue through businesses will lead to the sustainable growth of our group.

This year, we will disclose information based on TCFD framework so that we can communicate smoothly with a wide range of stakeholders, including shareholders and investors.

<Governance>

In Nov. 2022, the Company established the Sustainability Committee, which is an advisory body to the Board of Directors, chaired by the President and CEO, and comprises mainly directors. The committee meets quarterly to discuss and resolve basic policies and important matters related to sustainability management. Meiko Network Japan's Basic Policy on Sustainability is one of the most important themes for addressing climate change and environmental issues. We also established the Sustainability Promotion Office to promote sustainability management.

The General Manager of the Sustainability Promotion Office (Senior Executive Officer) formulates an annual plan, manages the progress of indicators and reduction targets based on the annual plan, and discusses it with the Sustainability Committee. The Sustainability Committee evaluates, monitors, and deliberates on the annual plans, indicators, progress, and other important matters discussed, and reports the results to the Board of Directors. In this way, the Company strengthens its monitoring and supervisory functions and ensures their effectiveness.

<Strategy: Business Risks and Opportunities>

The Company recognizes that the negative impact of climate change on society is enormous, and believe that it is important to contribute to the realization of carbon neutrality worldwide. Based on the 1.5°C scenario (IEA Net Zero Emissions by 2050 Scenario) envisaged by the International Energy Agency (IEA), we will ascertain the risks and opportunities of our business due to climate change through scenario analysis and strengthen our response to the various risks that are envisaged.

As for the risk of transition, the Group is anticipating the risk of deterioration in profitability due to stricter laws and regulations such as the introduction of a carbon tax, the development of educational materials that reduce environmental impact, increased capital expenditures such as the introduction of LED at schools and facilities, and an increase in the burden of classroom assignments that take into account the risk of flooding.

In the fiscal year ended Aug. 31, 2022, the Company and its consolidated subsidiaries released 3574 tons of GHG (Scope 1 and 2*), which is considered to have a limited financial impact.

As for physical risks, we assume that the frequency of damage to classrooms and facilities and the occurrence of infectious diseases will increase due to the increasing size of typhoons caused by climate change and the worsening of natural disasters such as floods, and that energy costs will soar due to extreme weather conditions.

Meanwhile, we have positioned the strengthening of DX initiatives in response to the risks posed by climate change as a new business opportunity. Accordingly, we have developed tailored services tailored to customer needs in line with the Meiko DX Strategic Roadmap. We will also promote paperless educational materials and communication with customers.

*Scope 1 and 2 are classifications of greenhouse gases. Scope 1 is the company's own direct emissions, Scope 2 shows indirect emissions associated with the use of electricity, heat, and steam supplied by other companies.

<Risk Management>

The Company has established a risk management system centered on the Risk Management Committee and the Compliance Committee, and are promoting flexible responses to risks. The Board of Directors and other bodies identify necessary items in the operational process, and are appropriately managed by conducting regular monitoring.

In particular, we have selected climate change responses as a company-wide important risk. The sustainability committee, which is composed mainly of directors, holds regular discussions and assesses the impact of scenario analysis on our business.

In addition, the Sustainability Committee reviews the Basic Policy, Strategies, and Measures for Sustainability at least once a year, taking into account global trends, including climate change, the sharing of external factors such as changes in legal systems and regulations, the progress of measures, and changes in future risks and opportunities.

The General Manager of the Sustainability Promotion Office (Senior Executive Officer) will manage the appropriateness of numerical reduction targets for climate change-related activities and the progress of measures. The Secretary-General of the Sustainability Office will take the lead in promoting specific initiatives. We will also establish subcommittees for the effectiveness of the E, S and G material issues, and appoint responsible divisional managers (division heads) to implement PDCA cycle.

<Indicators and Targets>

The Company has continued to promote LED of in-school floating lights and other measures. Going forward, we will step up efforts to reduce greenhouse gas emissions across the entire Group by 10% from the fiscal year ending Aug. 2022 (3,574 tons) by 2030* and to virtually zero by 2050, with a view to introducing renewable energy and other sources.

*Scope 1 + Scope 2

Principle 3.2 External Auditors

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

The Company works with the Audit and Supervisory Committee and related divisions such as the accounting division to secure audit schedules and auditing systems to ensure proper auditing by external accounting auditors.

Supplementary Principle 3.2.1

The *kansayaku* board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and
- ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.

- (i) The Audit and Supervisory Board monitors and evaluates the status of execution of duties through the status of audits conducted by external accounting auditors and reports on audits. The Audit and Supervisory Board formulates clear standards for the evaluation of external accounting auditor candidates.
- (ii) Through the exchange of opinions with external accounting auditors and the status of audits, the Company confirms independence and expertise. EY Ernst & Young ShinNihon LLC, currently The Company External Independent Auditor recognizes that there are no issues with both independence and expertise.

Supplementary Principle 3.2.2

The board and the *kansayaku* board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;
- ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;
- iii) Ensure adequate coordination between external auditors and each of the *kansayaku* (including attendance at the *kansayaku* board meetings), the internal audit department and outside directors; and
- iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.

- (i) After conducting preliminary discussions with the external accounting auditor, we formulate an audit schedule to ensure sufficient audit time.
- (ii) When requested by an external accounting auditor, we have set up interview hours with senior management directors.
- (iii) Through accounting audits and reports on quarterly reviews, we ensure cooperation between external accounting auditors and the Audit and Supervisory Committee and outside directors.

In addition, a system is in place for direct cooperation between external accounting auditors and the Internal Audit Division. In addition, the full-time Audit and Supervisory Committee members and the Internal Audit Division collaborate to exchange necessary information and confirm the status of business execution as needed, and provide feedback on the information and other information required by external accounting auditors.

(iv) Under the direction of the representative director, each supervising director takes the lead in conducting investigations and corrections, and reporting on the results.

In addition, the Audit and Supervisory Committee, led by the full-time Audit and Supervisory Committee members, collaborates with the Internal Audit Division and related divisions to conduct investigations and seek necessary corrections.

Section 4: Responsibilities of the Board

General Principle 4

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight of directors and the management (including shikkoyaku⁷ and so-called shikkoyakuin⁸) from an independent and objective standpoint.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with *Kansayaku* Board (where a part of these roles and responsibilities are performed by *kansayaku* and the *kansayaku* board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

The Company strives to establish a speedy and efficient management and execution system while balancing management oversight and operational execution systems, and to realize highly transparent management through the participation of outside directors and Audit and Supervisory Committee members.

In addition, based on the management plan prepared annually, the director in charge, the Board of Directors, and the Group management team implement management strategies in line with these plans, and each Group company has established the Regulations of the Board of Directors to deliberate in accordance with laws and regulations at the Board of Directors meetings. In accordance with these regulations, the Company has established "Rules on Administrative Authority" to clarify the scope of execution by management.

Principle 4.1 Roles and Responsibilities of the Board (1)

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

The Company has formulated Founding Spirit of its management policy and educational philosophy and formulated Purpose", "Vision" and "Values, and the Board of Directors holds discussions on The Company's basic policies, including management strategies and planning, with "Purpose", "Vision" and "Values" as a senior concept. These discussions are conducted by outside directors and outside corporate auditors based on free exchanges of views.

Once a month, the Board of Directors receives reports from the executive directors on the status of business execution and the

progress of management issues in their charge, and monitors the status of management. Each director provides comments and opinions as necessary in response to reports from executive directors.

Supplementary Principle 4.1.1

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

The Company clearly distinguish between the Board of Directors as a decision-making and supervisory body for management and the business execution system based on that decision. We have established Board of Directors' rules and other regulations to clarify matters that the Board of Directors itself should decide and the matters that management should decide.

Supplementary Principle 4.1.2

Recognizing that a mid-term business plan (*chuuki keiei keikaku*) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing

Mid-term management plan is reviewed at annual budgetary meetings in light of its business performance, future society and economic conditions, and other factors. When a change occurs, the background and content of the change are explained at briefings on financial results and other occasions.

Supplementary Principle 4.1.3

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

In order to develop human resources such as the Chief Executive Officer, who will be responsible for the next generation of management execution that will support the Company's sustained growth, the Company will constantly assume successor candidates and endeavor to develop them.

We believe that the key points for fostering this development include the sophisticated sharing of management philosophy, qualifications as a director of a listed company, experience (skills), ability to plan and execute strategies, and leadership. In the course of their development, candidates will be narrowed down, and in addition, through daily business execution, while conducting multifaceted evaluations, including interviews with candidates and evaluations both inside and outside the company, opportunities will be set up for reassignment, training, etc., in order to support the improvement of candidates. In addition, the Board of Directors will supervise the status of the planning in a timely manner.

Principle 4.2 Roles and Responsibilities of the Board (2)

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

The Company sufficiently deliberates and examines the matters to be resolved by the Board of Directors, and the decisions made are supervised by the directors (excluding directors serving as members of the Audit and Supervisory Committee) in their respective jurisdictions, and require action based on an entrepreneurial spirit.

Remuneration for directors (excluding directors serving as members of the Audit and Supervisory Committee) consists of fixed monthly remuneration, which is determined within the total amount of remuneration determined by a resolution of the General Meeting of Shareholders, and restricted stock remuneration, which is intended to provide further incentives and further promote the sharing of value with shareholders, and performance-linked stock remuneration, which is introduced with the aim of contributing to the sustained improvement of mid-to long-term performance and corporate value.

Supplementary Principle 4.2.1

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.

Remuneration for directors (excluding directors serving as members of the Audit and Supervisory Committee) consists of fixed monthly remuneration, which is determined within the total amount of remuneration determined by a resolution of the General Meeting of Shareholders, and restricted stock remuneration, which is intended to provide further incentives and further promote the sharing of value with shareholders, and performance-linked stock remuneration, which is introduced with the aim of contributing to the sustained improvement of mid-to long-term performance and corporate value. Performance-based stock awards range from 50% to 125% of the standard number of shares by position, depending on the achievement rate of performance indicators set for each fiscal year based on Board of Directors' deliberations. Shares will be paid in a lump sum at the time of retirement.

Supplementary Principle 4.2.2

The Board of Directors should formulate a basic policy on the company's sustainability efforts from the perspective of enhancing corporate value in mid-to long-term. In addition, given the importance of investing in human capital and intellectual property, the Bank should effectively supervise the allocation of management resources, including these, and the implementation of strategies related to business portfolios so that they contribute to the sustainable growth of the company.

At a meeting of the Board of Directors held on Mar. 31, 2023, companies resolved to establish the Basic Policy on Sustainability.

Basic Sustainability Policy

As a pioneer in providing individual instruction, the Company has provided opportunities to gain access to high-quality education without distinguishing between men and women through our business activities. Our two management philosophies are "Aiming to develop human resources through contributions to education and cultural projects" and "Supporting self-realization through the

dissemination and spread of franchise know-how" and our education philosophy "Developing human resources in a 21st century society rich in creativity and self-reliance through independent learning through individual guidance."

Taking this founding philosophy as "Our Founding Spirit" as our starting point, we will create a variety of businesses that provide services that anticipate the needs of the times in order to respond to the rapid changes in the social environment. Our goal is to grow into a "Corporate Group with People's Potential" and to increase the corporate value of our Group, based on the idea that "We can remember Purpose."

We will continue to actively engage in dialogue with outside experts and stakeholders, correctly understand the negative impacts such as large economic disparities, forced labor, and adverse impacts on ecosystems, and promote initiatives to resolve these issues through our business activities, in order to remain a company that is chosen by society.

In order to realize "a bright future" and "the creation of a sustainable society that realizes SDGs" as "the infrastructure for learning" through our business activities, we have established the "Sustainability Committee" and will promote efforts to improve corporate value and reduce the risk of damage to corporate value and fulfill our social responsibilities by appropriately identifying and implementing important company-wide issues as a responsible prime market listed company and implementing countermeasures. We will widely disclose our activities and their results.

With regard to the allocation of management resources, we view the growth of employees as our growth, so that all employees can take pride in their own work and demonstrate their individual abilities. Accordingly, we are investing in human capital in the companies of "skills and skills development," "leadership development and succession," "promotion of DX and CX," "diversity and inclusion," and "Well-being."

In addition, the Company will strengthen monitoring of growth and profitability based on human capital investment and cash flow of each business, and report to the Board of Directors as appropriate, in order to ensure that the Board of Directors is functioning with effective oversight.

Principle 4.3 Roles and Responsibilities of the Board (3)

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

The Company has introduced a stock-based compensation plan based on a stock-based trust as a performance-based compensation award. Stock compensation is determined by the Board of Directors after drafting a draft by the President and CEO and consulting with the Nomination and Compensation Committee based on the position, performance, contributions, and The Company of each director for each fiscal year.

We have established a Disclosure Policy for information disclosure and are actively engaged in voluntary disclosure based on this policy. Timely disclosure information is prepared by the Corporate Planning Department and deliberated and disclosed by the Board of Directors.

When a conflict-of-interest transaction with a related party occurs, the Board of Directors deliberates and seeks the opinions of outside directors and the Audit and Supervisory Committee. The Board of Directors also seeks to report on the status of the

transaction, etc. as appropriate.

Supplementary Principle 4.3.1

The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.

With regard to the nomination and dismissal of senior management, the representative director listens to opinions from various perspectives and comprehensively considers factors such as business performance, personality, and insight. The representative director and president prepare a draft, which is then decided by the Board of Directors after consulting with the Nomination and Compensation Committee.

Supplementary Principle 4.3.2

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

CEO is appointed by the president and CEO, who prepares a draft, consults with the Nomination and Compensation Committee, and the Board of Directors determines the draft. The Company appoints individuals who contribute to its sustained growth and mid-to long-term enhancement of corporate value as CEO.

Supplementary Principle 4.3.3

The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.

Upon dismissal of CEO, the President and CEO drafts the draft, which is decided by the Board of Directors after consulting with the Nomination and Compensation Committee. The reasons for the dismissal will be disclosed in the Notice of the General Meeting of Shareholders Business Report.

Supplementary Principle 4.3.4

The establishment of effective internal control and proactive risk management systems for compliance and financial reporting has the potential of supporting sound risk-taking. The board should place priority on the appropriate establishment of such systems and the oversight of whether they effectively operate, and should not limit itself to the examination of compliance with respect to specific business operations.

The Compliance Committee and the Risk Management Committee have been organized, and the Risk Management Office and the Internal Control Operation Secretariat have been established within the General Affairs Department to establish a risk management system covering all risks surrounding The Company.

In addition, the General Affairs Department, which has established the Internal Control Operations Secretariat, evaluates the appropriateness of company-wide internal controls, business processes, and IT controls, and confirms the effectiveness of internal controls over financial reporting.

The results of the evaluation are reported to the director in charge and the Audit and Supervisory Committee as well as the Board of Directors from time to time.

Principle 4.4 Roles and Responsibilities of *Kansayaku* and the *Kansayaku* Board

Kansayaku and the *kansayaku* board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of external auditors and the determination of auditor remuneration.

Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* and the *kansayaku* board, in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.

The four directors who are Audit and Supervisory Committee members of The Company are all outside directors and fulfill their duties as Audit and Supervisory Committee members from an independent standpoint.

Directors who are members of the Audit and Supervisory Committee have a high level of expertise and abundant experience in their respective fields. The Board of Directors makes use of these knowledge and experience to express its opinions.

Supplementary Principle 4.4.1

Given that not less than half of the *kansayaku* board must be composed of outside *kansayaku* and that at least one full-time *kansayaku* must be appointed in accordance with the Companies Act, the *kansayaku* board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, *kansayaku* or the *kansayaku* board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

All four directors, who are members of the Company's Audit and Supervisory Committee, are outside directors, and they are highly independent Audit and Supervisory Committee members.

One full-time Audit and Supervisory Committee member is selected from among the boards of directors serving on the Audit and Supervisory Committee, and the Company has established a system for exchanging opinions with executive directors at all times. Full-time Audit and Supervisory Committee member attend important meetings on business execution in addition to the Board of Directors meetings to express their opinions and establish highly effective Audit and Supervisory Committee meetings.

In addition to meetings of the Board of Directors, the Company also holds meetings of the Outside Officers Liaison Committee as necessary to facilitate cooperation with Directors who are members of the Audit and Supervisory Committee.

Principle 4.5 Fiduciary Responsibilities of Directors and *Kansayaku*

With due attention to their fiduciary responsibilities to shareholders, the directors, *kansayaku* and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

In order to fulfill the fiduciary responsibilities of shareholders and to enhance the common interests of the company and shareholders, we recognize that information disclosure is one of the most important management issues. We provide the information that each stakeholder needs through information dissemination and dialogue with each stakeholder.

In addition, several outside directors are appointed to supervise the execution of duties by directors (excluding directors serving as members of the Audit and Supervisory Committee) and to provide opinions on management plans in order to enhance the common interests of the company and shareholders from the perspective of the outside and shareholders.

Principle 4.6 Business Execution and Oversight of the Management

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

The Company has secured a highly effective management oversight system by appointing several outside directors and providing independent and objective views at meetings of the Board of Directors, etc.

We will continue to review the utilization of directors, who have a certain distance from the execution of business, in a timely manner to ensure the effectiveness of independent and objective management oversight by the Board of Directors.

Principle 4.7 Roles and Responsibilities of Independent Directors

Companies should make effective use of independent directors⁹, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

The Independent Outside Directors consist of lawyers and persons with experience in corporate finance operations who are well-versed in corporate legal affairs and other matters. Based on their specialized knowledge and experience, the Independent Outside Directors appropriately reflect the opinions of minority shareholders and other stakeholders in the Board of Directors regarding the appointment and dismissal of senior management, director of the execution of business by directors (excluding directors who are Audit and Supervisory Committee members), supervision of conflict-of-interest transactions, management policies and management plans, etc.

Principle 4.8 Effective Use of Independent Directors

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies should therefore appoint at least two independent directors that sufficiently have such qualities.

Irrespective of the above, if a company believes it needs to appoint at least one-third of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

The Company has decided to appoint several independent outside directors who meet the requirements of the Company's own "Guidelines for the Appointment of Outside Directors and Outside Audit and Supervisory Board Members" and "Standards for the Independence of Outside Directors and Outside Audit and Supervisory Board Members." This enables discussions based on opinions from an independent standpoint at the Board of Directors meetings. In addition, four of the nine the Company directors are independent outside directors, and the ratio of independent outside directors on the Board of Directors is more than one-third.

Supplementary Principle 4.8.1

In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

In conjunction with the appointment of multiple independent outside directors, we will continue to develop an environment in which independent outside directors can more accurately grasp the status of business execution by communicating with them as appropriate other than the Board of Directors, exchanging opinions, and increasing opportunities for dialogue with directors and other employees.

Supplementary Principle 4.8.2

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with *kansayaku* or the *kansayaku* board by, for example, appointing the lead independent director from among themselves.

Currently, there are four independent outside directors who comprise the Board of Directors, and the Company does not appoint the largest independent outside director.

When liaison and coordination with management and cooperation with Audit and Supervisory Committee members or Audit and Supervisory Committee members are required, the secretariat of the Board of Directors provides appropriate support.

Supplementary Principle 4.8.3

Companies with a controlling shareholder should appoint at least one-third (majority in prime market-listed companies) of independent outside directors who are independent from the controlling shareholder on the board of directors, or establish a special committee composed of persons with independence, including independent outside directors, to deliberate and consider important transactions and actions in which the interests of the controlling shareholder and minority shareholders conflict.

Currently, The Company has no controlling interest. In the event that a company becomes a controlling shareholder in the future, the Company will appropriately deliberate and consider concerns regarding transactions with the controlling shareholder that may violate conflicts of interest with the minority shareholder and take necessary measures.

Principle 4.9 Independence Standards and Qualification for Independent Directors

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

The Company has established its own "Guidelines for the Appointment of Outside Directors and Outside Audit and Supervisory Board Members" and "Independence Standards for Outside Audit and Supervisory Board Members," which are disclosed in the Notice of the General Meeting of Shareholders and Annual Securities Reports.

In selecting candidates for independent outside directors, we select candidates who meet The Company's own standards, in addition to standards established by the Companies Act and the Tokyo Stock Exchange.

Principle 4.10 Use of Optional Approach

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

The Company is a company with an Audit and Supervisory Committee. Currently, we consider this to be the most appropriate form.

Supplementary Principle 4.10.1

If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from independent directors in the examination of such important matters as nominations and remuneration by establishing independent advisory committees under the board, such as an optional¹⁰ nomination committee and an optional remuneration committee, to which independent directors make significant contributions.

The Company appoints several independent outside directors and Audit and Supervisory Committee members. Each of the Independent Outside Directors and Audit and Supervisory Committee Members, utilizing their high levels of specialized knowledge and abundant experience, expresses their opinions to the Board of Directors and each Director, and requires them to provide advice as necessary. The appointment and appointment of directors are decided by the Board of Directors after the President and Representative Director prepares a draft and consults with the Nomination and Compensation Committee, which includes the Outside Director Audit and Supervisory Committee.

The basic policy on remuneration for directors (excluding directors serving as members of the Audit and Supervisory Committee) is to be set at an appropriate level based on their respective responsibilities in order to function sufficiently as an incentive for the sustained improvement of corporate value, and to be determined through a process that is transparent and objective. Remuneration consists of fixed monthly compensation, which is determined within the total amount of compensation determined by a resolution of the General Meeting of Shareholders, and restricted stock awards, which are intended to provide further incentives and promote greater value sharing with shareholders. Compensation is also comprised of performance-linked stock awards, which are introduced with the aim of contributing to the sustained improvement of mid-to long-term performance and corporate value. Remuneration for Outside Directors (excluding Directors serving as Audit and Supervisory Committee Members) is not linked to performance because it is an independent position from the execution of business, and only base remuneration is to be paid as monthly remuneration.

Since Nov. 2022, the Nominating and Compensation Committee has been considering the independence and objectivity of the

functions of the Board of Directors and the enhancement of accountability related to the nomination of senior management and directors (including succession planning) and compensation.

Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender and international experience, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Board of Directors of the Company is composed of members with a sense of balance and achievements that enable them to grasp the overall business and conduct activities, as well as decision-making abilities, in order to enable active deliberation and swift decision-making, and the Outside Director Audit and Supervisory Committee members believe that it is essential to be composed of several members with diverse perspectives, abundant experience, and deep insight and expertise. Through this system, we can expect that the Outside Director Audit and Supervisory Committee members will provide high-level monitoring and opinions and advice as needed, and we believe that we can build a sound management system to check against heightened risks. As of Nov. 2023, 3 of the nine directors (including directors serving on the Audit and Supervisory Committee) are women.

In addition, at the Ordinary General Meeting of Shareholders held in Nov. 2022, several members of the Audit and Supervisory Committee were appointed who possess appropriate knowledge regarding finance, accounting, and legal affairs.

Supplementary Principle 4.11.1

The board should have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with its view.

The Company has a Board of Directors of up to 15 members, of which 9 are outside directors (four of whom are outside directors). We believe that the Board of Directors is an appropriate size for continuing to promote swift decision-making.

The breakdown is also made up of internal directors, which are composed of members with a sense of balance and achievements that enable them to grasp and conduct activities in general, and with the ability to make decisions. Outside directors, which are composed of multiple members with diverse perspectives, abundant experience, and a high level of insight and expertise, have a balanced structure. The Skills Matrix, which lists the knowledge, experience, and abilities of each director, has been disclosed since the 37th Ordinary General Meeting of Shareholders.

Supplementary Principle 4.11.2

Outside directors, outside *kansayaku*, and other directors and *kansayaku* should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and *kansayaku* also serve as directors, *kansayaku* or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

The status of concurrent positions held by outside directors at other companies is disclosed annually through the Notice of the General Meeting of Shareholders, financial reports, and corporate governance-related reports.

Supplementary Principle 4.11.3

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

In principle, the Board of Directors meets once a month to discuss and resolve important matters in a timely manner. Materials are distributed or explained in advance, and the Board of Directors ensures sufficient time for deliberation and lively discussions, and thoroughly examines management issues.

In addition, the Board of Directors supervises the execution of duties by reporting the progress and results of resolutions in a timely manner. With regard to the evaluation of effectiveness at the Board of Directors meetings, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors once a year since 2018, taking into account the composition, operation and deliberation of the Board of Directors, and the operational structure as evaluation items, with the aim of establishing an enhanced corporate governance system and further enhancing corporate value. A summary of the results is also disclosed.

The following is an overview of the results of the Board of Directors' evaluation of effectiveness for the fiscal year ended Aug. 2023.

1. Evaluation method

In light of the issues in evaluating the effectiveness of the Board of Directors in the previous fiscal year (fiscal year ended Aug. 2022), a questionnaire consisting of 13 items including the composition of the Board of Directors, the status of deliberations, the management system, and the effectiveness of the voluntary advisory committee was distributed to all directors as an index to measure the effectiveness of the Board of Directors. Based on the opinions received from all directors, the status of improvement was confirmed.

2. Issues in Evaluating the Effectiveness of the Board of Directors in the Previous Fiscal Year (fiscal year ended Aug. 2022)

Strengthen the monitoring function of the Board of Directors through more flexible business execution and further enhancement of management issues, management plans, and their progress from a mid-to long-term perspective, as well as verification, etc.

3. Outline of results regarding the assessment

In order to realize more agile business execution, the Nomination and Compensation Committee consulted on the establishment and appointment of a senior executive officer system, and the Board of Directors appointed two senior executive officers with decision-making authority similar to that of directors. In addition, the Company has strengthened the monitoring functions of the Board of Directors by holding systematic meetings of the Sustainability Committee to discuss sustainability issues on an ongoing basis, discussing management issues from a mid-to long-term perspective, and enhancing management plans and their progress and verification.

Accordingly, with regard to the issues in the previous fiscal year, we evaluated that certain improvements have been made, and that the composition of the Board of Directors, the status of deliberations, and the management system, etc. have generally been appropriate and effective.

However, we recognize that there are the following issues.

To enhance discussions on the allocation of resources to sustainability initiatives, the examination of priorities, internal penetration, and the strengthening of group governance.

4. Future Responses

Based on the results of this evaluation, our Board of Directors will make continuous efforts to resolve issues and further improve the effectiveness of the Board of Directors.

Principle 4.12 Active Board Deliberations

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

The Outside Directors' Audit and Supervisory Committee members express their opinions at meetings of the Board of Directors based on their highly specialized knowledge and abundant experience, and make proposals for improvements as necessary. Directors other than outside directors serving on the Audit and Supervisory Committee also provide opinions and suggestions on agenda items submitted to the Board of Directors.

Supplementary Principle 4.12.1

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;
- iv) The number of agenda items and the frequency of board meetings are set appropriately; and
- v) Sufficient time for deliberations.

In principle, the Board of Directors meets once a month to notify the Directors of the annual meeting schedule and to ensure that it is easy for them to attend the Board of Directors meetings.

Materials are distributed or explained in advance, especially in the case of important matters, and the Board of Directors ensures sufficient time for deliberation and lively discussions, and sufficiently examines management issues.

Principle 4.13 Information Gathering and Support Structure

In order to fulfill their roles and responsibilities, directors and *kansayaku* should proactively collect information, and as necessary, request the company to provide them with additional information.

Also, companies should establish a support structure for directors and *kansayaku*, including providing sufficient staff.

The board and the *kansayaku* board should verify whether information requested by directors and *kansayaku* is provided smoothly.

The Company provides sufficient information by participating in important meetings other than the Board of Directors and utilizing its internal infrastructure.

Directors request information and materials from related departments regarding the information necessary for the performance of their duties, and departments that are requested to provide information provide information and materials based on requests as appropriate.

The General Affairs Department, the secretariat of the Board of Directors, plays a central role in providing support to directors (excluding directors serving on the Audit and Supervisory Committee).

Directors and employees who are supposed to assist the Audit and Supervisory Committee in their duties are not fixed, and the department in charge implements them as appropriate. In addition, when requested by the Audit and Supervisory Committee, the Audit and Supervisory Committee shall have employees who assist the Audit and Supervisory Committee. Depending on the scope of work expected of the employee and the period of appointment, full-time or interlocking assignments shall be determined.

Supplementary Principle 4.13.1

Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, *kansayaku*, including outside *kansayaku*, should collect information appropriately, including the use of their statutory investigation power.

Boards of directors (excluding directors serving as members of the Audit and Supervisory Committee) are required to provide information and materials to the General Affairs Department, which is the secretariat of the Board of Directors, and related divisions, if there is a shortage of information held by themselves, in order to make appropriate decisions. In order for outside directors (excluding directors serving as members of the Audit and Supervisory Committee) to be able to support appropriate risk-taking, the Company ensures that the person in charge attends meetings of the Board of Directors as necessary to explain matters and answer questions so that outside directors can obtain the information required for decision-making on business execution as appropriate.

Directors who are members of the Audit and Supervisory Committee collaborate with directors (excluding directors serving as members of the Audit and Supervisory Committee) and the Internal Audit Office to collect information necessary for conducting audits. In the event that there is a shortage of information collected, the full-time Audit and Supervisory Committee members play a central role in providing information and materials to directors (excluding directors serving as members of the Audit and Supervisory Committee) and related departments, and the departments requested by the directors provide information and materials as appropriate.

Supplementary Principle 4.13.2

Directors and *kansayaku* should consider consulting with external specialists at company expense, where they deem it necessary.

or perspectives in the performance of operations, such as forecasting mid-to long-term's market conditions and grasping market needs.

Accompanying such expenses are incurred by the Company in accordance with internal regulations, such as through the request of directors.

Supplementary Principle 4.13.3

Companies should ensure coordination between the internal audit department, directors and *kansayaku*. In addition, companies should take measures to adequately provide necessary information to outside directors and outside *kansayaku*. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside *kansayaku* are appropriately processed.

The results of audits conducted by the Internal Audit Office and problems identified through interviews with employees regarding business execution and execution status are reported to directors, including outside directors and members of the Audit and Supervisory Committee, and executive officers as appropriate. The Internal Audit Office directs the relevant departments to make improvements to the reported problems, and the results of the improvements are reported to the boards of directors as appropriate.

In addition, the Company has not established a secretariat for communicating and coordinating with the Company under the direction of outside directors. However, through the General Affairs Department, which serves as the secretariat of the Board of Directors, and the directors in charge of each business field, each division of the Head Office is able to receive requests from the Audit and Supervisory Committee members of the Outside Directors at all times.

Principle 4.14 Director and *Kansayaku* Training

New and incumbent directors and *kansayaku* should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

The Company conducts training sessions for directors as needed to enhance their knowledge and skills.

In addition, the Company encourages directors to participate in correspondence courses and external seminars with the aim of acquiring new ideas and engaging in self-development that touches on living information. Expenses for these courses are borne by the Company based on internal rules, such as those requested by directors.

Supplementary Principle 4.14.1

Directors and *kansayaku*, including outside directors and outside *kansayaku*, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

Training sessions are held as needed by external instructors such as corporate governance, crisis response, and organizational management.

Supplementary Principle 4.14.2

Companies should disclose their training policy for directors and *kansayaku*.

The Board of Directors and Audit and Supervisory Committee members provide appropriate and timely information necessary for the performance of their duties to ensure that their management oversight and audit functions are fully exercised. In addition, the Board of Directors and Audit and Supervisory Committee members attend external seminars and other seminars as needed to deepen their understanding of their roles and responsibilities. In addition, for the purpose of continuously updating knowledge during the term of office, the Company provides training opportunities suitable for individual directors and Audit and Supervisory Committee members and supports the cost thereof.

Section 5: Dialogue with Shareholders

General Principle 5

In order to contribute to sustainable growth and the increase of corporate value over the mid to long term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting.

During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Company recognizes the importance of proactively communicating with shareholders on a daily basis, reflecting their views and requests in management, and growing the Company together with shareholders in order to achieve sustainable growth and increase corporate value for mid-to long-term. To this end, we have established a IR system centered on the Corporate Planning Department, which provides a forum for dialogue with shareholders and investors and investors to gain their understanding of The Company's management strategies and plans. We also actively respond to interviews with shareholders and investors.

In particular, we promote dialogue (engagement) with institutional investors that respects the Principles for Responsible Investment. We compile opinions and proposals that contribute to the enhancement of corporate value and sustainability, and then report to the Sustainability Committee and the Board of Directors for improvement. Through these two-way dialogues, the Company will pursue sustainable growth and mid-to long-term enhancement of corporate value.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

At the Company, the Corporate Planning Department is the department in charge of IR.

Financial results briefings are held once every six months for shareholders and investors, and individual interviews are held one after another.

In particular, we promote dialogue (engagement) with institutional investors that respects the Principles for Responsible Investment. We compile opinions and proposals that contribute to the enhancement of corporate value and sustainability, and then report to the Sustainability Committee and the Board of Directors for improvement. Through these two-way dialogues, we will pursue sustainable growth and mid-to long-term enhancement of corporate value.

Supplementary Principle 5.1.1

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management and directors, including outside directors, should have a basic position to engage in dialogue (management meetings) with shareholders.

The person in charge of IR in the Corporate Planning Department handles dialogue (interviews) with shareholders.

In addition, directors, including the Audit and Supervisory Committee members of the outside directors, as well as the president, meet with shareholders at their request.

Supplementary Principle 5.1.2

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;
- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;
- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);
- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and
- v) Measures to control insider information when engaging in dialogue.

The Company's Corporate Planning Department works organically with various divisions to constantly disclose important information in a timely and appropriate manner and to enhance the content of information disclosed so that IR activities are constructive and meaningful.

The Company actively accept IR interviews, including telephone interviews with investors and individual interviews. We also hold semi-annual financial results briefings for analysts and institutional investors, which are explained by the president & Representative Director.

The results of interviews and visits are reported to the Sustainability Committee and the Board of Directors in a timely manner to make improvements.

In addition, when communicating with investors, we pay attention to managing insider-information by holding meetings to explain financial results and individual interviews, and by discussing matters related to the sustained growth of The Company and the enhancement of corporate value in mid-to long-term.

Supplementary Principle 5.1.3

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

As of the end of Aug., we grasped the shareholder structure of the shareholder register in a timely manner, and conducted a survey of shareholders who beneficially own shares of The Company to ascertain the beneficial shareholder.

The findings of the survey are used for IR and other purposes.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human resources, and specific measures that will be taken in order to achieve their plans and targets.

The Company has established a mid-term management plan and an annual plan, and discloses the target values for sales, operating income, net income, etc. on the Company's website, etc.

In addition, the Company explains specific measures to achieve the targets through financial results briefings and other events.

In formulating the management plan, the Company ensures a sound financial base based on an accurate understanding of its own cost of capital, presents as specific numerical targets as possible regarding the allocation of management resources, and promotes understanding of future management strategies and specific measures to be taken.

The Company has minimal interest-bearing debt and calculates its cost of capital solely on the basis of the cost of shareholders' equity. Based on the following CAPM calculation formula, the Company recognizes its cost of shareholders' equity to be approximately 4-5%.

$$R_f (0.7) + (\beta (0.8) \times (E_r (5.0) - R_f (0.7))) = 4.14$$

R_f: long-term government bond (10-year) yield, β: most recent 5 years (date and time), E_r: most recent 5-year TOPIX return on investment

Additionally, based on this cost of capital, in the mid-term management plan "Fan • Fun Innovation" for the period from August 2022 to August 2024, the company sets the fundamental principle of its capital strategy as the enhancement of self-capital necessary for strengthening and investing in business foundations and aims to enhance corporate value in the medium to long term through stable and sustainable profit returns to shareholders. The management goal is an ROE (Return on Equity) of 8% or higher.

The management plan is reviewed annually in light of business performance and future social and economic conditions, and when changes are made, the background and details of the changes are explained at financial results briefings and the general meeting of shareholders.

Supplementary Principle 5.2.1

In formulating and publishing management strategies, listed companies should present in an easy-to-understand manner the basic policies regarding business portfolios decided by the Board of Directors and the status of reviews of business portfolios.

The Company will strengthen our monitoring of growth and profitability based on the cash flow of each business, review our business portfolio, and strive to appropriately allocate management resources.

This Meiko Network Japan Group Corporate Governance Guidelines will be effective from Oct. 27, 2015.

2 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Oct. 26, 2017 with the resolution of the Board of Directors meeting held on Oct. 26, 2017.

3 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Dec. 26, 2018, with the resolution of the Board of Directors meeting held on Dec. 26, 2018.

4 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Nov. 22, 2021, with the resolution of the Board of Directors meeting held on Oct. 29, 2021.

5 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Nov. 21, 2022, with the resolution of the Board of Directors meeting held on Nov. 18, 2022.

6 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Apr. 17, 2023 with the resolution of the Board of Directors meeting held on Apr. 13, 2023.

7 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Nov. 20, 2023, with the resolution of the Board of Directors meeting held on Nov. 17, 2023.

8 This Meiko Network Japan Group Corporate Governance Guidelines will be changed and implemented from Dec. 28, 2023, with the resolution of the Board of Directors meeting held on Dec. 27, 2023.