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Corporate Governance Report

CORPORATE GOVERNANCE

NCD Co., Ltd.

Last update: June 26, 2024

NCD Co., Ltd.

Osamu Shimojo, President and Representative Director

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Securities code: 4783

<https://www.ncd.co.jp/>

The corporate governance of NCD Co., Ltd. (the “Company”) is described below.

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

1. Basic Views

Based on our management philosophy, “contributing to a bright future through unique technologies and services,” the Company recognizes that meeting the expectations of all stakeholders in good faith and ensuring sound, transparent, and efficient management are essential to the Group's sustainable growth and improvement of its corporate value over the medium to long term. Accordingly, we will pursue the enhancement of corporate governance as our key management issue.

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

[Supplemental Principle 3-1-2]

Given the relatively low ratio of institutional investors and overseas investors among our shareholders, the Company currently discloses only the following documents in English: the Notice of the General Meeting of Shareholders, financial results, certain timely disclosure materials, and financial results briefing materials. Going forward, we will consider further expanding our disclosures and information provision in English, while monitoring changes in the composition of shareholders and other factors.

[Supplemental Principle 4-1-3]

The Company is committed to selecting and developing its future management team through the introduction of an Executive Officer system and other measures; however, at present, the Company has not formulated a specific succession plan for the CEO or other members of the management team.

The Company considers the development and implementation of a succession plan as an important management issue and will consider means for the Board of Directors' proactive involvement and supervision of the development of potential successors going forward.

[Supplemental Principle 4-8-1]

Five of our nine Directors are Independent Outside Directors who are capable of auditing and supervising management, and the Company believes that they actively participate in discussions at the Board of Directors meetings from an independent standpoint and adequately exchange information and share their recognition. Therefore, we do not believe that it is necessary at this time to have a meeting consisting solely of independent outsiders.

[Supplemental Principle 4-8-2]

The Company does not appoint a Chief Independent Outside Director. Each Outside Director has a wealth of experience and a wide range of insight, and the free exchange of opinions based on their individual perspectives should lead to active discussions and exchanges of views in the Board of Directors meetings. Thus, we see no need at the moment to appoint a Chief Independent Outside Director.

We also believe that adequate communication and coordination with management are ensured, through either direct communication or a liaison system in which the General Affairs Department and other departments or the Full-time Audit and Supervisory Committee Member acts as a point of contact.

[Principle 1-4]

The Company's policy on cross-shareholdings is as follows:

(1) Basic policy

In some cases, the Company holds a limited number of listed shares for the purpose of building and maintaining good business relationships or partnerships and promoting smooth business operations for the improvement of corporate value over the medium to long term.

As to the appropriateness of an individual cross-shareholding, the Board of Directors conducts periodic reviews annually based on whether the benefits/risks associated with the holding are commensurate with the cost of capital, with a focus on whether the holding is suitable for the aforementioned purposes, and if the holding is identified as inappropriate, it will be reduced.

(2) Policy on exercise of voting rights

When exercising voting rights associated with shares held as cross-shareholdings, we properly assess their contribution to the sustainable growth and medium- to long-term improvement of corporate value of both the Company as well as the company whose shares we hold.

(3) Response to requests from cross-shareholders to sell holdings or otherwise

If a company (cross-shareholder) that holds the Company's shares as cross-shareholdings expresses its intent to sell the shares or otherwise, the Company will not obstruct the sale by suggesting a reduction in transactions or taking other actions, but will accept the same.

[Principle 1-7]

When engaging in transactions with its officers or major shareholders, etc., the Company must submit such transactions to the Board of Directors in advance for approval to ensure that the transactions would not harm the common interests of the Group and its shareholders. In addition, we conduct a survey each fiscal year to determine the presence of any related parties and transactions with them.

[Supplemental Principle 2-4-1]

<Approach to ensuring diversity>

In the "NCD Group Code of Conduct," the Company sets forth that "We will not discriminate against any individual on the basis of nationality, ethnicity, human rights, religion, creed, gender, age, social status or disability, nor engage in any conduct that harms individual dignity," and that "We will create a work climate that values autonomy and creativity and respect each other's personality and individuality in order to maximize each person's abilities and produce results." Based on the above, the "Human Resources Policy" also clearly states that "We will implement various personnel and human resource development measures based on the belief that the realization of a corporate culture that respects and recognizes individuality and encourages friendly competition will lead to each employee's autonomous growth, sustainable business development, and contribution to society." As such, we are working on various measures for human resource development, career development, and organizational development. Further, as "respect for human rights and promotion of D&I" were identified as one of the materiality issues (key issues) in our sustainability management, we are developing our internal environment to ensure diversity among our human resources.

<Voluntary and measurable targets for ensuring diversity, and their status>

The following targets have been set for hiring female employees, foreign employees, and mid-career employees as managers, etc.

(1) Female employees

- Percentage of female managers: Currently 12.4% (as of March 31, 2024; the same applies hereafter), aiming for 20% by FY2027 and 25% by FY2031.
- Percentage of female employees: Currently 32.4%, aiming for 34% by FY2027 and 37% by FY2031.
- Number of Full-time Directors/Executive Officers (total): Currently 1, aiming for 2 or more by FY2031.

(2) Foreign employees

- Number of foreign managers: Currently none (0), aiming for 1 or more in or after FY2027.

(3) Mid-career hires

- Percentage of mid-career hires in manager positions: Currently 53.7%, aiming to maintain the current level after FY2027.

[Principle 2-6]

The Company switched its retirement pension plan from a defined benefit pension plan to a defined contribution pension plan in October 2022. Although small in scale, the defined benefit pension plan, which mainly covers only beneficiaries, still exists. As such, we are working to perform our function as an asset owner through the monitoring of investment institutions and other measures. Following the transition to the defined contribution pension plan, the Company has provided education and information to support employees in their asset building.

[Principle 3-1]

The Company recognizes the importance of proactive information disclosure in order to ensure transparency and fairness in decision-making and to fulfill its social responsibilities. Accordingly, timely and appropriate information disclosure is stipulated in the “NCD Group Code of Conduct” and the “Disclosure Policy” (please refer to the Company website) and efforts are made to ensure that such principles are fully understood by all the Group’s officers and employees.

The following is the status of each item:

- (i) The Company discloses its corporate philosophy framework originating from its purpose (i.e., purpose, management philosophy, vision, and the code of conduct), and its medium-term management plans, on its website as well as in Securities Reports.
- (ii) The Company’s basic views on corporate governance are as described in I.1. of this report. The Company has set forth its basic views and policy on corporate governance in the “Basic Policy on Corporate Governance” and disclosed it on the Company website.
- (iii) Concerning the determination of Directors’ remuneration, etc., the remuneration etc. for Directors (excluding those who serve as Audit and Supervisory Committee Members) is determined by the Board of Directors within the maximum aggregate amount of remuneration resolved by the General Meeting of Shareholders, after a review by the Nomination and Compensation Committee, which consists of a majority of Independent Outside Directors. The remuneration etc. for Directors who are Audit and Supervisory Committee Members is determined through discussion by Directors who are Audit and Supervisory Committee Members, within the maximum aggregate amount of remuneration resolved by the General Meeting of Shareholders.
- (iv)(v) The Company has established the following basic policy on the appointment and dismissal of Directors (including those who serve as Audit and Supervisory Committee Members):

<Criteria and process for selecting candidates for Director>

- (1) Candidates must be physically and mentally fit and possess exceptional character and considerable knowledge.
- (2) Candidates must have extensive business experience, a high level of managerial decision-making capability, and the ability to fulfill their responsibilities.
- (3) Regarding the appointment process, the candidates are deliberated by the Nomination and Compensation Committee, and based on the results thereof, a determination is made by the Board of Directors. The reasons for appointment are disclosed in the Notice of the General Meeting of Shareholders.

<Criteria and process for dismissing Directors (incl. Representative Directors)>

- (1) If a violation of public order and morality is committed;
- (2) If a serious violation of laws and regulations, or the Articles of Incorporation or other rules of the Group, is committed;
- (3) If the continued performance of duties is difficult due to health problems; or
- (4) If it becomes clear that the criteria for the appointment of Directors are not met.
- (5) Regarding the process for dismissing Directors, a Director’s dismissal is deliberated by the Nomination and Compensation Committee, and based on the results thereof, the Board of Directors decides whether to convene a General Meeting of Shareholders for the dismissal of the relevant Director. The reasons for dismissal will be disclosed in the Notice of the General Meeting of Shareholders.

[Supplemental Principle 3-1-3]

<Sustainability initiatives>

Recognizing sustainability initiatives as an important management issue, the Company is committed to resolving social issues through its business operations under the “Basic Policy on Sustainability.” In addition, we have identified materiality issues that should be prioritized in our efforts from a medium- to long-term perspective, with the aim of realizing a sustainable society and enhancing corporate value. As a promotion system, we have created the “Sustainability Promotion Committee,” chaired by President of the Company, and strengthen our sustainability initiatives by setting targets and formulating action plans to resolve individual issues. The activities of the Sustainability Promotion Committee are reported to and discussed by the Board of Directors.

These efforts, etc. are disclosed on the Company website, as well as in Securities Reports and financial results briefings.

<Investment in human capital and intellectual property>

Viewing investment in human capital as one of its highest priorities, the Company has established the Human Capital Development Office as a department dedicated to further strengthening efforts in human resource & career development and organizational development and implements various measures, including diversity promotion. The planned human capital investment (excluding personnel expenses) for the period covered by the current medium-term management plan amounts to ¥700 million.

In addition, we will make aggressive investments in intellectual property, etc., as needed to promote DX (digital transformation) and provide high-value-added bicycle parking services, which are also part of our materiality initiatives.

[Supplemental Principle 4-1-1]

As the scope of decision-making by the Board of Directors, in addition to the items stipulated by laws and regulations and the Articles of Incorporation, the Company has set forth important items specified in the “criteria for matters to be discussed by the Board of Directors,” which are stipulated in the “Regulations of the Board of Directors.”

In addition, authority over matters not within the scope of decision-making by the Board of Directors is delegated to Executive Directors and Executive Officers to facilitate prompt decision-making and flexible performance of duties in relation to business operations.

Furthermore, the “Organizational Regulations” and the “Regulations on Administrative Authority” govern the performance of duties by organizations and specify matters related to the division of duties among each organization and the administrative authority associated with each position.

[Principle 4-9]

The Company selects as candidates for Independent Outside Director those with exceptional character and insight who satisfy the requirements for Outside Director stipulated in the Companies Act and the independence criteria stipulated by the Tokyo Stock Exchange, and who, given their background and relationship with the Company, can oversee management from a broader perspective and provide proper advice, on the assumption that they will be able to ensure sufficient independence to perform their duties as Outside Directors in a position independent of the Company's management.

[Supplemental Principle 4-11-1]

The Company has established the following basic policy on the composition of the Board of Directors:

- (1) The number of members shall be appropriate for substantive discussions, in accordance with the Company's business domain, size, etc., and shall be stipulated in the Articles of Incorporation.
- (2) In an effort to ensure diversity, there shall be a good balance of members who are familiar with and knowledgeable about the business, those with expertise in finance, accounting or legal affairs, those with considerable experience as corporate managers, etc.
- (3) At least a few Independent Outside Directors must be appointed.

The policy and process for the appointment of Directors are as set forth in [Principle 3-1] of this report.

The skills that the Board of Directors should possess in light of the Company's management strategy and those that each Director possesses are listed in a skill matrix in 2. “Other Matters Concerning the Corporate Governance System” in V. “Other” of this report.

[Supplemental Principle 4-11-2]

In order to ensure that Directors and Directors who serve as Audit and Supervisory Committee Members have the time necessary to fulfill their roles and duties, the Company limits the holding of concurrent positions to a scope that does not interfere with the performance of their duties, and discloses the status of their concurrent positions annually in the Notice of the General Meeting of Shareholders, Securities Report, Corporate Governance Report, etc.

[Supplemental Principle 4-11-3]

The Company analyzes and evaluates the effectiveness of the Board of Directors and discloses a summary of the results annually. A summary of the methods and results of evaluating the effectiveness of the Board of Directors for FY2024 is as follows:

<Methods of effectiveness evaluation>

A self-assessment questionnaire was completed by all Directors (in March 2024). In the past, the questionnaire results were tallied and analyzed by the Nomination and Compensation Committee; however, an external organization was employed in FY2024 in order to ensure transparency and objectivity. The main items of the questionnaire (28 questions in total) are as follows:

- (1) Composition and operation of the Board of Directors
- (2) Management and business strategies
- (3) Corporate ethics and risk management
- (4) Management evaluation and remuneration
- (5) Dialogue with shareholders, etc.

<Summary of evaluation results>

The analysis and evaluation of the questionnaire results were reviewed at the Board of Directors meeting held in May 2024; as a result, we concluded that, generally, the effectiveness of the Company's Board of Directors is ensured. In addition, the following were confirmed as the strengths of the Company's Board of Directors: the administration of the Board of Directors; the formulation and supervision of the Code of Conduct; and the discussions by the Nomination and Compensation Committee. In addition, the status of the measures taken for the major issues that were identified in the previous year was confirmed as follows:

- (1) Creating opportunities for discussion and information provision concerning management strategies and other major directions of the Company

- A certain degree of improvement was seen through in-depth discussions about the formulation of a medium-term management plan and measures for achieving management that is conscious of the cost of capital and stock price.
- (2) Providing information on business characteristics, market trends, competitive environment, etc.
 - The provision of information on the environment surrounding the Company and its business, as well as information on risks, needs to be further enhanced.
- (3) Improving the quality of the Board of Directors meeting materials
 - A certain degree of improvement was achieved through the use of the “Manual for Entry and Documentation of Board of Directors Meeting Proposals,” etc.
- (4) Ongoing training for Directors
 - Opportunities for understanding the business were provided through onsite visits, etc.; however, issues remain in terms of the provision of training opportunities for acquiring knowledge and skills.

Listed below are the main issues for FY2025 to further improve the effectiveness of the Board of Directors.

<Main issues for FY2025>

- (1) Management that is conscious of the cost of capital
- (2) Improving discussions on the promotion of strategies for the sustainable growth of corporate value
- (3) Providing information necessary for reviewing strategies
- (4) Ongoing training for Directors
- (5) Monitoring of strategies

[Supplemental Principle 4-14-2]

The Company has established the following training policy for Directors:

- (1) Basic policy
The Company shall provide Directors with opportunities to acquire knowledge and other skills necessary to fulfill their respective roles and duties. In addition, the Company will encourage them to participate in training and other activities necessary for this purpose and bear the costs thereof.
- (2) When taking office
Promptly after new Inside Directors take office, the Company shall provide them with opportunities to deepen their understanding of laws and regulations, compliance, corporate governance, etc., as necessary for them to fulfill their required responsibilities. In addition, sufficient explanations, etc. shall be provided to new Outside Directors regarding the details of the Group's business operations, financial condition, management strategies, etc.
- (3) After taking office
The Company shall be committed to supporting the continual acquisition of knowledge after Directors take office and provide them with training to gain a deeper understanding of the knowledge and other matters required for management, as appropriate.

[Principle 5-1]

In order to contribute to sustainable growth and the improvement of corporate value over the medium to long term, the Company proactively engages in dialogue with shareholders in line with its “Disclosure Policy,” while establishing the following policies on system development and initiatives to promote constructive dialogue with shareholders:

- (1) Dialogue with shareholders shall be overseen by the Director in charge of the department responsible for IR, and handled appropriately together with the President and Representative Director, officers in charge of relevant departments, etc.
- (2) The department in charge of IR shall secure organic collaboration for the promotion of dialogue with shareholders, through information sharing and the exchange of opinions with business departments, as well as related departments such as the General Affairs Department and the Accounting Department.
- (3) The department in charge of IR shall actively hold individual interviews. Explanations shall be given by the President and Representative Director at financial results briefings, with small meetings also arranged for analysts. Briefings shall be held for individual investors as well to create more opportunities for dialogue.
- (4) Feedback, etc. from shareholders obtained through dialogue with them shall be shared internally within the Company through reports to the Board of Directors, etc., in an effort to make the most thereof for future management.
- (5) In dialogue with shareholders, insider information shall be properly managed in accordance with the “Internal Information Management Rules” to ensure fairness in information disclosure.

[Actions to achieve management that is conscious of the cost of capital and stock price]

In order to ascertain its own cost of capital and practice business management that is conscious of the cost of capital, in the medium-term management plan, the Company has set a numerical target for ROE target that is higher than the cost of capital. The following is the present data analysis and specific efforts relating to return on capital and market valuation:

<Current analysis>

- With the exception of the fiscal year ended March 31, 2021, when the economy was hit hard by the COVID-19 pandemic, both ROE and ROIC have remained above our perceived cost of capital (8-9%).
- Our PBR has remained above 1x, but our PER is at a relatively low level compared to that of peer companies. The market does not seem to fully appreciate the medium- to long-term growth in the Company's corporate value.

<Specific efforts>

- (1) Improving profitability
 - We will continue to improve profitability and increase profits by adding value to existing businesses and creating new businesses.
- (2) Optimal capital allocation
 - We will ensure stable and constant shareholder returns, while making growth investments such as human capital investments.
- (3) Further strengthening sustainability initiatives and enhancing non-financial information disclosure
 - We will further enhance non-financial information disclosure, including the publication of Integrated Reports.
- (4) Strengthening IR/PR activities
 - We will further enhance information disclosure and dialogue with shareholders and investors, and strengthen branding activities.

For details, please refer to the Financial Results Briefing Materials for the Fiscal Year Ended March 31, 2024 (pp. 21-22) posted on the Company website.

https://ssl4.eir-parts.net/doc/4783/ir_material4/229440/00.pdf

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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Status of Major Shareholders **UPDATED**

Name or Company Name	Number of Shares Owned	Percentage (%)
HIKARI TSUSHIN, INC.	604,300	7.38
HOKUTO Corporation	430,000	5.25
NCD Employees Share Ownership Plan	400,380	4.89
UH Partners 2 Co., Ltd.	340,800	4.16
Osamu Shimojo	286,700	3.50
Setsuko Oguro	280,000	3.42
Masakatsu Yamada	172,000	2.10
Satoshi Niinuma	158,000	1.93
SIL, Inc.	157,900	1.93
Yoshi Shimojo	155,000	1.89

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	None

Supplementary Explanation **UPDATED**

The status of major shareholders is as of March 31, 2024. The percentage indicates the ratio to the total number of shares issued (excluding treasury shares), rounded down to two decimal places.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Standard Market of Tokyo Stock Exchange
Fiscal Year-End	March
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

— — —

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

— — —

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	11
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Haruo Miyata	From another company					Δ						
Masaaki Yasuoka	From another company								Δ			
Katsuo Nakayama	CPA											
Shigeru Okuno	Lawyer											
Kenichi Enkaku	From another company								Δ			

* Categories for "Relationship with the Company"

* Use "○" when the director presently falls or has recently fallen under the category; and "Δ" when the director fell under the category in the past

* Use "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past

a Person who executes business for the Company or its subsidiary

b Person who executes business for a non-executive director of the Company's parent company

c Person who executes business for a fellow subsidiary

d Person/entity for which the Company is a major client or a person who executes business for the said person/entity

e Major client of the Company or a person who executes business for the said client

f Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as an officer

g Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)

h Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)

i Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)

j Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)

k Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Haruo Miyata		○	Haruo Miyata was previously Vice-President of MetLife Insurance K.K., which has business relations with the Company, but has since retired from the company.	With significant insight based on his extensive experience as a corporate manager, he has provided useful advice and appropriate supervision from an objective and neutral standpoint in making decisions on important management matters; thus, we believe that he is qualified as an Outside Director. In addition, the Company has designated him as an Independent Director, as he is deemed not to violate the independence standards stipulated by the Tokyo Stock Exchange and thus has no risk of having a conflict of interest with general shareholders.
Masaaki Yasuoka		○	Masaaki Yasuoka was formerly employed by MUFG Bank, Ltd., which has business relations with the Company, but has since retired from the Bank.	As he has significant insight based on his extensive experience as a corporate manager, we expect him to provide us with useful advice and appropriate supervision from an objective and neutral standpoint in making decisions on important management matters. In addition, the Company has designated him as an Independent Director, as he is deemed not to violate the independence standards stipulated by the Tokyo Stock Exchange and

				thus has no risk of having a conflict of interest with general shareholders.
Katsuo Nakayama	○	○	-----	With significant insight based on his extensive experience as a certified public accountant, he has provided useful advice and appropriate supervision from an objective and neutral standpoint in making decisions on important management matters; thus, we believe that he is qualified as an Outside Director (Audit and Supervisory Committee Member). In addition, the Company has designated him as an Independent Director, as he is deemed not to violate the independence standards stipulated by the Tokyo Stock Exchange and thus has no risk of having a conflict of interest with general shareholders.
Shigeru Okuno	○	○	-----	With significant insight based on his extensive experience as a lawyer, he has provided useful advice and appropriate supervision from an objective and neutral standpoint in making decisions on important management matters; thus, we believe that he is qualified as an Outside Director (Audit and Supervisory Committee Member). In addition, the Company has designated him as an Independent Director, as he is deemed not to violate the independence standards stipulated by the Tokyo Stock Exchange and thus has no risk of having a conflict of interest with general shareholders.
Kenichi Enkaku	○	○	Kenichi Enkaku previously served as Executive Officer of Tokyo Gas Co., Ltd., which has business relations with the Company, as Representative Director & President of Tokyo Gas Engineering Solutions Corporation, and as Representative Director & President of Tokyo Gas i Net Corp., but has since retired from all these companies.	As he has significant insight based on his extensive experience as a corporate manager, we expect him, in his capacity as an Outside Director (Audit and Supervisory Committee Member), to provide us with useful advice and appropriate supervision from an objective and neutral standpoint in making decisions on important management matters. In addition, the Company has designated him as an Independent Director, as he is deemed not to violate the independence standards stipulated by the Tokyo Stock Exchange and thus has no risk of having a conflict of interest with general shareholders.

Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	4	1	1	3	Inside Director
Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed				

The Company assigns employees of other departments to concurrently assist with the duties of the Audit and Supervisory Committee. During the period in which these employees assist with the duties of the Audit and Supervisory Committee, the authority to give directions and orders to them is deemed to be transferred to the Audit and Supervisory Committee Members, thereby ensuring their independence and the effectiveness of the directions.

Cooperation among the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Department

The Audit and Supervisory Committee regularly receives reports from the Internal Audit Office (generally once a month) and from the Accounting Auditor (generally five times per year) on the outline of audit plans, audit results, and the status of internal controls and exchanges opinions, etc., in an effort to ensure close mutual cooperation.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairpersons on
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation **UPDATED**

The Company has established the Nomination and Compensation Committee, an advisory body to the Board of Directors, to deliberate on the nomination, compensation/remuneration, etc. of management, in an effort to ensure objectivity and transparency in its decision-making process and further enhance the corporate governance system. The Committee is made up of three (3) members selected by the Board of Directors, and a majority of its members, including the chair, must be Independent Outside Directors. The General Affairs Department acts as its secretariat. During the fiscal year ended March 31, 2024, the Committee met four times to discuss the selection of candidates for Director and Executive Officer, the revision of the officers' remuneration system, the determination of individual compensation amounts for Directors and Executive Officers, and personnel matters for officers of consolidated subsidiaries, with the following three members attending all meetings:

- Chair: Kenichi Enkaku (Audit and Supervisory Committee Member/Outside Director)
- Member: Katsuo Nakayama (Audit and Supervisory Committee Member/Outside Director)
- Member: Osamu Shimojo (President and Representative Director)

Matters Concerning Independent Directors

Number of Independent Directors	5
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The Company has designated all five (5) Outside Directors who meet the qualifications for Independent Directors as Independent Directors.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-based Remuneration Scheme
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Supplementary Explanation for Applicable Items

The Company has introduced a performance-based stock compensation plan (the “Plan”) starting from FY2018 to further clarify the linkage between compensation of Directors (excluding Outside Directors and Directors serving as Audit and Supervisory Committee Members) and Executive Officers (collectively called “Directors, etc.”) and corporate performance and stock value of the Company, and to raise awareness of contributing to sustainable growth and increase of corporate value through improvement of medium- to long-term performance.

(1) Overview of the Plan

The Plan is a performance-based stock compensation plan (performance share unit) whereby monetary compensation claims for the delivery of the Company’s common stock and money to secure funds for tax payment are granted to Directors, etc. as their compensation for the applicable period, in accordance with the degree of achievement of corporate performance targets in the final fiscal year of the applicable period consisting of the three fiscal years corresponding to the medium-term management plan of the Company (the “applicable period”).

Accordingly, since monetary compensation claims for the delivery of the Company’s common stock and money to secure funds for tax payment are to be provided to Directors, etc. in accordance with the degree of achievement of the above-mentioned corporate performance targets, the Company has not determined as of the introduction of the Plan whether these will be delivered or provided to each Director, etc., as well as the number of shares of the Company’s common stock to be delivered, and the amount of monetary compensation claims for the delivery of the Company’s common stock and money to be provided.

(2) Mechanism of the Plan

The Plan is implemented through the following process:

- [1] The Board of Directors determines the number of shares of the Company’s common stock to be delivered and the amount of money to be provided to each Director, etc. in accordance with the degree of achievement of corporate performance targets for the final fiscal year of the medium-term management plan, the position of those Directors, etc., and the formula described in the following paragraph.
- [2] The Company provides each Director, etc. with monetary compensation claims for the delivery of the Company’s common stock in accordance with the number of shares of the Company’s common stock to be delivered to each Director, etc. as determined in [1] above, and each Director, etc. acquires the Company’s common stock by contributing all such monetary compensation claims in kind. The amount to be paid in for the Company’s common stock shall be the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the meeting of the Board of Directors to be held after the end of the applicable period pertaining to the issuance of shares or disposal of treasury shares for the purpose of such delivery (if the transaction is not closed on that date, the closing price on the immediately preceding trading day shall apply).
- [3] In connection with the delivery of the Company’s common stock described in [2] above, each Director, etc. will incur a tax burden. In order to secure funds for tax payment, the Company provides each Director, etc. with the amount of money determined in [1] above in addition to the monetary compensation claims described in [2] above.

(3) Method of calculating the number of shares of the Company’s common stock to be delivered and the amount of money to be provided to Directors, etc. under the Plan

The Company calculates the number of shares of the Company’s common stock to be delivered to each Director, etc. based on the formula in [1] below, and the amount of money to be provided to each Director, etc. to secure funds for tax payment based on the formula in [2] below.

- [1] Number of shares of the Company’s common stock to be delivered to each Director, etc.
= Base number of shares to be delivered (*1) × Performance-based payment rate (*2) × 60%
- [2] Amount of money to be provided to each Director, etc.

= (Base number of shares to be delivered (*1) × Performance-based payment rate (*2) – Number of shares of the Company's common stock calculated in [1] above) × Stock price at the time of delivery (*3)

- (*1) Amount determined in accordance with compensation standards based on the position of the applicable Director, etc. / Base stock price × 3 (number of fiscal years): The base stock price shall be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Ordinary General Meeting of Shareholders of the Company held in the first fiscal year of the applicable period (if the transaction is not closed on that date, the closing price on the immediately preceding trading day shall apply). If the calculated number of shares to be delivered includes shares less than one unit, the shares less than one unit shall be omitted.
- (*2) The performance-based payment rate ranges from 0% to 150% depending on the degree of achievement of targets, with the level corresponding to company performance targets for Directors, etc. as 100%.
- (*3) The closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the meeting of the Board of Directors to be held after the end of the applicable period pertaining to the issuance of shares or disposal of treasury shares for the purpose of delivery of the Company's common stock under the Plan (if the transaction is not closed on that date, the closing price on the immediately preceding trading day).

- (4) The upper limit of the total amount of monetary compensation claims and money under the Plan and the total number of shares to be delivered
During the applicable period under the Plan, the total amount of monetary compensation claims and money to be provided to Directors, etc. shall not exceed ¥200 million, and the total number of shares of the Company's common stock to be delivered shall not exceed 300,000 shares. If the total amount of monetary compensation claims and money to be provided to Directors, etc. or the total number of shares of the Company's common stock to be delivered to Directors, etc. exceeds the upper limit, the amount of monetary compensation claims and money or the number of shares of the Company's common stock to be delivered to each Director, etc. shall be reduced by a reasonable method to treat the said total amount of monetary compensation claims and money or the total number of shares of the Company's common stock that exceeds the upper limit, such as proportional distribution.

- (5) Requirements for the delivery of shares under the Plan
Under the Plan, the Company's common stock shall be delivered to Directors, etc. if the following requirements for the delivery of shares are met at the end of the applicable period.
 - [1] The person served as Director, etc. during the applicable period
 - [2] The person has not committed a certain kind of misconduct
 - [3] Other requirements that are deemed necessary to achieve the purpose of the stock compensation plan
 (Note 1) A Director, etc. who retired during the applicable period shall receive the delivery of the number of shares of the Company's common stock in proportion to the number of months in office during the applicable period (unless the term of office is less than 12 months).
 (Note 2) A Director, etc. who assumed the office during the applicable period shall receive the delivery of the number of shares of the Company's common stock in proportion to the number of months in office during the applicable period.
 (Note 3) A Director, etc. who retired due to death during the applicable period shall receive the delivery of the number of shares of the Company's common stock in proportion to the number of months in office during the applicable period.

- (6) Treatment in reorganization, etc.
In the event that a merger agreement under which the Company becomes an absorbed company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter relating to reorganization, etc. is approved by the General Meeting of Shareholders of the Company (or the Board of Directors of the Company in the case of the reorganization, etc. that does not require the approval of the General Meeting of Shareholders of the Company) during the applicable period, the amount of money calculated based on the method of calculating the amount of monetary compensation claims and money pertaining to the Plan mentioned above may be provided for the number of shares of the Company's common stock reasonably determined by the resolution of the Board of Directors of the Company based on the period from the commencement date of the applicable period to the approval date of the reorganization, etc. prior to the effective date of the reorganization, etc.

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for Individual Directors

The total amount of annual remuneration for Directors (including those who serve as Audit and Supervisory Committee Members) is disclosed in the Securities Reports.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic policy on officers' remuneration

The Company determines the remuneration, etc. for officers in accordance with the following basic policy:

- Officers' remuneration should provide strong incentive to officers to perform their duties in line with the Group's management philosophy and code of conduct and contribute to attracting, retaining, and motivating talented management team members in order to achieve the Group's management strategy.
- Officers' remuneration should raise awareness of contributing to the Group's sustainable growth and improvement of corporate value over the medium to long term, be appropriately linked to business performance, and function as a sound incentive.
- Officers' remuneration should foster shared awareness of profits with shareholders as well as shareholder-oriented management.
- The process associated with officers' remuneration should be transparent and objective.

2. Overall picture of officers' remuneration

The remuneration for the Company's Directors consists of base compensation (fixed), bonuses (short-term performance-based), and stock compensation (medium- to long-term performance-based). The remuneration etc. for Directors (excluding those who serve as Audit and Supervisory Committee Members) is determined by the Board of Directors within the maximum aggregate amount of remuneration resolved by the General Meeting of Shareholders, after a review by the Nomination and Compensation Committee. The remuneration etc. for Directors who are Audit and Supervisory Committee Members is determined through discussion by Directors who are Audit and Supervisory Committee Members, within the maximum aggregate amount of remuneration resolved by the General Meeting of Shareholders.

- (1) For base compensation, the criteria are determined according to one's position and responsibilities, and it is paid in cash on a monthly basis.
- (2) Bonuses are calculated for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) in accordance with the criteria set forth in the Company's internal rules, based on the Company's operating results for each fiscal year.

[Calculation methods]

Amount of Director's monthly remuneration x Number of months paid x Performance-based payment rate (*)

- (*) The performance-based payment rate ranges from 0% to 150% depending on the degree of achievement of targets, with the level corresponding to each Director's numerical targets (in terms of net sales and operating profit) as 100%.
- (3) Stock compensation is as described in "Incentives."

3. Policy on determining the percentage of performance-based and non-performance-based remuneration

With respect to the determination of the payment ratio between performance-based remuneration and remuneration other than performance-based remuneration, in the standard case (payment rate of 100%), the ratio for the President and Representative Director is generally set at 25:75. The payment ratio for other Directors (excluding Directors who serve as Audit and Supervisory Committee Members and Outside Directors) is determined in consideration of their responsibilities and compensation levels.

4. Benchmarks for performance-based remuneration, reasons for selecting such benchmarks, and method of determining the amount of performance-based remuneration
The benchmarks for performance-based remuneration are the achievement rate of sales and operating profit targets for each fiscal year for short-term performance-based compensation (bonuses), and the achievement rate of consolidated sales and consolidated operating profit targets for the final year of the medium-term management plan for medium- to long-term performance-based remuneration (stock compensation). These benchmarks have been selected because they are generally accepted measures of corporate performance and profitability, and their linkage to share value is judged to be reasonable. The amount of such performance-based remuneration is calculated in accordance with the Company's Regulations of Officers and Regulations on Stock Compensation and determined by the Board of Directors, after a review by the Nomination and Compensation Committee.

Support System for Outside Directors

The Company does not have dedicated personnel to support Outside Directors; however, personnel from the General Affairs Department and the Corporate Planning Office provide support, as needed. In addition, primarily these departments, as well as other related departments, distribute materials at important meetings such as the Board of Directors meetings and provide explanations on reporting materials, as appropriate.

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

(1) Business execution

a Board of Directors

The Board of Directors, as the highest decision-making body for business execution, consists of five (5) Directors, excluding Audit and Supervisory Committee Members, and four (4) Directors who are Audit and Supervisory Committee Members and passes resolutions on the matters stipulated by law and the Articles of Incorporation, as well as important matters related to business operations, such as management plans, administrative controls, budgets and financial plans, and personnel and labor affairs. A regular meeting of the Board of Directors is held on a monthly basis, in principle, and extraordinary meetings are held as necessary to ensure prompt and accurate decision-making and fulfill its duty of care and loyalty through active question-and-answer sessions. The Board of Directors met 13 times during the fiscal year ended March 31, 2024.

b Executive Board

The Executive Board consists of Executive Officers who are appointed by the Board of Directors and responsible for business execution; Directors, including Outside Directors; the head of the Internal Audit Office; officers of subsidiaries; and division/department heads who are appointed by Representative Director, and it meets on a monthly basis, in principle. The Executive Board meeting receives reports on the status of business execution by each division, reviews issues, and deliberates on business management policies.

(2) Nomination and Compensation Committee

The Nomination and Compensation Committee is made up of a majority of Independent Outside Directors and chaired by an Independent Outside Director. Consulted by the Board of Directors, the Committee deliberates on the appointment, dismissal and remuneration of Directors and Executive Officers and reports back to the Board of Directors, thereby ensuring objectivity and transparency in the decisions on the appointment, dismissal, and remuneration of Directors and Executive Officers.

(3) Audit and Supervisory Committee

Comprised of four (4) Directors who are Audit and Supervisory Committee Members, the Audit and Supervisory Committee meets on a monthly basis, in principle. With regard to the audits by the Audit and Supervisory Committee, they are conducted in line with audit plans discussed at Audit and Supervisory Committee meetings by dividing the workload, while regularly exchanging information with the Accounting Auditor and the Internal Audit Office in an effort to establish governance. In addition, the Audit and Supervisory Committee Members attend important internal meetings such as the Executive Board meetings to provide their opinions, advice and recommendations to contribute to strengthening internal controls, by drawing on their respective specialized skills and extensive experience. The Audit and Supervisory Committee met 12 times during the fiscal year ended March 31, 2024.

(4) Status of internal audits

The Company has the Internal Audit Office, which is staffed with full-time employees. The Internal Audit Office audits each department in accordance with audit plans to ensure the appropriateness of business execution and provides advice and recommendations for improving performance. The status of all audits is reported to the President, as well as to the Audit and Supervisory Committee. The head of the Internal Audit Office also attends the Executive Board meetings and works with the Audit and Supervisory Committee Members and the Accounting Auditor as appropriate to ensure the effectiveness of audits.

(5) Status of accounting audits

The names of the certified public accountants from Crowe Toyo & Co. who executed audit services for the fiscal year ended March 31, 2024 and the composition of those who assisted with audit services are as follows:

- a. Continued audit period
3 years
- b. Name of Certified Public Accountants who performed services
Atsuo Nakano (Designated and Managing Partner), Kiyofumi Miyake (Designated and Managing Partner)
- c. Composition of those who assisted with audit services
6 CPAs, 2 persons who passed the accountant examination, and 1 other person

(6) Outline of liability limitation agreement

Pursuant to Article 427, paragraph (1) of the Companies Act, the Company and its Directors (excluding those who serve as Executive Directors, etc.) have entered into an agreement to limit their liability for damages under Article 423, paragraph (1) of the Act. The liability for damages under the agreement is limited to the minimum liability amount prescribed in laws and regulations. Such limitation of liability applies only when the Non-executive Director performs his/her duties in good faith and without gross negligence.

(7) Outline of directors and officers liability insurance agreement

The Company has concluded the directors and officers liability insurance agreement set forth in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured parties under the insurance policy includes Directors (including those who serve as Audit and Supervisory Committee Members), Company Auditors, Executive Officers, and important employees of the Company and its subsidiaries, and the insured parties do not bear the premiums. The policy will cover legal expenses and damages related to claims brought against the insured parties during the insurance period. However, in order to ensure that the fair performance of the duties of the insured parties is not compromised, certain exemptions may apply, such as coverage not being available in the case of damage caused by an act committed by an insured party with knowledge that it violates law.

3. Reasons for Adoption of Current Corporate Governance System UPDATED

In terms of securing objectivity and neutrality in management, strengthening supervisory functions, and expediting decision-making, we believe that the current corporate governance system is optimal and functioning effectively.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	For our shareholders to have sufficient time to review the proposals for the General Meeting of Shareholders and exercise their voting rights appropriately, the Company mails the Notice approximately three weeks prior to the date of the Meeting and announces it on the Tokyo Stock Exchange as well as on its website before the mailing in an effort to secure sufficient time between the announcement and the deadline for exercising voting rights.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The Company makes efforts to hold the General Meeting of Shareholders on a day that is not a peak day for holding shareholder meetings.
Electronic Exercise of Voting Rights	For the convenience of our shareholders, an easy-to-use online system for exercising voting rights is provided.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has signed up to participate in a platform for electronic exercise of voting rights to provide an environment for institutional investors to exercise voting rights.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	A portion of the Notice of the General Meeting of Shareholders (in a narrow sense) and reference documents are posted in English on the Company website.
Other	The Notice of the General Meeting of Shareholders, etc. is posted on the Company website approximately four weeks prior to the date of the General Meeting of Shareholders.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company has formulated the “Disclosure Policy” and published it on its website.	
Regular Investor Briefings held for Individual Investors	Company briefings for individual investors are held twice a year, in principle. During the briefing, the President personally explains business results and management strategies in an easy-to-understand manner.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	Company briefings for institutional investors are held twice a year, in principle. During the briefing, the President personally explains business results and management strategies in an easy-to-understand manner.	Held
Online Disclosure of IR Information	The Company makes efforts to enhance information dissemination, by posting press releases, business reports, financial results (including quarterly financial statements), annual securities reports (including quarterly reports), etc., as well as company presentation materials and videos of briefings, on the website in a timely manner.	
Establishment of Department and/or Placement of a Manager in Charge of IR	With the Corporate Planning Office as the department in charge of IR, the Company facilitates IR activities in cooperation with General Affairs and other departments.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The management philosophy and the “NCD Group Code of Conduct” set out the Company’s basic stance toward stakeholders, while the “Basic Policy on Sustainability” stipulates appropriate cooperation with stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The “NCD Group Code of Conduct” sets out the Company’s efforts to protect the global environment.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The “NCD Group Code of Conduct” and the “Disclosure Policy” stipulate information disclosure in a timely, appropriate, and fair manner.

IV. Matters Concerning the Internal Control System

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

1. Basic policy on the establishment of internal control system
 - (1) To develop an internal control system, the Company takes various measures for compliance with laws and regulations, management of the risk of loss, and proper and efficient business operations.
 - (2) For the development and operation of the internal control system, the Internal Control Committee has been established to develop rules and systems, etc., and to evaluate the effectiveness of the internal control system and make necessary improvements.
2. Development of internal control system
 - (1) System to ensure that the performance of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
 - The NCD Group (a corporate group made up of the Company and its subsidiaries) has formulated the “NCD Group Code of Conduct” for the purpose of establishing corporate ethics and ensuring compliance with laws and regulations, the Articles of Incorporation, and internal rules by Directors and employees, and will ensure it is communicated across the board.

- If a Director identifies a material fact concerning a serious violation of laws and regulations or other violations of company rules, etc., s/he immediately reports such fact to the Audit and Supervisory Committee Members and reports on the same in a Board of Directors meeting without delay.
 - The Internal Audit Office conducts systematic audits of each department's daily activities with respect to compliance with laws, regulations, and internal rules, and reports to the President and Representative Director and the Audit and Supervisory Committee Members.
- (2) System for the storage and management of information pertaining to the performance of duties by Directors
- Important documents and information (minutes, approval-related documents, agreements, accounting and financial documents, etc.) pertaining to the performance of duties by Directors are properly managed by the responsible department, in accordance with internal rules for the management of documents and information.
 - Upon request from a Director to inspect such documents and information, the Company promptly submits such documents and information to the Director.
- (3) Regulations and other systems for managing risk of loss
- Various rules and regulations related to loss (Internal Information Management Rules, Confidential Information Protection Rules, Personal Information Protection Rules, etc.) have been formulated to prepare for the risk of loss that may arise in the course of business operations (the "risk").
 - The Internal Control Committee considers and addresses the development of the internal control system and the prevention of risks, in accordance with various regulations.
 - The Board of Directors monitors the status of risk management and provides instructions as necessary.
- (4) System to ensure the efficient performance of duties by Directors
- In order to ensure efficient business operations through appropriate sharing of responsibilities and the supervisory framework for Directors, the Company sets forth Organizational Regulations and Regulations on Administrative Authority that define the organizational structure and each organization's roles.
 - The Company has established the Regulations of the Board of Directors, pursuant to which decisions are made on important management matters and the performance status of duties is reported in the monthly meetings of the Board of Directors.
 - The Board of Directors promotes prompt decision-making on business operations and the flexible performance of duties, by appointing Executive Officers and delegating authority to them. In addition, the Board of Directors receives reports on the performance of duties from Executive Officers at the monthly Executive Board meetings.
- (5) System to ensure the appropriateness of business operations within the Group
- The Company dispatches Directors to its subsidiaries to share information on business execution based on the "NCD Group Code of Conduct" and to provide subsidiaries with guidance and support for the development of a system to ensure legal compliance and other systems to ensure the appropriateness of their business operations.
 - The Company allows each Group company to implement appropriate risk management in accordance with its own business conditions and risk characteristics.
 - Directors of subsidiaries attend the Executive Board meetings held monthly by the Company, or meetings of the Board of Directors, as necessary, to report on the management activities of such subsidiaries.
 - The Accounting Department periodically requests reports on business and accounting matters from subsidiaries to understand their management details and prevent the occurrence of fraud and errors.
- (6) Matters concerning employees to support Audit and Supervisory Committee Members and their independence from Directors
- If an Audit and Supervisory Committee Member requests the assignment of employees to support him/her in performing his/her duties, the Company shall, upon consultation with the Audit and Supervisory Committee Member, designate employees to support the Member.
 - The authority to give directions to the designated employees shall be transferred to the Audit and Supervisory Committee Member for the period during which the employees are to support him/her, and they shall not be subject to any other directions or orders during the performance of such duties.
 - The opinions of the Audit and Supervisory Committee Member shall be respected in making decisions on the personnel transfer, evaluation, etc. of such employees.
- (7) System for Directors and employees to report to Audit and Supervisory Committee Members and system to ensure effective audits by the Audit and Supervisory Committee
- Audit and Supervisory Committee Members may attend meetings of the Executive Board and/or the Board of Directors and request various reports.
 - Directors and employees promptly report matters related to the performance of duties, etc., when requested to do so by Audit and Supervisory Committee Members.
 - The Company has developed a system to ensure that when a Director, a Company Auditor, or an employee of the Group companies identifies a serious violation of laws, regulations or internal rules in relation to the execution of the business operations of the Group companies, or a fact that may cause significant damage to the relevant company, he/she, or any person who receives a report from such person, reports to Audit and Supervisory Committee Members of the Company.
 - The Company prohibits any person who makes the above report from being subjected to disadvantageous treatment at any of the Group companies on account of making such report.

- The Company pays expenses, etc., incurred for the performance of duties by Audit and Supervisory Committee Members, except when the Company deems that such expenses are not necessary for the performance of their duties.
- (8) System to ensure the appropriateness of financial reporting
- To understand the importance and ensure the appropriateness of financial reporting, the Company has developed related rules and regulations and internal control systems.
 - The internal control system is designed to identify factors that may cause false representations or errors in the process from the occurrence of transactions to the preparation of financial statements, so that said risks can be controlled.
 - The Company evaluates the effectiveness of the internal control system from the perspective of its development and operation, promptly corrects any identified deficiencies, and makes appropriate disclosures regarding the status of the system as of the end of the fiscal year.

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

- (1) The “NCD Group Code of Conduct” specifies that the Company must not have any relationship with antisocial forces or groups that threaten the order and safety of society, and all officers and employees are educated on this matter.
- (2) The Company is a member of the Tokubouren (Public Incorporated Association for Special Violence Prevention in the Metropolitan Police Department’s Area) and collects information related to antisocial forces from this organization, the administrator of the shareholders register, etc., in an effort to keep updated on the latest developments to prepare for unforeseen circumstances.
- (3) The General Affairs Department is in charge of dealing with antisocial forces, and cooperates with external parties such as lawyers and the police, as necessary.

V. Other

1. Adoption of Anti-Takeover Measures

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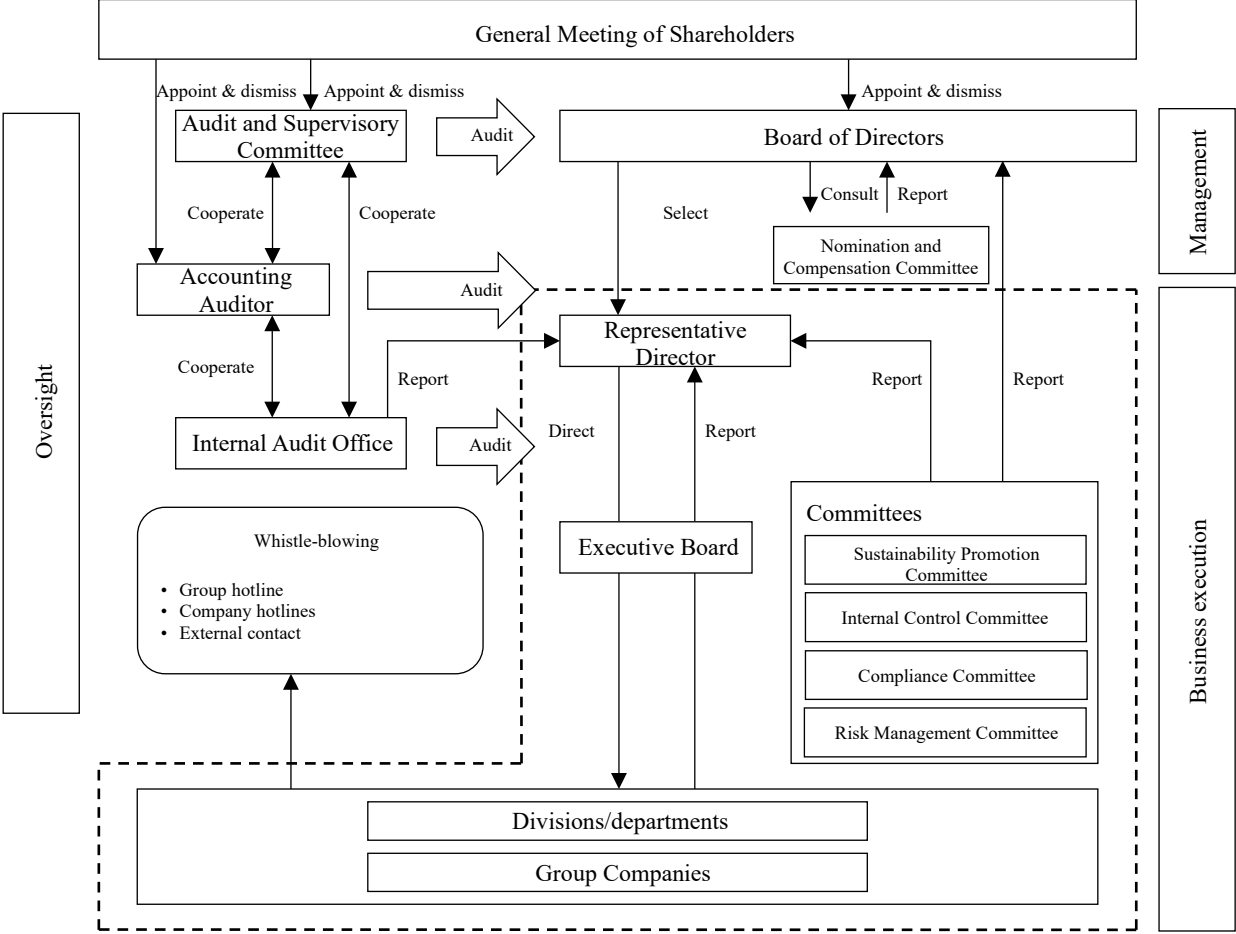
Supplementary Explanation for Applicable Items

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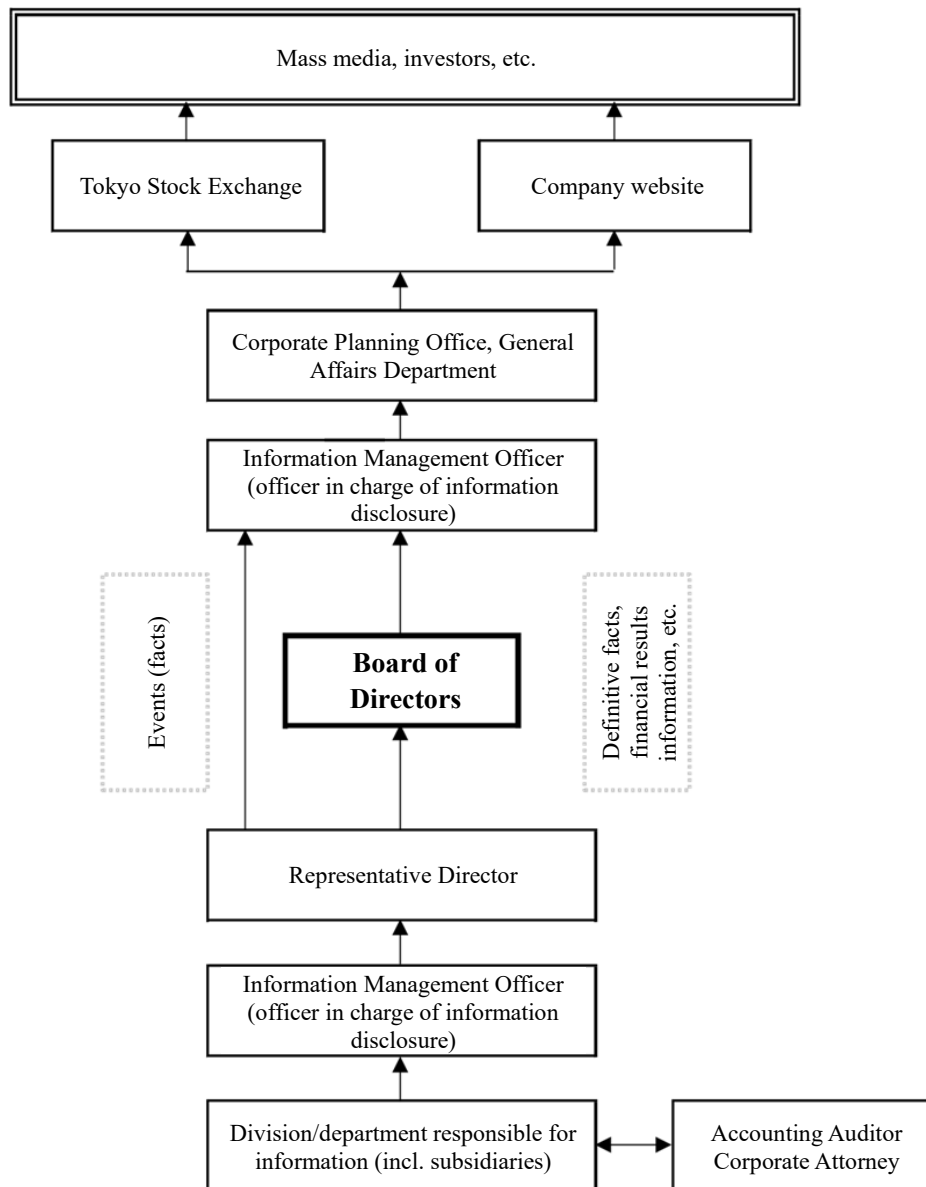
2. Other Matters Concerning the Corporate Governance System

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[Reference: Diagram of Corporate Governance System]



[Reference: Overview of Timely Disclosure System (diagram)]



<Skill Matrix of Directors>

Name	Position	Expertise and experience						
		Corporate management	Financial accounting, finance	Legal affairs, compliance, risk management	Personnel and labor affairs	IT technologies	Industry experience	Sustainability
Osamu Shimojo	President and Representative Director	○		○	○		○	○
Hiroshi Takagi	Director and Senior Managing Executive Officer			○		○	○	○
Yusuke Kato	Director and Senior Managing Executive Officer		○	○	○			○
Haruo Miyata	Outside Director	○				○	○	○
Masaaki Yasuoka	Outside Director	○	○	○				○
Yuki Kobayashi	Director (Full-time Audit and Supervisory Committee Member)		○	○	○			○
Katsuo Nakayama	Outside Director (Audit and Supervisory Committee Member)	○	○				○	○
Shigeru Okuno	Outside Director (Audit and Supervisory Committee Member)			○	○			○
Kenichi Enkaku	Outside Director (Audit and Supervisory Committee Member)	○				○	○	○