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S-Pool, Inc.

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<http://www.spool.co.jp>

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

I. Basic Concept for Corporate Governance and Capital Structure. Corporate Attributes. and Other Basics

1. Basic Concept

The S-Pool Group's basic concept on business activities calls for fulfilling our mission, defined as the contributions the Group must make to society. To realize this mission, the Group has a basic policy of corporate governance emphasizing the need to improve management efficiency and transparency. The Group pursues ethical corporate behavior to increase society's trust not just in the Group itself, but in the broader industry. It does so through thoroughgoing compliance with laws and regulations and by developing and enhancing internal control systems.

To realize our mission, we have set out more specific visions in the Medium-term Management Plan and also established the S-Pool Values, a shared code of conduct for employees.

< Mission >

The Group's mission is articulated as follows: Applying the power of outsourcing to support corporate innovation and solutions to society's challenges. In line with this mission, we seek to realize, through our business activities, solutions to various social issues and the associated corporate issues.

By pursuing our social businesses, we seek both to create new social value and to play an essential role in society.

[Reasons for Not Implementing the Principles of the Corporate Governance Code]

Updated

[Principle 2-4 ①: Securing Diversity in Appointment of Core Human Resources, etc.]

To ensure a fair employment screening process, the Group does not discriminate against applicants on the grounds of race, nationality, gender, sexual orientation, etc. and promotes hiring and employment of diverse employees based solely on applicant ability and aptitude.

Our human resource development policies and efforts, which seek to secure this diversity, as well as our policies for improving related internal environments, are disclosed on our website and elsewhere.

Regarding the promotion of women to managerial positions, we have set a specific target figure for the ratio of women workers in managerial positions as a measurable parameter. We disclose this figure in our securities reports.

We have not set targets for the promotion of mid-career hires to managerial positions, but we maintain a fixed percentage of mid-career hires among the Group's employees. We believe we are making solid progress in promoting mid-career hires to managerial positions.

As of now, due to the relatively low numbers of non-Japanese employees, we have set no specific targets or other goals regarding the promotion of non-Japanese workers to managerial positions. Promotion to managerial positions requires consideration of employee aptitude and ability on a case-by-case basis.

[Principle 4-1 ③: Succession Plan for Chief Executive Officer (CEO)]

At this point in time, the Company has not established a clear succession plan for the Chief Executive Officer. We expect to select a successor drawn from internal and external candidates deemed appropriate in light of personal characteristics, expertise, track record and other considerations.

As with the succession plan, we have not yet established a system for guiding the succession process.

[Supplementary Principle 4-10 ①: Optional Nomination and Remuneration Committees]

The Company's organization is that of a company with a board of statutory auditors (kansayaku). Independent External Directors do not constitute a majority of the Board of Directors. No independent advisory boards such as optional nomination and remuneration committees have been established to enhance the independence, objectivity and accountability of the functions of the Board of Directors in aspects such as the nomination of candidate Directors and remuneration of Directors.

This is because the current Board of Directors is deemed sufficiently independent, objective and accountable. Three of the six Directors are External Directors, while all three Statutory Auditors are External Statutory Auditors. External officers account for a majority of the attendees at meetings of the Board of Directors. Lively debate takes place in deliberations of matters such as nomination and remuneration.

Each period, in addition to the nomination of candidate Directors, individual remuneration for Executive Directors is discussed with External Directors and Statutory Auditors and their approval obtained.

[Principle 4-11: Preconditions for Board of Directors and Board of Statutory Auditors Effectiveness]

The Company Board of Directors features a diverse membership of Directors with different areas of expertise, experience and other backgrounds and in terms such as their gender, job history, and age to ensure that the Board of Directors effectively fulfills its roles and responsibilities. In accordance with the articles of incorporation, appropriate numbers of members are maintained to enable the Board of Directors to exercise its functions most effectively and efficiently from the following perspectives:

- i) Securing adequate diversity for management decision-making and oversight
- ii) Stimulating debate within the Board of Directors, centered on the Independent External Directors

To apply the wealth of external experience and expertise in Company management, enhance the oversight functions of the Board of Directors and increase management transparency, at least one third of the Directors are Independent External Directors. The Company has one Independent External Director who is a woman and one woman Statutory Auditor.

In addition, while the Company has not appointed External Statutory Auditors with expert knowledge of financial and accounting topics, we believe the financial and accounting information needed by the Board of Statutory Auditors to fulfill its roles can be obtained through cooperation with External Statutory Auditors and External Directors who are certified public accountants.

Each fiscal year, to assess the overall efficacy of the Board of Directors, we undertake anonymous surveys on topics such as the composition of the Board of Directors, the way in which it operates, the nature and quality of deliberations by the Board, the monitoring functionality of the Board and the performance of External Directors. The results are duly analyzed and evaluated.

To ensure this survey reflects the frank opinions of respondents and to ensure that such opinions are analyzed and evaluated objectively, the results are gathered and compiled by an independent institution.

We will continue to assess the efficiency of the Board of Directors as a whole and to use the results thereof to improve the operations of the Board.

[Disclosures Based on the Principles of the Corporate Governance Code]

Updated

Where the Company refrains from disclosing certain matters whose disclosure the principles would otherwise require, the reason for so doing is explained in the above Reasons for Not Implementing the Principles of the Corporate Governance Code."

[Principle 1-4 Policy-based Shareholding]

The Company does not currently have policy-based shareholdings. In addition, to minimize risks associated with stock price fluctuations and to improve asset efficiency, our policy is not to have policy-based shareholdings except where necessary for business transactions with the investee or for partnerships with the Company.

[Principle 1-7 Related Party Transactions]

Provisions for related party transactions that are competing or involve conflicts of interest between the Company and Directors are specified in the Regulations for the Board of Directors as matters to be determined by the Board. Such transactions must be deliberated on by the Board of Directors to evaluate feasibility and propriety and must be granted prior approval to ensure that they do not harm the interests of the Company or the common interests of shareholders.

In addition, if a transaction approved by the Board of Directors is executed, the details of the transaction and other relevant matters must be reported to the Board. Transactions with related parties other than the above proceed in accordance with internal rules, including rules concerning approval.

[Principle 2-6 Exercise of Function as Asset Owner of Corporate Pension Plan]

The Company does not have a corporate pension plan.

[Principle 3-1 Enhancing Information Disclosure]

(i) The corporate philosophy, management policy, and Medium-term management plan are disclosed on the Company's website (see below).

- ◆ Corporate philosophy: <https://www.spool.co.jp/company/vision.html>
- ◆ Management policy: <https://www.spool.co.jp/investor/management/strategy.html>

(ii) The basic concept and basic policy for corporate governance are disclosed on the Company's website (see below).

◆ Corporate governance: <https://www.spool.co.jp/investor/management/governance.html>

(iii) Policy and Procedures for the Determination of Directors Remuneration

Remuneration for each Director is proposed by the Representative Director and approved every fiscal year by a small Board of Directors consisting of six members (three Executive Directors and three External Directors) and the three External Statutory Auditors after fair and transparent deliberations.

(iv) Policy for Nomination Procedures for Director and Statutory Auditor Candidates

Candidates for Directors and Statutory Auditors are nominated by the Representative Director and approved by a small Board of Directors consisting of six members (three Executive Directors and three External Directors) and the three External Statutory Auditors after fair and transparent deliberations. The dismissal of a Director or Statutory Auditor is deliberated on by the Board of Directors and finalized by resolution of the general meeting of shareholders.

(v) Explanations of individual selections, dismissals and nominations when nominating candidates for Directors and Statutory Auditors are disclosed in the notices of general meetings of shareholders.

[Supplemental Principle 3-1 ③ Sustainability Initiatives]

With the goal of contributing to the development of society and the economy through its business activities, the Group engages in initiatives to create employment opportunities and to achieve decarbonization and regional revitalization as paths to achieving the Sustainable Development Goals (SDGs). The Company's sustainability initiatives are disclosed on our website (see below).

◆ Sustainability: <https://www.spool.co.jp/csr/>

We believe that assessing the business impact of the risks and opportunities posed by climate change and considering and formulating concrete measures related thereto are important issues for ensuring stable, uninterrupted business activities. Thus, in February 2022, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Based on the TCFD recommendations, we identify important risks and opportunities related to climate change, assess the specific financial impact of such important risks and opportunities and disclose the results of the assessment in the Sustainability section of our website.

The Company has established the Sustainability Committee, chaired by the director in charge of the President's Office acting as the executive in charge of sustainability. The Sustainability Committee deliberates on various initiatives related to sustainability, including corporate branding, related measures and overall response to environmental issues and climate change, social contributions, and employee engagement. The results of these deliberations are added to the agenda and reported to the Board of Directors to allow effective supervision of Committee activities.

The mental and physical health of our employees is essential to our operational stability and to achieving our corporate mission— Supporting corporate transformation for all our customers and embracing the power of outsourcing to solve social issues. With this mind, the Company has established and declared a health management policy, with the representative director acting as chief health officer (CHO).

Specifically, to provide a safe and secure working environment to employees, thorough health management is conducted via regular health exams and the work environment is maintained by supporting employees with health problems, mental or physical, to return to work through training and other programs.

Further, one of the Company's key strategies is the hiring and development of outstanding human resources. Both full and contract employees are assessed twice a year in respect of attainment of their performance targets. As part of career development efforts, the Company has established tier-based training programs, a three-year development program, and a career transition program. We work to cultivate a highly ethical corporate culture in various ways and strive to achieve a diverse work force and equal employment opportunities. We plan to maintain our dedication and investment in human capital.

With regard to intellectual property, we work to protect our intellectual property through trademark registration for proprietary logos, service names, etc. as appropriate. When considering a new service name or related matters, we consult with and receive the advice of external patent attorneys with expertise in this sphere.

[Supplemental Principle 4-1 ① Matters for the Resolution of the Board of Directors and Matters Delegated to Management]

The Company clearly stipulates the matters to be resolved by the Board of Directors in its Board of Directors Regulations, including the selection of the Representative Director, convocation of general meetings of shareholders, approval of competing transactions and transactions involving conflicts of interest, matters related to shares and stock acquisition rights, matters related to the transfer or acquisition of important assets, and the revision or abolition of important regulations.

The management team, including the Executive Directors and the executive officers, division heads, operations section heads, etc. of Group companies, engage in business based on business plans formulated by the Board of Directors.

[Principle 4-9 Criteria for Determination of Independence and Qualification of Independent External Directors]

The Company selects independent External Directors while referring to the standards for independence established by the Tokyo Stock Exchange, taking into account freedom from specific interests in the Group (such as personal or capital ties) and expertise to provide management oversight of the Group and other matters.

[Principle 4-11 ①: Policy on Selection of Directors]

The articles of incorporation specify that the number of Directors shall not exceed nine persons. Based on this and the scale of the Company's businesses, the Company's Board of Directors currently consist of three Executive Directors and three External Directors.

To ensure that meetings of the Board of Directors do not serve as opportunities for reconciliation of individual interests, Executive Directors are appointed to strike a healthy balance among individuals highly knowledgeable of matters such as business, legal affairs, public relations and finance, as persons responsible for Companywide businesses as a whole, rather than specific individual business areas.

The External Directors chosen possess expertise across a wide range of fields, including business investment, accounting and legal affairs. One Independent External Director has been appointed who possesses a wealth of knowledge and experience on corporate investment as the representative director of an investment firm and has experience as an external director and in other positions with multiple enterprises.

The Company's policy regarding selection of Directors is to select as candidates individuals who are capable of fulfilling the oversight functions needed by the Company in its management environment. The knowledge, experience, abilities and other attributes of the Directors are disclosed in a skills matrix on the Company's website:

- ◆ Corporate governance: <https://www.spool.co.jp/investor/management/governance.html>

The procedure for the selection of Directors involves the submission by the Representative Director of nominated candidates for Directors and Statutory Auditors after transparent and fair deliberations by a small Board of Directors of six members (three Executive Directors and three External Directors) and the three External Statutory Auditors. Directors and Statutory Auditors are elected by a resolution of the general meeting of the shareholders.

[Supplemental Principle 4-11 ② Concurrent positions of Directors/Statutory Auditors]

Directors and Statutory Auditors, including External Directors and External Statutory Auditors, allocate to the duties of Directors/Statutory Auditors the time and effort necessary to appropriately fulfill their roles and responsibilities, limiting in such cases the time required to fulfill the responsibilities posed by concurrent positions to a reasonable extent.

The status of such concurrent positions is disclosed only for major concurrent positions in the notices of general meetings of shareholders.

[Supplementary Principle 4.11 ③ Analysis and Assessment of the Effectiveness of the Board of Directors as a Whole]

Each fiscal year, an anonymous survey is conducted on directors and statutory auditors to assess the efficacy of the Company's Board of Directors.

To ensure this survey reflects the frank opinions of respondents and to ensure that such opinions are analyzed and evaluated objectively, the results are gathered and compiled by an independent entity.

<Summary of analysis and assessment of the effectiveness of the Board of Directors for the fiscal year ended November 2023>

(i) Analysis/assessment method: Anonymous questionnaire

(ii) Analysis/assessment date: November 2023

(iii) Analysis/assessment items:

Composition of the Board of Directors; activities of the Board of Directors; deliberations by the Board of Directors; monitoring functions of the Board of Directors; performance of internal directors; performance of external directors; support system for directors and statutory auditors; dialogue with shareholders (investors); initiatives by each officer; establishment of audit and supervisory committee and other optional committees, etc.

(iv) Overview of analysis/assessment results

Overall, these efforts resulted in positive assessments for frequency of board meetings (excluding written resolutions), number of agenda items at board meetings, and suitability of approval procedures related to transactions involving conflicts of interest with management and controlling shareholders. We consider that the effectiveness of the Board of Directors is being maintained.

Compared to the assessment results from the term ended November 2022, improvements were observed in the number of hours required for board deliberations; the scope of debate related to latent foreseeable risks at the Group that may emerge while executing management strategy and management plans, the ways in which such risks may be addressed, and the crisis management system; and effectiveness of the oversight exercised by external directors.

(v) Issues going forward (including ongoing issues)

Key issues will include strengthening supervision and oversight functions based on fundamental policies to establish and maintain internal control systems for the Group, including subsidiaries; developing a system to coordinate between the internal audit division and directors and statutory auditors; and providing feedback to the Board of Directors concerning the status of dialogue with shareholders (investors) and other parties.

The Company will work to improve and strengthen the functions of the Board of Directors based on assessments of the effectiveness of the Board of Directors as a whole, and will continue undertaking such into the future to raise corporate value.

[Supplemental Principle 4-14 ② Training for Directors and Statutory Auditors]

The Company continuously organizes study sessions for Executive Directors to collect information on economic conditions, industry trends, legal compliance, corporate governance, corporate finance, and other matters relevant to corporate management needed to fulfill their roles and functions.

In the case of External Directors and External Statutory Auditors, we provide detailed briefings on the Company's management philosophy, management strategy, and business when they assume their positions. Information on matters such as industry trends and progress on business performance is provided through attendance at internal meetings concerning business execution and visits to business sites.

The Standing Statutory Auditor strives to continuously update this information through its membership in the Japan Audit and Supervisory Board Members Association, by attending seminars and meetings, and through other efforts.

[Principle 5-1 Policy for Constructive Dialogues with Shareholders]

The Director responsible for the President's Office oversees the President's Office and is charged with directing Investor Relations activities. The President's Office is active in accepting IR interviews, such as via telephone interviews from investors and small meetings. In briefings on the settlement of accounts held every six months, the Representative Director, the Director responsible for the President's Office, and the Director responsible for the Administration Headquarters provide overviews, plans, forecasts, and other matters related to company performance.

We provide feedback on Investor Relations activities at the regular meeting of the Board of Directors held monthly and strive to share information with Directors and Statutory Auditors.

In addition, the President's Office and related departments (Accounting Department and Administration Department) collaborate on a daily basis to strengthen dialogue with shareholders and investors. We pay attention to information management by choosing as topics of such exchange matters related to the Group's sustained growth and the enhancement of corporate value over the medium to long term. We take great care in such dialogue to refrain from disclosing insider information.

2. Capital Structure

Ownership share of foreign shareholders

Updated

10% or higher and less than 20%

[Status of Major Shareholders]

Updated

Name	Number of shares owned	Share (%)
Sohei Urakami	8,040,100	10.17
Custody Bank of Japan, Ltd. (trust account)	7,878,900	9.97
Master Trust Bank of Japan, Ltd. (trust account)	6,992,800	8.85
Hikari Tsushin, Inc.	3,950,100	4.99
Toru Akaura	2,745,000	3.47
Hideaki Sato	1,973,900	2.49
Sumitomo Life Insurance Company	1,955,000	2.47
S-Pool Employee Stock Ownership Program	1,863,500	2.35
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)	1,862,671	2.35
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Securities Co., Ltd.)	1,849,666	2.34

Existence of controlling shareholder (excluding parent company)

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Existence of parent company

No

Supplemental Explanation

Updated

- ① A Revision of a Large Shareholding Report made available for public review as of October 20, 2023 states that Asset Management One Co., Ltd. owns 3,232,400 shares (ownership ratio of 4.09%) as of October 13, 2023. However, the Company cannot confirm the number of beneficially owned shares as of November 30, 2023; thus, this is excluded from the information provided above concerning the status of major shareholders.
- ② A Revision of a Large Shareholding Report made available for public review as of June 8, 2023 states that Coupland Cardiff Asset Management LLC owns 3,405,800 shares (ownership ratio of 4.31%) as of June 2, 2023. However, the Company cannot confirm the number of beneficially owned shares as of November 30, 2023, thus this is excluded from the information provided above concerning the status of major shareholders.
- ③ A Large Shareholding Report made available for public review as of November 7, 2023 states that Sumitomo Mitsui Trust Asset Management Co., Ltd. owns 5,528,100 shares (ownership ratio of 7.00%) as of October 31, 2023. However, the Company cannot confirm the number of beneficially owned shares as of November 30, 2023, thus this is excluded from the information provided above concerning the status of major shareholders.

3. Corporate Attributes

Listed exchange and market section	Tokyo Prime
Fiscal year end	November
Industry	Services
Number of (consolidated) employees at end of previous fiscal year	1,000 or more
(Consolidated) sales in the previous fiscal year	10.0 billion yen or more and less than 100.0 billion yen
Number of consolidated subsidiaries at end of previous fiscal year	less than 10

4. Guideline for Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholders

5. Other Special Circumstances Potentially Having Material Influence on Corporate Governance

None in particular

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

1. Matters Concerning Organizational Structure, Operation of Organization, etc.

Form of organization	Company with board of statutory auditors
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[Directors]

Number of directors under the articles of incorporation	9
Term of directors under the articles of incorporation	2 years
Chairman of the board of directors	President
Number of directors	6
Status of appointment of external directors	Appointed
Number of external directors	3
Number of external directors designated independent officers	3

Relationship To the Company (1)

Name	Attribute	Relationship To the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Toru Akaura	Position with another company											
Nao Miyazawa	Lawyer											
Kazuhiko Nakai	Certified public accountant											

* Items to be selected regarding relationship to the Company

* "○" indicates the person currently or recently corresponds to the item, "△" indicates they did so in the past.

* "●" indicates a close relative of the person currently or recently corresponds to the item, "▲" indicates they did so in the past.

a Executive of the Company or its subsidiary

b Executive or non-executive director of the parent company of the Company

c Executive of sister company of the Company

d Individual who has the Company as their major business counterpart or is an executive of such entity

e Individual who is a major business counterpart of the Company or an executive of such an entity

f Consultant, accounting professional, or legal professional who receives large sums of money or other assets in addition to executive remuneration from the Company

g Major shareholder of the Company (if the major shareholder is a corporation, executive of such corporation)

h Executive of a business relation of the Company (those not falling under d, e, or f) (only the person in question)

i Executive of a corporation with which a cross-appointment of outside directors takes place (only the person in question)

j Executive of a corporation to which the Company makes donations (only the person in question)

k Other

Relationship To the Company (2)

Name	Independent officer	Supplemental explanation of applicable items	Reason for appointment
Toru Akaura	○	-	<p>Mr. Akaura has been appointed an External Director because he is deemed able to provide advice and recommendations regarding business execution by Company Directors, particularly from an investor's perspective, in light of his wealth of knowledge of and experience with corporate investment as Representative Director of Incubate Capital Co., Ltd. and experience in various roles, including serving as an external director for multiple companies.</p> <p>His appointment is intended to help strengthen and enhance corporate governance through securing further improvements in the efficiency and transparency of Company management. While he has served as an officer of other companies in the past and concurrently serves as an officer of other companies, we have no particular mutual interest nor conflicts of interest with such companies.</p> <p>There is also no particular mutual interest nor conflicts of interest between Mr. Akaura and the Group and his appointment is thought to present no particular problems with regard to the independence of External Directors from the standpoint of protection of general shareholders. Director Akaura has been appointed by the Board of Directors as an independent officer. This is based on the judgment that he is suitable in light of the purposes of independent officers, based on his independence and expertise concerning corporate investment, as described above.</p>
Nao Miyazawa	○	-	<p>While she has no past experience in corporate management, Ms. Miyazawa has been appointed an External Director because she is deemed able to provide advice and recommendations regarding business execution by Company Directors from a fair and neutral perspective, in light of her wealth of legal knowledge as an attorney.</p> <p>Her appointment is intended to help strengthen and enhance corporate governance through securing further improvements in the efficiency and transparency of Company management. There is also no particular mutual interest nor conflicts of interest between Ms. Miyazawa and the Group and her appointment is thought to present no particular problems with regard to the independence of External Directors from the standpoint of protection of general shareholders. Director Miyazawa has been appointed by the Board of Directors as an independent officer. This is based on the judgment that she is suitable in light of the purposes of independent officers, based on her independence and high degree of legal knowledge as an attorney, as described above.</p>

Kazuhiko Nakai	○	—	<p>While he has no past experience in corporate management in posts other than that of an external statutory auditor, Mr. Nakai has been appointed an External Director because he is deemed able to provide advice and recommendations regarding business execution by Company Directors from a fair and neutral perspective, in light of his extensive track record in auditing and other activities at multiple companies as a certified public accountant and his experience including serving as a corporate statutory auditor.</p> <p>His appointment is intended to help strengthen and enhance corporate governance through securing further improvements in the efficiency and transparency of Company management. There is also no particular mutual interest nor conflicts of interest between Mr. Nakai and the Group and his appointment is thought to present no particular problems with regard to the independence of External Directors from the standpoint of protection of general shareholders. Director Nakai has been appointed by the Board of Directors as an independent officer. This is based on the judgment that he is suitable in light of the purposes of independent officers, based on his independence and high degree of knowledge concerning finance and accounting as a certified public accountant, as described above.</p>
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Existence of optional committees corresponding to nomination or remuneration committees	None
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[Statutory Auditors]

Establishment of Board of Statutory Auditors	Yes
Number of Statutory Auditors under articles of incorporation	5
Number of Statutory Auditors	3

Status of Cooperation Among Statutory Auditors, Accounting Auditor, and Internal Audit Group Updated

In the Statutory Auditors' audits and the Accounting Auditor's (audit firm's), (1) internal company information is provided by the Statutory Auditors to the Accounting Auditor (audit firm); (2) audit information is provided by the Accounting Auditor (audit firm) to the Statutory Auditors. Both occur at the time audits are planned and implemented, whether during or at the end of the term.

Statutory Auditors and the Internal Audit Office that functions as the Company's internal audit section perform audits jointly.

Specifically, (1) information is exchanged on a regular basis; (2) prior consultations at the audit planning stage are held; (3) investigations of requests from Statutory Auditors are conducted by the Internal Audit Office; (4) information is exchanged in the audit implementation stage; (5) internal audits are attended by the Statutory Auditors; and (6) information is exchanged regarding the audit results report.

The Company entrusts account auditing operations to Grant Thornton Taiyo LLC, which has been employed consecutively for sixteen years.

The names of certified public accountants employed in account audits for the period ended November 2023 and the composition of assistants involved in auditing, are shown below.

- Certified public accountants employed in account auditing: Designated limited liability employee and business execution employee Yoichi Honma (continuous audit period: two year), Gen Takehara (continuous audit period: seven years)
- Composition of assistants involved in auditing: 9 certified public accountants, 15 other assistants

Status of appointment of External Statutory Auditors	Appointed
Number of External Statutory Auditors	3
Number of External Statutory Auditors designated independent officers	3

Relationship To the Company (2) Updated

Name	Attribute	Relationship To the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Xu Jin	Position with another company											
Hiroshi Hatanaka	Position with another company											
Noboru Yamashita	Position with another company											

* Items to be selected regarding relationship to the Company

* "○" indicates the person currently or recently corresponds to the item, "△" indicates they did so in the past.

* "●" indicates a close relative of the person currently or recently corresponds to the item, "▲" indicates they did so in the past.

a Executive of the Company or its subsidiary

b Non-executive director or accounting counselor of the Company or its subsidiary

c Executive or non-executive director of the parent company of the Company

d Statutory auditor of the parent company of the Company

e Executive of sister company of the Company

f Individual who has the Company as their major business counterpart or is an executive of such entity

g Individual who is a major business counterpart of the Company or an executive of such an entity

h Consultant, accounting professional, or legal professional who receives large sums of money or other assets in addition to executive remuneration from the Company

i Major shareholder of the Company (if the major shareholder is a corporation, executive of such corporation)

j Executive of a business relation of the Company (those not falling under f, g, or h) (only the person in question)

k Executive of a corporation with which a cross-appointment of outside directors takes place (only the person in question)

l Executive of a corporation to which the Company makes donations (only the person in question)

m Other

Relationship To the Company (2) Updated

Name	Independent officer	Supplemental explanation of applicable items	Reason for appointment
Xu Jin	○	—	<p>Ms. Xu has been appointed Standing Statutory Auditor to strengthen internal management systems and lead the Board of Statutory Auditors.</p> <p>While she has served as an officer of other companies in the past and currently serves concurrently as an officer of other companies, we have no mutual interest nor conflicts of interest with such companies.</p> <p>There are no particular mutual interests or conflicts of interests between Ms. Xu and the Group and no particular problems with regard to his independence as an External Auditor from the standpoint of protecting general shareholders. Statutory Auditor Xu has been appointed by the Company as an independent officer on the Board of Directors. This is based on the judgment that she is suitable in light of the purposes of independent officers, based on her independence and efforts to strengthen Group governance as Standing Statutory Auditor, as described above.</p>
Hiroshi Hatanaka	○	—	<p>Mr. Hatanaka has been appointed Statutory Auditor because he is deemed capable of providing effective advice and oversight of general management, based on his extensive track record as management consultant and wealth of experience and wide-ranging knowledge as corporate manager.</p> <p>While he serves concurrently as an officer of other companies, we have no particular mutual interest nor conflicts of interest with such companies.</p> <p>There are no particular mutual interests or conflicts of interests between Mr. Hatanaka and the Group and no particular problems with regard to his independence as an External Auditor from the standpoint of protecting general shareholders. Statutory Auditor Hatanaka has been appointed by the Company as an independent officer on the Board of Directors. This is based on the judgment that he is suitable in light of the purposes of independent officers, based on his independence and expertise in management in general as a management consultant and manager with other companies as described above.</p>

Name	Independent officer	Supplemental explanation of applicable items	Reason for appointment
Noboru Yamashita	○	—	<p>Mr. Yamashita has been appointed because he possesses specialized knowledge related to personnel and labor as a labor and social security attorney and can therefore be expected to strengthen the functioning of the Board of Statutory Auditors.</p> <p>While he has not been involved in corporate management other than having served in the past as an external director and external auditor, it was judged that he possesses extensive specialized knowledge related to labor as a labor and social security attorney and that he would be able to utilize this knowledge in auditing at the Company.</p> <p>There are no particular mutual interests or conflicts of interests between Mr. Yamashita and the Group and no particular problems with regard to his independence as an External Auditor from the standpoint of protecting general shareholders.</p> <p>Statutory Auditor Yamashita has been appointed by the Company as an independent officer on the Board of Directors.</p> <p>As stated as above, this is because he is independent, possesses extensive knowledge related to personnel and labor as a labor and social security attorney, and so has been judged to be suitable in light of the purposes of independent officers.</p>

[Independent Officers]

Number of independent officers

6

Other Matters Concerning Independent Officers

The Company has appointed all of its External Directors and Statutory Auditors as independent officers after considering matters such as their freedom from specific interests in the Group, such as personal or capital ties and their ability to oversee Group management based on expert knowledge, with reference to the standards for independence established by the Tokyo Stock Exchange.

[Incentives]

Status of implementation of initiatives regarding provision of incentives to Directors

Introduction of performance-linked remuneration program

Supplemental Explanation of the Item Updated

Remuneration of Executive Directors consists of fixed remuneration and performance-linked bonuses, amounts of which are calculated through methods specified in internal rules. In consideration of the nature of their posts, remuneration for non-executive Directors and Statutory Auditors, whose positions are independent from business execution, is paid in the form of fixed remuneration only.

Amounts of fixed remuneration for Executive Directors are proposed for each individual by the Representative Director in a regular meeting of the Board of Directors held after the annual settlement of accounts has been finalized, reflecting matters such as the duties, abilities, experience and years of service of each Director in addition to his or her performance in the previous period, including increases or decreases in corporate value, measures implemented regarding returns to shareholders, growth in sales and profit, development of new businesses and progress of human resource development and organizational development. Final decisions are made through deliberation on the proposed remuneration amounts among parties including non-executive Directors and Statutory Auditors.

The amount of performance-linked bonuses is calculated using 10% of the increase in consolidated ordinary profit or 3% of consolidated ordinary profit as a guide. Bonuses are paid subject to approval at the regular general meeting of shareholders. In principle, the allocation to each individual is proportional to their fixed remuneration.

The reason for adopting percentages of consolidated ordinary profit as benchmarks for performance-linked bonuses is that doing so provides an incentive for the profit growth expected by our shareholders, given the Group's targeted growth in the medium term. Additionally, the system chosen is as clear and simple as possible.

Three percent of consolidated ordinary profit for the fiscal year ended November 2023 is 80 million yen. Since consolidated ordinary profit declined compared to consolidated ordinary profit in the fiscal year ended November 2022, the decision was made to pay no performance-linked bonuses for the fiscal year ended November 2023.

The policy for determining remuneration and related matters for Officers and how remuneration is calculated was determined at the meeting of the Board of Directors held January 15, 2021.

Persons to whom stock options are granted

Supplemental Explanation of the Item

[Remuneration for Directors]

Status of disclosure of (individual director remuneration)

Individual remuneration is not disclosed.

Supplemental Explanation of the Item

Annual total remuneration for directors	106 million yen (including remuneration of External Directors of 10 million yen)
Annual total remuneration for statutory auditors	20 million yen (including total remuneration for External Statutory Auditors of 20 million yen)

Establishment of policy for determining actual remuneration or how the actual remuneration is calculated

Yes

Information Disclosed Regarding the Policy for Determining Actual Remuneration or How the Actual Remuneration Is calculated

The maximum limit on annual remuneration for Directors under a resolution of the February 27, 2018 general meeting of shareholders is 200 million yen (including up to 30 million yen per year for the remuneration of External Directors). Remuneration amounts are determined in consideration of the posts and duties of each Director within this maximum limit.

The Company has not established optional committees. However, internal rules stipulate that the remuneration for each Executive Director requires the approval of the External Directors and Statutory Auditors every fiscal year.

[System for Supporting External Directors (External Statutory Auditors)]

The President's Office is responsible for supporting External Directors and takes measures such as advance distribution of materials related to the agenda of the meetings of the Board of Directors and other materials to help make the discussions substantive.

The Internal Audit Office is responsible for supporting External Statutory Auditors. As with meetings of the Board of Directors, various measures shall be taken, including the advance distribution of materials related to the agenda of the meetings of the Board of Statutory Auditors and other materials.

2. Matters Related to Functions such as Business Execution, Audits, Oversight, Nomination, and Determination of Remuneration (Overview of the Current Corporate Governance System) Updated

As management bodies, the Company has established a Board of Directors centered on External Directors and has adopted a system of Statutory Auditors (kansayaku) that it considers capable of demonstrating effective management oversight functions in light of the Company's size.

The Company Board of Directors consists of six Directors (President and Representative Director Sohei Urakami, Director Hideaki Sato, Director Naoshi Arai, External Director Toru Akaura, External Director Nao Miyazawa, and External Director Kazuhiko Nakai). Its roles include making decisions on Group management policies, management strategies, business plans, the acquisition and disposal of important properties and important organizational and personnel matters, and overseeing the business execution of the Company and subsidiaries. The chairperson is Sohei Urakami (Representative Director).

Matters that require the resolution of the Board of Directors are specified in the Board of Directors Regulations. These include matters specified by laws and regulations, matters specified in the articles of incorporation such as the appointment and dismissal of directors with titles, approval of long-term and short-term business plans, other related matters and the determination of record dates for the register of shareholders, decisions on matters authorized by a resolution of the general meeting of shareholders, and other matters deemed necessary by the President and Director and the Director responsible for the matter.

In the fiscal year ended November 2023, the Board of Directors met a total of 17 times. In addition to reaching decisions on the above matters requiring resolution, the Board considered and weighed risks for the Company in the current operating environment, which is affected by social trends and the business environment. The Board also shared and debated issues related to hiring and investment strategies, response measures to media reports on subsidiary businesses, and debated equity investment and mergers and acquisitions. Given below is the attendance of each director at meetings of the Board of Directors.

<State of Attendance>

- 1 Representative Director Sohei Urakami: Attended 17 of the 17 sessions (attendance rate: 100%)
- 2 Director Hideaki Sato: Attended 17 of the 17 sessions (attendance rate: 100%)
- 3 Director Naoshi Arai: Attended 17 of the 17 sessions (attendance rate: 100%)
- 4 External Director Toru Akaura: Attended 17 of the 17 sessions (attendance rate: 100%)
- 5 External Director Nao Miyazawa: Attended 17 of the 17 sessions (attendance rate: 100%)
- 6 External Director Kazuhiko Nakai: Attended 17 of the 17 sessions (attendance rate: 100%)

Note: This excludes the number of Board of Directors meetings prompted by written resolution.

The Board of Statutory Auditors consists of three Statutory Auditors (External Statutory Auditor Xu Jin, External Statutory Auditor Hiroshi Hatanaka, and External Statutory Auditor Noboru Yamashita), whose roles are to establish audit policies and plans through deliberations of the Board of Statutory Auditors and to audit the execution of the duties of Directors through attendance in regular and extraordinary meetings of the Board of Directors and in other internal meetings as necessary, as well as auditing the state of business and property at the head office, other business facilities and subsidiaries. The chairperson is Ms. Xu Jin (Standing Statutory Auditor).

All external officers have been reported to the Tokyo Stock Exchange as independent officers and efforts are being made to strengthen governance through operation of a Board of Directors and a Board of Statutory Auditors in which independent officers play a central role.

At the Company, Executive Directors, executive officers, division heads and operations section heads execute business based on business plans formulated by the Board of Directors. The Board of Directors meets monthly, in principle, as well as meeting as needed, to carry out management decision-making and oversight and management of business execution by Directors through review of reports of business results.

In addition, to enhance the functions of the Board of Directors and improve management efficiency, the Representative Director holds a monthly Group Management Conference with members including Executive Directors, business division heads, and subsidiary presidents, to share management information and to efficiently deliberate on matters related to business execution.

The President's Office serves as the secretariat for the Board of Directors and the Internal Audit Office for the Board of Statutory Auditors. They distribute materials related to the meeting agenda in advance of the meetings of the Board of Directors and the Board of Statutory Auditors, in addition to performing other necessary tasks.

Through comprehensive consideration of matters such as the availability of a structure capable of centralized audits of Group business activities, in addition to perspectives such as the presence of a quality control system, independence and expertise and continuity and efficiency of auditing, the Company has chosen Grant Thornton Taiyo LLC as an auditing firm, to which it entrusts account auditing operations. It has employed this auditing firm for 16 years.

The names of certified public accountants employed in account audits for the period ended November 2023 and the composition of assistants involved in auditing, are shown below.

- Certified public accountants employed in account auditing: Designated limited liability employee / business execution employee Yoichi Honma (period of continuous audit two year), Gen Takehara (period of continuous audit seven years)
- Composition of assistants involved in audits: nine certified public accountants and 15 other assistants.

The Company has entered into an agreement limiting the liability for damages specified in Article 423, Paragraph 1 of the Companies Act with each Director who is not an Executive Director or equivalent and each Statutory Auditor. The maximum liability under these agreements is one million yen or the amount specified by laws and regulations, whichever is higher.

3. Reasons for Choosing the Current Corporate Governance System

Given its size, the Company believes that the governance function can be most effectively exercised by a system based on a Board of Directors and Statutory Auditors.

In addition, with three External Directors among the six Directors and three Statutory Auditors consisting entirely of External Statutory Auditors, the Company strives to strengthen governance by operating the Board of Directors and the Board of Statutory Auditors centered on external officers.

None of the External Directors or External Statutory Auditors has a background with a parent company or other affiliate or is a major shareholder in the Company. In addition, none of the External Directors or External Statutory Auditors is a spouse, relative within three degrees of consanguinity, or equivalent party of an executive director, executive officer, etc. of the Company or specific affiliated business of the Company. None receives executive compensation or other financial gains from Company subsidiaries. Accordingly, both External Directors and External Statutory Auditors are deemed sufficiently independent from the Company.

While the Company has not established specific standards or policies concerning independence in its appointment of External Directors and External Statutory Auditors, their appointment is based on individual judgment of matters such as their freedom from specific interests in the Company, such as personal or capital ties, and their ability to oversee Group management based on a high degree of knowledge, with reference to the standards for independence established by the Tokyo Stock Exchange.

III. State of Implementation of Initiatives Concerning Shareholders and Other Stakeholders

1. State of Initiatives to Stimulate Participation in the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary explanation
Issuing notices of convening general meetings of shareholders early	In principle, to allow sufficient time for full consideration of meeting resolutions while ensuring the accuracy of the content of the notices, we send out notices of convening general meetings of shareholders by one day before the legal deadline. We also announce convocations of general meetings of shareholders on our website and that of the Tokyo Stock Exchange before sending out notices of convening the meetings to ensure shareholders have enough time to consider the resolutions.
Scheduling general meetings of shareholders to avoid dates when there are large numbers of such meetings held	We avoid holding general meetings of shareholders on dates on which large numbers of such meetings are held by ending our fiscal period on November 30. We intend to continue to focus on stimulating participation in general meetings of shareholders. We hold briefings on topics such as the Company's lines of business and future strategies after the general meetings of shareholders to expand shareholder participation.
Exercise of voting rights through electromagnetic means	We have adopted exercise of voting rights through an electromagnetic method.
Participation in a platform for electronic exercise of voting rights and other initiatives to facilitate exercise of voting rights by institutional investors	We participate in a platform for electronic exercise of voting rights operated by ICJ, Inc.

2. State of Investor Relations Activities

	Supplementary explanation	Explained by Representative himself
Formulation and Publication of Disclosure Policy	<p>(1) Basic policy on disclosure The Company strives to promptly provide information to shareholders and investors with transparency, fairness, and continuity in mind.</p> <p>The Company discloses information in accordance with the Financial Instruments and Exchange Act and other applicable laws and regulations, as well as the Rules on Timely Disclosure by Issuers of Listed Securities ("Timely Disclosure Rules" hereinafter) set by the Tokyo Stock Exchange.</p> <p>In addition, we actively disclose other information we deem useful for strengthening the understanding of our Group among shareholders, investors, and other stakeholders.</p> <p>(2) Method of information disclosure Information subject to the Timely Disclosure Rules is disclosed on TDnet (Timely Disclosure Network) in accordance with the Rules. Once disclosed, the same information is posted on the Company's website without delay.</p> <p>In addition, other company information, management information, management policies, etc. are also posted on the Company's website and elsewhere.</p> <p>(3) Quiet period To ensure fairness and prevent information leaks concerning settlement of accounts, the Company has set a quiet period for a period of two weeks before the date of settlement of accounts to the date of its announcement. During this time, it refrains from responding to inquiries regarding performance.</p> <p>However, in the event of discrepancies between the initial forecast and expected business results, we will make appropriate announcements in accordance with the Timely Disclosure Rules.</p>	
Holding periodic briefings for individual investors	Briefings are held several times a year for individual investors. In addition, videos of the briefings are streamed from the Investor Relations website for investors unable to attend in person.	Yes
Holding periodic briefings for analysts and institutional investors	<p>Upon the settlement of accounts each year, the Chairman of the Board, President and Representative Director of the Company holds a briefing on the settlement of accounts and business strategies.</p> <p>A similar briefing is held in the second quarter.</p>	Yes
Posting Investor Relations materials on the website	IR information is disclosed at www.spool.co.jp/investor/ . Information on the settlement of accounts and timely disclosure materials, briefing materials and FAQs are made available.	
Establishing an Investor Relations section (person in charge)	The President's Office is in charge of IR.	

3 State of Initiatives Regarding Respect for the Positions of Stakeholders

	Supplementary explanation
Implementation of environmental conservation, CSR, and other activities	<p>The Group considers CSR initiatives to be an essential aspect of management and strives to achieve the sustainable growth of the Company and society through sound and transparent management and business activities undertaken in harmony with society and the environment.</p> <p><Creating employment> The Group works to solve employment issues through its business activities. Specifically, we have two initiatives: realizing a normalized society, in which all people can live equally through the creation of jobs for people with few employment opportunities; and the correction of regional disparities through job creation for regions in which lack of employment opportunities is leading to shrinking populations.</p> <p><For the community> [Free provision of vegetables to children's cafeterias and welfare facilities] We promote the realization of a society in which community members coexist by providing free of charge vegetables harvested at Work Happiness Farms, operated by S-Pool, Inc., to children's cafeterias and welfare facilities.</p> <p>[Co-sponsoring Musical Concert in Temple] We co-sponsor musical concerts performed by the winners of the Student Music Concours of Japan at a temple in Kyoto. We provide opportunities for young musicians to encounter and experience firsthand Japan's living culture and traditions.</p> <p>[Co-sponsoring The Children of the Sea Exhibit] By co-sponsoring The Children of the Sea Exhibit, a time-honored children's picture contest established in 1973 by artist Taro Okamoto, we support the healthy development of the next generation.</p> <p>[Co-sponsoring Sports HINOMARU Kids] We co-sponsor the Sports HINOMARU Kids activities, which seek to fulfill the hope that children in Japan will grow up sound and healthy in mind and body, sustained by the experience gained through sports.</p> <p><For the global environment> [Support for TCFD] We believe that assessing the business impact of the risks and opportunities posed by climate change and considering and formulating specific countermeasures are important issues for the stable and uninterrupted conduct of business. In February 2022, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>[Support for Challenge 25] We support the activities of Challenge 25, which pursues actions to reduce CO2 emissions. All Group companies are pursuing initiatives related to global warming prevention projects.</p>

IV. Matters Related to Internal Control Systems, etc.

1. Basic Concept for Internal Control Systems and the Status of Their Development Updated

With respect to the systems necessary to ensure the properness of operations specified in the Companies Act and the Regulations for Enforcement of the Companies Act, we have settled on a basic policy for the development of internal control systems at a meeting of the Board of Directors and are proceeding with their development. The following is an overview.

1. Systems to ensure that the execution of duties by Directors and employees complies with laws and regulations and the articles of incorporation
 - (1) The Company positions compliance with laws and regulations as the most important management issue; establishes a basic policy on compliance; and strives to ensure that Directors and employees comply with laws, regulations, and the articles of incorporation.
 - (2) The President and Representative Director seeks to establish a companywide compliance system, to identify problems, and to report findings to the Board of Directors.
 - (3) To comply with laws and regulations concerning the Company's business activities, the Company prepares the manuals necessary for business operations; provides education and guidance to ensure compliance; and establishes and operates a whistleblowing contact point as a way for employees to directly provide information on actions and other matters that may be questionable under laws and regulations.

The whistleblowing contact point is operated by the Internal Audit Office of the Company and is made known to Company and Group company Directors and employees. The whistleblower remains anonymous if they so wish and is safeguarded against any disadvantageous treatment due to their actions.

2. System for storing and managing information related to the execution of duties by Directors
 - (1) The President and Representative Director appoints the head of the Administrative Headquarters as the individual with oversight responsibility for the storage and management of information related to the execution of duties by Directors. The President and Representative Director records and stores such information in documents or electromagnetic media ("documents, etc." hereinafter) in accordance with the Document Management Regulations.
 - (2) Directors and Statutory Auditors may view these documents at any time in accordance with the Document Management Regulations.
3. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries
 - (1) The Company establishes risk management regulations stipulating the establishment and method of operation of risk management systems for the entire Group.
 - (2) Management of risks accompanying the business of individual sections or subsidiaries is undertaken by the relevant section or subsidiary. Monitoring of organization-wide risk status and taking company-wide responses are undertaken by the President and Representative Director and the President's Office.
 - (3) The status of the above risk management is reported at regular intervals to the Board of Directors; measures are promptly considered, where necessary.
 - (4) The Internal Audit Office performs internal audits of the risk management system of the entire Group and reports its findings to the President and Representative Director.
4. Systems to ensure efficient execution of duties by Directors of the Company and its subsidiaries
 - (1) The Board of Directors formulates business plans for the entire Group based on management policies that consider trends in the business environment, while External Directors, executive officers, division heads, operations section heads, sections, and subsidiaries undertake specific activities to implement such plans.
 - (2) The Board of Directors meets monthly, in principle, as well as meeting as needed, to carry out management decision-making and oversight and management of business execution by Directors through review of reports of business results.
 - (3) In addition, to enhance the functions of the Board of Directors and improve management efficiency, the Representative Director holds a monthly Group Management Conference with members, including Executive Directors, business division heads, and subsidiary presidents to share management information and to efficiently deliberate on matters related to business execution.
 - (4) By establishing and operating internal rules, we aim to clarify the organization, the division of duties, administrative authority, and decision-making rules of the entire Group, thereby improving the efficiency of daily duties.
5. System to ensure the appropriateness of operations in the corporate group comprising the Company and its subsidiaries
 - (1) Based on a Groupwide basic policy on compliance, the Company designates the president of each Group company as compliance officer. The Director responsible for the Company's Administrative Headquarters has overall responsibility for managing them.
 - (2) We build a system in which the management of Group companies is based on the Rules on the Management of Subsidiaries and in which important matters affecting business performance and business conditions are reported regularly to the Company's Board of Directors or deliberated on in advance.

- (3) The Company's Internal Audit Office performs internal audits of the Company and Group companies and reports its findings to the President and Representative Director.
6. Matters concerning employees to assist Statutory Auditors in their duties and matters concerning ensuring employee independence from Directors and the effectiveness of instructions issued to employees if Statutory Auditors request the appointment of such employees
 - (1) Statutory Auditors may instruct Internal Audit Office employees to perform work to assist in their execution of duties.
 - (2) Internal Audit Office employees subject to orders for audit tasks from Statutory Auditors shall not be subject to instructions or orders from Directors with respect to the Statutory Auditors' orders. Decisions on matters concerning personnel management authority such as the appointment, transfer, or evaluation, of such employees shall only be made after obtaining the prior consent of Statutory Auditors. Any employee who fails to abide by the instructions and orders of the Statutory Auditors shall be subject to internal punishment.
 7. System for Company and subsidiary Directors and employees to report to Statutory Auditors and other systems for reporting to Statutory Auditors
 - (1) Statutory Auditors may attend meetings of the Board of Directors, Group Management Conferences, and other meetings deemed important and request reports on business and presentation of documents to Company and subsidiary Directors and employees.
 - (2) Company and subsidiary Directors and employees shall regularly or promptly report the following matters to Statutory Auditors, in addition to matters specified by law, either directly or through meetings of the Board of Directors or other important meetings:
 - a) Important matters deliberated on at the Board of Directors' meetings and Group Management Conferences
 - b) Matters that pose risk of significant damage to the Company or subsidiaries
 - c) Important matters concerning internal audits
 - d) Matters concerning serious violations of laws and regulations or the articles of incorporation
 - e) Other important matters concerning Group compliance or risk management
 - (3) The Company establishes a Group whistleblowing contact with Statutory Auditors as a contact point and makes this known to Company and subsidiary Directors and employees.
 - (4) The Company prohibits disadvantageous treatment of Company and subsidiary Directors and employees who report to Statutory Auditors on account of their reporting and makes this known to Company and subsidiary Directors and employees.
 8. Other systems to ensure that audits by Statutory Auditors are conducted effectively
 - (1) Statutory Auditors hold regular meetings to exchange opinions with the Representative Director, the Internal Audit Office, and the Accounting Auditor, respectively, to establish the mutual communication necessary to ensure the effectiveness of the audits.
 - (2) Statutory Auditors may independently consult with lawyers, certified public accountants, consultants, and other external experts when deemed necessary to implement the audits.
 - (3) When Statutory Auditors request advance payments, etc. of expenses necessary for the execution of their duties, the Company will promptly process such requests, unless such expenses are deemed unnecessary for the execution of duties by the Statutory Auditors.
 9. System to ensure reliable financial reporting
 - (1) The Company establishes accounting regulations and consolidated accounting regulations in compliance with laws and regulations and fair and reasonable accounting standards for the preparation of financial reports.
 - (2) The President and Representative Director personally evaluates the status of the development and operation of internal control systems to ensure reliable financial reporting; reports their findings as an internal control report; and addresses deficiencies in a timely manner.

(Overview of operational status for the fiscal year ended November 2023)

The Company undertook appropriate operations in the fiscal year ended November 2023 based on the above internal control systems. The operational status is as follows.

1. Compliance initiatives

The Company President and Representative Director issues periodic messages on the importance of compliance to Company and subsidiary Directors and employees. Internal training is provided on information security, prevention of insider trading and other topics, as part of continuous efforts to raise awareness on compliance.
2. Risk management initiatives

The Board of Directors ascertains and evaluates risks Groupwide and considers responses to risks with impacts across the organization. In addition, monthly Group Management Conferences in which the External Directors and Standing Statutory Auditor take part include information sharing and deliberation on the state of management of risks accompanying the businesses of individual sections and subsidiaries.

During the fiscal period ended November 2023, the Board of Directors and Group Management Conferences played central roles in managing the risk generation status and the status of implementing preventive measures for risks the Company has consistently deemed of utmost importance: those involving legal amendments or strengthened regulations with the potential to impact the business environment; labor issues, such as industrial accidents and long working hours, leakage of personal information and industry-specific issues that may impact management strategies, such as changes in economic or market conditions, as well as the potential impact of events involving competitors, including mergers and acquisitions or decisions to open competing facilities.

In addition, the Group is working actively to strengthen productivity through IT investments and other initiatives. We have raised the importance score of the risk of failing to achieve the purpose of introducing IT systems due to inadequate prior consideration regarding their introduction and are carefully ascertaining current conditions and managing progress.

3. Efforts to ensure the propriety and efficiency of the performance of duties of Directors

The Company Board of Directors consists of six Directors, including three External Directors. The three External Statutory Auditors also attend Board meetings. During the fiscal period ended November 2023, the Board of Directors met 17 times and implemented timely decision-making while paying close attention to lawful and appropriate operations. Matters related to risk management and business execution were deliberated on, in addition to confirmation and analysis of and development of appropriate strategies for the state of progress in businesses and performance of each section and subsidiary. The Board of Directors also monitored the state of performance of the duties of Directors of the Company and subsidiaries.

Materials for deliberation by the Board of Directors are distributed in advance to enable attendees to prepare adequately. Directors and Statutory Auditors actively exchange opinions at the deliberations.

Matters involving important management decision-making at subsidiaries are resolved at the Company's Board of Directors meetings.

4. Systems for reporting by Directors and employees to Statutory Auditors and other systems related to reporting to Statutory Auditors

An internal whistleblowing system (compliance hotline) has been established as a reporting system for the entire Group, with non-standing External Statutory Auditors serving as contact points. In addition, efforts are being made to raise awareness among all Group employees through the Group intranet.

5. Performance of the duties of Statutory Auditors

Based on audit plans, the Standing Statutory Auditor attends Group Management Conferences and important meetings of subsidiaries to confirm appropriate business execution and shares information in meetings of the Board of Statutory Auditors, which met 13 times during the fiscal period ended November 2023. In addition, business auditing is conducted in cooperation with the Internal Audit Office, ascertaining information on a wide range of risks through interviews with officers and employees. Meetings also are held with the accounting auditor, both periodically and at other times as needed, to ascertain the propriety of financial accounting.

2. Basic Concept on Exclusion of Antisocial Forces and State of These Efforts

1. Basic concept on exclusion of antisocial forces

The policy of the Company and the Group is to refuse any and all relations with antisocial forces, which constitute a threat to social order and sound corporate activities, and to respond resolutely as one as an organization to any improper demands.

2. State of efforts to exclude antisocial forces

The Company's General Affairs Department is tasked with coordinating response to antisocial forces.

Since December 2003, we have been a member of Tokubouren, an association under the Metropolitan Police Department that seeks to prevent specified acts of violence. In addition to striving to collect information through attending its regular meetings and other events, we seek its guidance as needed.

V. Other

1. Introduction of Anti-takeover Measures

Introduction of anti-takeover measures	None
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Supplemental Explanation of the Item

Nothing in particular

2. Other Items Concerning Corporate Governance Systems and Other Matters

An overview of the internal system for timely disclosure of corporate information of the Group is as follows:

1. Basic policy for timely disclosure

The basic policy of the Group is to comply with the Financial Instruments and Exchange Act and the rules of the Tokyo Stock Exchange regarding timely disclosure and to make public without delay company information and other important information to provide fair and accurate information to shareholders and investors in a timely manner and to actively disclose information useful for a better understanding of the Group.

2. Ascertaining and managing corporate information

- (1) The Group has established the Insider Trading Prevention Regulations to prevent insider trading and manages and ascertains insider information based on these regulations.

Specifically, upon the emergence of an important fact, information will be promptly collected from the sections and subsidiaries ("sections, etc." hereinafter) recognizing the fact through their information management officers and consolidated at the President's Office. The Director serving as Chief Information Management Officer will be duly informed and procedures undertaken to confirm the fact.

In addition, the heads of each section are responsible for managing insider information within their sections as information management officers and for instilling an understanding of the importance of insider information among their employees.

With regard to education on timely disclosure, the Company has the President's Office personnel responsible for timely disclosure participate in timely disclosure seminars hosted by the Tokyo Stock Exchange to ensure that they recognize important information subject to timely disclosure.

Furthermore, to ensure that shareholders have the opportunity to fairly and easily obtain major information concerning the Group, the Company actively discloses on its website not only items subject to timely disclosure, but quarterly and full-year settlement of accounts information and matters whose disclosure is not required under the timely disclosure system.

- (2) State of organization responsible for timely disclosure

Responsible group: President's Office

Responsible personnel: Director responsible for President's Office and two others

Chief Information Management Officer: Director responsible for Administrative Headquarters

3. Timely Disclosure Procedures

The Company follows the below procedures regarding decisions on timely disclosure for the emergence of factual information, decisions, and information regarding settlement of accounts.

- (1) Emergence of factual information

If a fact deemed important from a management point of view comes to light, the head of each section, etc. shall promptly report such information to the Chief Information Management Officer. Information consolidated at the Chief Information Management Officer is analyzed by the President's Office or the Administrative Headquarters; deliberated on by the Board of Directors; and, if disclosure is deemed necessary, promptly disclosed in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange.

- (2) Decisions

Important corporate information subject to decisions is in principle deliberated on by the Board of Directors.

Any decision deemed to warrant disclosure by the Chief Information Management Officer will be promptly disclosed in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange.

- (3) Information regarding settlement of accounts

If the Chief Information Management Officer deems it necessary to disclose information regarding settlement of accounts following deliberations by the Administrative Headquarters and the President's Office, the information in question will be promptly disclosed in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange if approved by the Board of Directors.

The Company strives to disclose figures from account settlement accurately and promptly after appropriate processing.

4. Preparation of documents for timely disclosure

The President's Office prepares timely disclosure documents in accordance with the procedures for timely disclosure decisions described above.

All disclosure documents must be approved by the Chief Information Management Officer.

In the case of information related to settlement of accounts, disclosure documents (settlement of accounts report, quarterly settlement of accounts report, quarterly reports, securities reports, etc.) are prepared by the Administrative Headquarters. Financial information is disclosed after the audit firm performs an accounting audit in the case of securities reports and a review in the case of quarterly reports.

5. Information Disclosure Procedures

The publication procedure involves following the disclosure procedure without delay using the TDnet information disclosure system offered by the Tokyo Stock Exchange. The information is also posted concurrently on the Company's website.

6. Monitoring and Control of Information Disclosure Operations

Recognizing their importance, the Company promotes the establishment of a fair and transparent management system and transparency in information disclosure to shareholders and investors.

Statutory Auditors confirm and monitor the legality and appropriateness of the execution of information disclosure operations by collecting information at meetings of the Board of Directors, inspecting proposal documents circulated for approval and other important documents and interviewing the Chief Information Management Officer or the Representative Director or others.

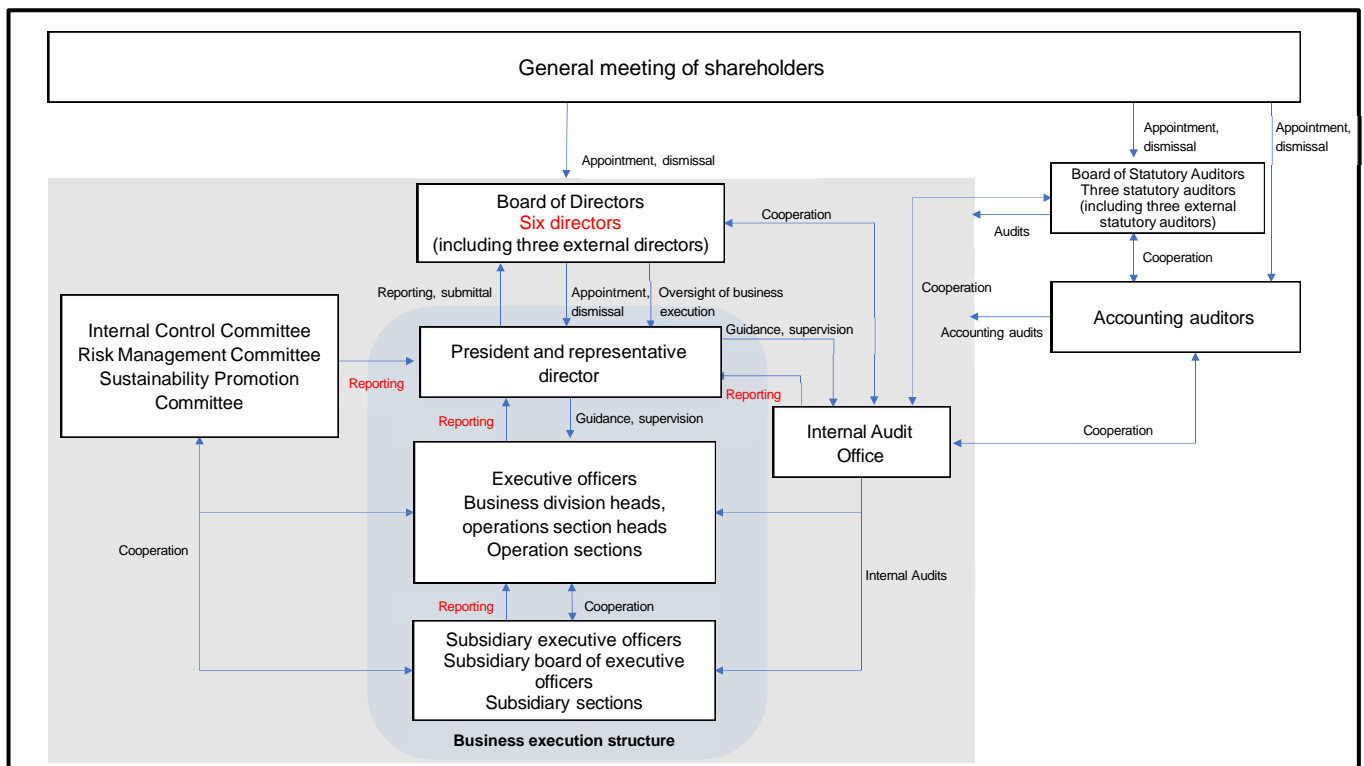
The Company has three Statutory Auditors who are External Statutory Auditors.

Internal audits of the entire Group are performed by the Internal Audit Office, which reports directly to the President.

These audits promote the execution of appropriate information disclosure operations.

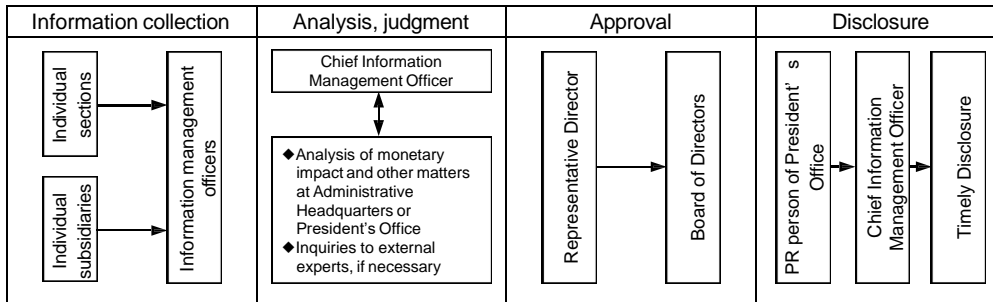
For reference

■ Diagram of corporate governance system

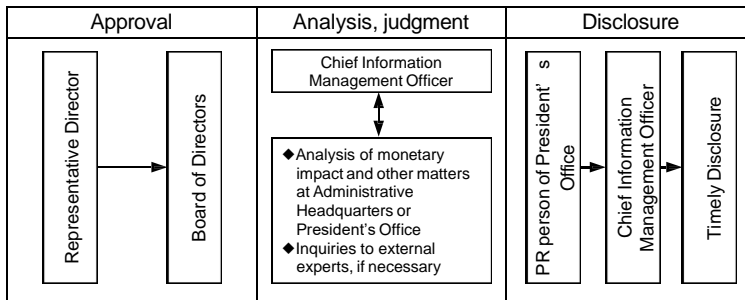


■ Diagram of timely disclosure system

1. Information concerning emergence of factual information



2. Information concerning decisions



3. Information concerning settlement of accounts

