

Last updated: December 24, 2024

Insource Co., Ltd.

Representative Director, President and Chief Executive Officer, Takayuki Funahashi

Contact: Director, Executive Officer

Shigeo Fujimoto

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Securities code: 6200

<https://www.insource.co.jp/en/ir/index.html>/Last updated: December 24, 2024

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

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

1. Basic Views

As our basic approach to corporate governance, we place emphasis on ensuring the transparency and soundness of management and prompt and appropriate disclosure of information in order to achieve sustainable growth of the company and increase corporate value over the medium to long term. In addition to securing the rights and substantive equity of our shareholders, we respect the rights of all of our stakeholders, including clients, employees, and local communities, and aim to realize our society where all people can enjoy working and feel fulfilled. To this end, we will (1) streamline our management system to ensure speedy decision-making and business execution, (2) build a corporate governance system with the aim of conducting corporate activities based on a sound ethical sense in harmony with society, and (3) work to build an optimal management control system that will revitalize the Board of Directors and provide highly effective supervision of Directors.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

We implement all of the principles of the Corporate Governance Code.

[Disclosure Based on each Principle of the Corporate Governance Code]

[Principle 1-4] (Cross-Shareholdings)

We consider cross-shareholdings to be listed stocks that are invested on the assumption that they are held for a long period of time in order to maintain and strengthen comprehensive business relationships with issuers. Our basic policy is not to hold cross-shareholdings. In cases where cross-shareholdings are held, the Board of Directors shall annually examine whether the cross-shareholdings are appropriate for the purpose of holding them and whether the benefits and risks associated with holding them are commensurate with the cost of capital, and provide a specific explanation. The exercise of voting rights in this stock requires qualitative and comprehensive judgment according to the individual shares. Therefore, the Company has not established any criteria at this time.

[Principle 1-7] (Related Party Transactions)

We monitor and approve transactions between related parties, noting that such transactions are not undermining the soundness of our management, are valid in light of reasonable judgment, and the terms of transactions are appropriate compared with other external transactions. Significant transactions, however, are subject to approval by the Board of Directors. In addition, every fiscal year we require all Directors, Corporate Auditors, Executive Officers and Subsidiary Directors to respond to the Response Sheet on Related Party Transactions, and we share the results with our auditing firm to confirm the details.

[Supplementary Principle 2.4.1] (Ensuring Diversity in the Core Human Resources)

Our management philosophy is to "create a society where all people can enjoy working and feel fulfilled" and we incorporate the idea of diversity into our management policies and guidelines for organizational development. Approximately half of the Group's employees are women. Among the items that we emphasize in the disclosure of human capital are the ratio of women in managerial positions and the number of women in managerial positions. Regardless of gender, nationality, age, new graduates and mid-career recruits, management positions are promoted to personnel who are fully expected to satisfy the Rules on Administrative Authority. Therefore, we do not provide measurable targets for the promotion of "women," "foreigners," and "mid-career professionals" to managerial positions. We believe that promoting the creation of an organization in which diverse human resources work together will lead to the stable securing of diverse human resources and, in turn, to our sustainable growth. For further information, please refer to the section entitled "III Implementation of Measures for Shareholders and Other Stakeholders, 3. Status of Measures to Ensure Due Respect for Stakeholders."

(Management Policies and Organizational Development Policies)

<https://www.insource.co.jp/en/company/vision.html>

(Concept of Diversity)

https://www.insource.co.jp/recruit/recruit_diversity.html

(Status of Ensuring Diversity)

https://www.insource.co.jp/en/ir/ir_sustainable_diversity.html

(Financial Results for FY23 and Three-year Business Plan "Road to Next 2027")

<https://www.insource.co.jp/resource/pdf/ir/24110508.pdf>

[Principle 2.6] (Roles of Corporate Pension Funds as Asset Owners)

The company does not have a defined contribution pension plan as part of our employee benefits program. Thus, the Company is not involved in the management of corporate pension plans as an asset owner.

[Principle 3.1] (Full Disclosure)

(i) Company objectives (e.g., business principles), business strategies and business plans

The Company's management philosophy is to "create a society where all people can enjoy working and feel fulfilled," which is disclosed at our website

(<https://www.insource.co.jp/en/company/vision.html>). Our website also discloses management strategies and management plans as a Three-year Business Plan "Road to Next 2027" and an explanation of the results for FY23 (<https://www.insource.co.jp/resource/pdf/ir/24110508.pdf>).

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

The Company's basic philosophy and policy on corporate governance are described in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information, 1. Basic Views" in this report.

(iii) Board policies and procedures in determining the remuneration of the senior management and Directors

Director's basic remuneration policy and procedures are described in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight, 1. Organizational Composition and Operation [Director Remuneration] in this report.

(iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of Directors and Auditors Candidates

In order that the Directors can ensure the appropriateness and suitability of management, and that the Auditors can conduct accurate and fair audits, the Company has a policy of selecting candidates who have abundant experience and high insight, who can fulfill the duties and responsibilities of Directors and Auditors, and who are also excellent in terms of personality.

Director candidates are reviewed by the Nomination and Remuneration Committee at their discretion at the Board of Directors and reported to the Board of Directors. The candidates for corporate Auditors are to be decided at the Board of Directors meeting after obtaining the consent of the Board of Auditors in advance. In addition, the Company believes that the following are grounds for dismissal: if there is any misconduct in the execution of duties, or any serious violation of laws or the articles of incorporation, or if the Director is unable to fulfill their responsibilities due to their own fault or other reasons.

(v) Explanations with respect to the individual appointments/dismissals and nominations based on iv)

The reasons for the appointment of Outside Directors and Outside Auditors are stated in the Securities Report and in “II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight” below in this report. For other Directors and Corporate Auditors, the Company's annual financial report and Notice of Annual General Meeting of Shareholders (<https://www.insource.co.jp/resource/pdf/ir/Notice%20of%20Convocation%20Annual%20General%20Meeting%202024.pdf>) contains their individual biographies. In addition, in the event of a dismissal event, we believe it is appropriate to explain and resolve the specific reasons for the dismissal at the General Meeting of Shareholders after substantive discussions at the Board of Directors meeting.

[Supplementary Principles 3.1.3] (Initiatives on Sustainability)

<Initiatives on sustainability>

Based on our management philosophy of creating a society where all people can enjoy working and feel fulfilled, we are working to resolve social issues related to working people through our business activities. In addition, with ESG + P (business results and Performance) management, we will expand our commitment to sustainability with the aim of sustaining growth and enhancing corporate value over the medium to long term. To promote sustainability, we established the Sustainability Committee, chaired by Director and Managing Executive Officer, in July 2022. For more information on ESG and sustainability initiatives, see Sustainability (https://www.insource.co.jp/en/ir/ir_sustainability.html) on our website.

<Initiatives for Climate Change>

We regard large-scale natural disasters caused by climate change as an important management risk in the provision of services, and believe that consideration for the environment leads to coexistence with local communities and securing the trust of stakeholders. In February 2021, we announced that we endorsed the recommendations of TCFD (Task Force on Climate-Related

Financial Disclosures). At the same time, we established CO2 Reduction Subcommittee, chaired by Director and Managing Executive Officer, to promote company-wide efforts to reduce CO2. Detailed information is available on our website “Information Disclosure Based on TCFD Recommendations” (https://www.insource.co.jp/en/ir/ir_sustainable_tcf.html).

<Information on Investments in Human Capital and Intellectual Properties >

Since our founding, we have promoted standardization of work through the use of information and IT to efficiently provide high-quality services to our clients. In order to achieve further business growth, increase the added value of the services we provide, and improve the efficiency of the processes we use, we are implementing IT skill improvement and digital human resources development training for all employees, depending on their position, department, and job content. For more information, see our website, Human Capital (S) “Employee Training” (https://www.insource.co.jp/en/ir/ir_sustainable_employee.html).

The enhancement of intellectual property is the cornerstone of our business strategy, with training services as our core business. We believe that continuing to revitalize our intellectual property activities will enhance the competitiveness of our services, contribute to the retention and expansion of our clients, and ensure our competitive advantage. To this end, in order to actively create, protect, and utilize intellectual property, we will provide all employees with compliance education on information security, copyright laws, and other areas when necessary. We will also promote operations in close cooperation between our business departments and the legal department and the Internal Audit Office.

[Supplementary Principles 4.1.1] (Scope and Content of the Matters Delegated to the Management)

The Company has established criteria for matters to be discussed at Board of Directors meetings in its Board of Directors Meeting Regulations, and has also established important matters that require resolutions at Board of Directors meetings, and is properly implementing procedures based on these regulations. In addition, the monetary criteria for matters to be resolved at Board of Directors meetings are set based on the non-consolidated total assets for the previous fiscal year each year.

[Principle 4.9] (Independence Standards aimed at Securing Effective Independence of Independent Directors)

The Company strives to select candidates for independent Outside Directors who satisfy the independence standards stipulated in the Companies Act and by the Tokyo Stock Exchange, and who are expected to contribute to frank, active and constructive discussions at Board of Directors

meetings.

[Supplementary Principles 4.10.1] (Authority and Roles of the Nomination and Compensation Committee)

We have established a voluntary Nomination and Compensation Committee to ensure objectivity and fairness in the process of determining Director nominations and remuneration, and to strengthen the supervisory function of the Board of Directors. The Nomination and Compensation Committee is composed of at least 3 Director members selected by a resolution of the Board of Directors, of which the majority are independent Outside Directors. The chair is selected from the committee members who are independent Outside Director. In response to the inquiries of the Board of Directors, the Committee deliberates on matters related to the selection and dismissal of Directors and remuneration for Directors of the Company and Group companies, succession plans, and other matters, and reports its findings to the Board of Directors.

[Supplementary Principles 4.11.1] (Approach to the Balance, Diversity and Scale of the Entire Board of Directors)

Our Board of Directors consists of eight members, including two women. The Board of Directors has a balanced structure with diverse knowledge and expertise, and in order to enable substantive discussions, the number of Director members is limited to 10 in the Articles of Incorporation, which we believe it is appropriate for the current size of the Company. The election and dismissal of Directors is as described in [Principle 3-1 (iv)] in this report. In addition, the Notice of Annual General Meeting of Shareholders includes a Director Skills Matrix on pages 11 (<https://www.insource.co.jp/resource/pdf/ir/Notice%20of%20Convocation%20Annual%20General%20Meeting%202024.pdf>).

[Supplementary Principles 4.11.2] (Status of Concurrent Positions as Directors and Auditors)

From the perspective that Directors and Auditors should devote the time and effort necessary to appropriately fulfill their roles and responsibilities to their duties, the number of Directors and Auditors who concurrently serve as Executives of other companies is limited to a reasonable extent. The status of Directors and Auditors serving concurrently at other companies is disclosed annually in the notice of convocation of the General Meeting of Shareholders and the Annual Securities Report.

[Supplementary Principles 4.11.3] (Analysis and Evaluation of the Overall Effectiveness of the Board of Directors)

We conduct a questionnaire survey on the effectiveness of the Board of Directors for Directors

and Auditors, analyze the results of the questionnaire, and discuss self-evaluation at the Board of Directors. The latest survey results and an overview of the results to date can be found on our website (https://www.insource.co.jp/en/ir/ir_sustainable_governance.html#effectiveness).

[Supplementary Principles 4.14.2] (Director and Auditor Training)

In order to fulfill their responsibilities, our Directors and Auditors are making daily efforts to improve themselves by attending internal study sessions and social gatherings with related organizations in order to acquire the necessary knowledge. We provide the newly appointed Directors with the opportunity to acquire the knowledge necessary for fulfilling the roles and responsibilities required of Directors, including information on corporate law and related laws and regulations, as well as corporate governance. We also provide opportunities for each Director as needed after their appointment. Furthermore, the persons in charge of business operations provide explanations to Outside Directors on an ongoing basis upon their appointment and after their appointment, so that they can deepen their understanding of our business, finances, and organizational structure.

[Principle 5.1] (Policy for Constructive Dialogue with Shareholders)

We believe that active dialogue with shareholders is essential to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium to long term. In order to respond quickly to inquiries from shareholders, we have established an IR system centered on the CEO Office, as the department in charge, with the Director in charge of IR, and we are working to actively engage in IR activities in order to gain an understanding of our management strategies and plans. We meet domestic and overseas institutional investors on an ongoing basis both face-to-face and online, and are basically handled by Representative Director, President and Chief Executive Officer, and Director in charge of IR. In addition, as an initiative to promote opportunities for dialogue, we will endeavor to enhance opportunities for interactive communication between the Company and our shareholders at General Meetings of Shareholders and other meetings.

[Status of Dialogue with Shareholders]

Disclosures regarding the status of dialogue with shareholders are as follows.

■ Main Persons in Charge of Dialogue

- Representative Director, President and Chief Executive Officer
- Director, Executive Officer, CFO
- Executive Officer of Group Corporate Planning Department

■ The Style of Dialogue and an Overview of the Shareholders

Style	Intended for	Number of Dialogues
Financial Results Briefing	Institutional investors, analysts and the media	2
Individual meetings (domestic)	Institutional investors and analysts	188
Individual meetings (overseas)	Institutional investors	39
Corporate briefings	Analysts, investment advisors for individuals	1

■ Main Topics of Dialogue

Management strategy and growth potential	<ul style="list-style-type: none"> • Business Performance during the Term • Concept of the Three-year Business Plan • IP Utilization and Development Status • Plans for Opening New Business Locations and Offices • Recruitment Strategy and Concept of Human Resource Recruitment and Training
Financial Strategy	<ul style="list-style-type: none"> • Shareholder Return Policy • Revision of Dividend Policy
Each Business	<ul style="list-style-type: none"> • Order Status by Client Segment • Status of Implementation of Measures to Improve Superiority • Changes in the Competitive Environment and Countermeasures
Governance and Others	<ul style="list-style-type: none"> • Check the Implementation of Succession Plan • Status of Sustainability Activities

■ Items Incorporated into Management (items in progress)

- Diversification of Disclosure Information
- Specific Disclosure of Sustainability Activities

Further information can be found in “III. Implementation of Measures for Shareholders and Other Stakeholders, 2. Status of IR-related Activities.”

[Initiatives to achieve management that prioritizes capital cost awareness and stock performance]
Please refer to the “Integrated Report” and “Frequently Asked Questions” sections of our website, for information on Initiatives to achieve management that prioritizes capital cost awareness and

stock performance.

- Insource Group Integrated Report 2023 (https://www.insource.co.jp/resource/pdf/ir/integratedreport2023_eng.pdf)
- Frequently Asked Questions (https://www.insource.co.jp/ir/ir_faq/question_ir-faq-53a.html)

2. Capital Structure

Foreign shareholding ratio	10% to less than 20%
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[Major Shareholders]

Name or Company Name	Number of Shares Owned	Percentage (%)
Leplus Co., Ltd.	25,359,500	30.22
The Custody Bank of Japan, Ltd. (Trust Account)	11,102,000	13.23
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,126,300	10.88
Takayuki Funahashi	5,370,920	6.40
Kumiko Kawabata	3,004,000	3.58
Break Co., Ltd.	1,600,000	1.91
GOVERNMENT OF NORWAY	1,093,102	1.30
JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO	846,159	1.01
BBH FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES FUND	706,900	0.84
The Custody Bank of Japan, Ltd. (Trust Account B)	696,800	0.83

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	None
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Name of Parent Company, if applicable	None
Parent Company's Stock Exchange	-

Supplementary Explanation

- In the amendment report to the large shareholding report made available for public inspection on February 28, 2023, it is stated that Coupland Cardiff Asset Management LLP owns the following shares as of February 20, 2023 as of February 20, 2023, but as the Company has not been able to confirm the actual number of shares held as of September 30, 2024, it is not included in the above list of major shareholders.
Coupland Cardiff Asset Management LLP (4,167,600 shares, 4.89%)

2. In the amendment report to the large shareholding report made available for public inspection on March 17, 2023, BNY Mellon Investment Management Japan Ltd. is stated to hold the following shares as of March 13, 2023, but the Company has not been able to confirm the actual number of shares held as of September 30, 2024, so it is not included in the above list of major shareholders.

BNY Mellon Investment Management Japan Ltd. (3,677,800 shares, 4.31%)

3. In the amended report of the large shareholding report made available for public inspection on March 7, 2024, it is stated that Asset Management One Co., Ltd. owns the following shares as of February 29, 2024, but the Company has not been able to confirm the actual number of shares owned as of September 30, 2024, so it is not included in the above list of major shareholders.

Asset Management One Co., Ltd. (5,331,800 shares, 6.25%)

4. In the amendment report to the large shareholding report made available for public inspection on May 2, 2024, it is stated that Newton Investment Management Japan Ltd. owns the following shares as of April 29, 2024, but as the Company has not been able to confirm the actual number of shares held as of September 30, 2024, it is not included in the above list of major shareholders.

Newton Investment Management Japan Ltd. (6,799,700 shares, 7.98%)

5. In the amendment report to the large shareholding report made available for public inspection on August 7, 2024, Nomura Securities Co., Ltd. and its joint holders, NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. are stated to own the following shares as of July 31, 2024, but the Company has not been able to confirm the actual number of shares owned as of September 30, 2024, so they are not included in the above list of major shareholders.

Nomura Securities Co., Ltd. (295,604 shares, 0.35%), NOMURA INTERNATIONAL PLC (361,194 shares, 0.42%), and Nomura Asset Management Co., Ltd. (3,787,700 shares, 4.44%)

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market (Tokyo)
Fiscal Year-End	September
Business Sector	Service industry
Number of Employees (consolidated) s of the End of the Previous Fiscal Year	500 to less than 1000
Net Sales (Consolidated) for the Previous Fiscal Year	Less than 10 billion yen and less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10 companies

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

The Company does not have a controlling shareholder. Our basic policy is to conduct transactions between us and the controlling shareholder on the same fair and appropriate terms as transactions with a general third party when we have a controlling shareholder. We will comply with laws and regulations and respond appropriately so as not to be detrimental to us and minority shareholders. In addition, in the event of a transaction with a controlling shareholder, the Company shall conduct the transaction following a resolution of the Board of Directors in accordance with laws and regulations, and audit whether the transaction is conducted in an appropriate manner through audits by the corporate auditors, etc.

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

Not applicable.

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 Audit and Supervisory Board
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[Directors]

Number of Directors Stipulated in Articles of Incorporation	10
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Representative Director, President and Chief Executive Officer
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors/Auditors	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k		
Hidenori Fujioka	From other company													
Yoshiko Niwamoto	Academic													
Kohei Habara	From other company													

*1 Categories for "Relationship with the Company"

- a. Person who executes business for the Company or its subsidiary
- b. Person who executes business for or a non-executive director of the Company's parent company
- c. Person who executes business for a fellow subsidiary
- d. A Person/entity for which the Company is a major client or a person who executes business for said person/entity
- e. Major client of the Company or a person who executes business for 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 a director/Audit and Supervisory Board Member
- 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

Relationship with Companies (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hidenori Fujioka	○	—	<p>He has abundant experience as a Director of several companies, including a major printing equipment manufacturing and sales company, and we believe that he will be able to provide valuable advice on our management strategy, as well as supervise our management from an independent standpoint as an Outside Director, making use of his career.</p> <p>In addition, the Company did not violate the standards for independence stipulated by the Tokyo Stock Exchange, and there was no special interest between the Company and him, and it is judged that there is no risk of conflict of interest with general shareholders. Accordingly, the Company has designated him as an independent Director.</p>
Yoshiko Niwamoto	○	—	<p>She is an Associate Professor at The Graduate School of Business Administration of Kobe University and has extensive knowledge as a researcher in areas such as human resource management and human resources and labor management. From a specialist perspective, the Company has determined that she will be able to supervise and advise the execution of Director's duties.</p>

			<p>In addition, the Company did not violate the standards for independence stipulated by the Tokyo Stock Exchange, and there was no special interest between the Company and her, and it is judged that there is no risk of conflict of interest with general shareholders. Accordingly, the Company has designated her as an independent Director.</p>
Kohei Habara	○	—	<p>He is a new entrepreneur who has succeeded in numerous M&A deals. He has abundant knowledge and experience as a certified public accountant, and hopes that he will utilize his wealth of business experience and outstanding insight to provide advice that will contribute to the expansion of our business, and that he will be involved in, and supervise, the selection of candidates for our Executives and the determination of Executive remuneration, etc. from an objective and neutral standpoint.</p> <p>In addition, the Company did not violate the standards for independence stipulated by the Tokyo Stock Exchange, and there was no special interest between the Company and him, and it is judged that there is no risk of conflict of interest with general shareholders. Accordingly, the Company has designated him as an independent Director.</p>

[Voluntarily Established Committee]

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Nomination and Remuneration Committee
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[Auditors]

Establishment of an Auditor System	Established
Number of Auditors in the Articles of Incorporation	5
Number of Auditors	4

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

Our Auditors, accounting Auditors, and internal Auditors exchange opinions and information as needed to strengthen cooperation in order to enhance the effectiveness and efficiency of our auditing functions.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	3
Number of Outside Audit and Supervisory Board Members	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kazuo Iizuka	Attorney at law													
Kunihiro Nakahara	Certified Public Accountant													
Masayuki Murata	From other company													

*1 Relationship with the Company

- a. Person who executes business for the company or its subsidiary
- b. A non-executive director or an accounting advisor of the company or its subsidiaries
- c. Person who executes business for or a non-executive director of the company's parent company
- d. A company auditor of a parent company of the company
- e. Person who executes business for a fellow subsidiary
- f. Person/entity for which the company is a major client or a person who executes business for said person/entity
- g. Major client of the company or a person who executes business for said client
- h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the company in addition to remuneration as a director/company auditor
- i. Major shareholder of the company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- j. Person who executes business for a client of the company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- k. Person who executes business for another company that holds cross-directorships/cross-auditorships with the company (applies to the auditor him/herself only)
- l. Person who executes business for an entity receiving donations from the company (applies to the auditor him/herself only)
- m. Other

Relationship with Companies (2)

Name	Independent Officers	Supplementary Explanation Concerning Relationship with the Company	Reason for appointment
Kazuo Iizuka	○	-	<p>Since he has expert knowledge and practical experience as an attorney at law, we have determined that he can fulfill his role in ensuring the appropriateness and adequacy of the Company's management.</p> <p>In addition, the Company did not violate the standards for independence stipulated by the Tokyo Stock Exchange, and there was no special interest between the Company and him, and it is judged that there is no risk of conflict of interest with general shareholders. Accordingly, the Company has designated him as an independent Director.</p>
Kunihiro Nakahara	○	-	<p>As a certified public accountant and a system audit engineer, he has specialized knowledge and practical experience, and we have judged that he will appropriately perform his duties as an Outside corporate Auditor.</p> <p>In addition, the Company did not violate the standards for independence stipulated by the Tokyo Stock Exchange, and there was no special interest between the Company and him, and it is judged that there is no risk of conflict of interest with general shareholders. Accordingly, the Company has designated him as an independent Director.</p>

Masayuki Murata	○	-	<p>Based on his work experience at the Osaka Securities Exchange and the Tokyo Stock Exchange, he was familiar with the governance and business management systems required by the capital markets. We have judged that he would be able to audit the status of our management execution from an independent standpoint.</p> <p>In addition, the Company did not violate the standards for independence stipulated by the Tokyo Stock Exchange, and there was no special interest between the Company and him, and it is judged that there is no risk of conflict of interest with general shareholders. Accordingly, the Company has designated him as an independent Director.</p>
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[Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members]

Number of Independent Directors and Independent Audit and Supervisory Board Members	6
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Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

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[Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	<p>Introduction of stock option plan</p> <p>Introduction of performance-linked remuneration system</p> <p>Introduction of restricted stock system</p>
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Supplementary Explanation for Applicable Items

In order to further increase corporate value, the Company has introduced a stock option plan, a performance-linked compensation plan and a restricted stock plan for the purpose of promoting management that is conscious of enhancing medium-to long-term shareholder value, and to increase motivation and morale for improving business performance. Performance-based compensation plans and restricted stock plans are described in this report [Director Remuneration].

Persons Eligible for Stock Options	Inside Directors and Employees, Subsidiaries' Directors, Subsidiaries' Employees
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Supplementary Explanation for Applicable Items

In addition to raising the motivation and morale of the Insource Group to improve business performance, the purpose of this plan is to raise awareness of participation in management with an eye to improving shareholder value, and therefore, not only Internal Directors and employees, but also the Directors and employees of our subsidiaries are eligible for the plan.

[Director Remuneration]

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors
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Supplementary Explanation for Applicable Items

In FY23, the total remuneration of our 8 Directors was 122,988 thousand yen.
Individual remuneration is not disclosed because there is no person whose total remuneration is 100 million yen or more.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the Board of Directors meeting held on January 12, 2022, we resolved the Policy for Determining the Individual Remuneration of Directors.

1. Basic Policy

Our basic policy on Directors' remuneration is to maintain a remuneration system linked to corporate performance so that it functions sufficiently as an incentive to achieve sustained increases in corporate value, and to establish an appropriate level based on individual responsibilities when determining individual Director's remuneration. Specifically, the remuneration for Directors (excluding Outside Directors) consists of a basic fixed salary and a bonus linked to business performance, while Outside Directors, who are responsible for the supervisory function, are paid only a basic fixed salary in consideration of their duties.

2. Policy for determining the amount of remuneration, etc. for individual basic remuneration

The basic remuneration of our Directors is fixed monthly and is determined by comprehensively considering the position, responsibilities, and the Company's performance.

3. Policy on determining the content and amount or number of performance-linked remuneration, etc. and the calculation method

The performance-linked remuneration of our Directors shall be cash remuneration (bonus) reflecting performance indicators (KPI) in order to raise awareness of the improvement of business performance for each fiscal year, and the amount calculated according to the degree of achievement of the targets of consolidated net sales and consolidated operating profit for each fiscal year shall be paid at a certain time every year. The performance indicators and their values will be set at the time of planning to be consistent with the Three-year Business Plan, and will be reviewed as necessary in response to changes in the environment.

4. Policies for determining the nature and amount of non-monetary remuneration and the method for calculating such amount or number

Non-monetary remuneration of our Directors (excluding Directors and Outside Directors living abroad) will be granted restricted shares with the aim of sharing greater value with stockholders and effectively providing incentives to improve medium-to long-term performance. The amount to be paid shall be determined in accordance with the standards established for each position within the scope of the total monetary remuneration receivable to be paid as restricted stock awards approved at the General Meeting of Shareholders.

5. Policy on determining the amount of base remuneration or the amount of performance-linked remuneration, etc. for individual remuneration of Directors

The proportion of remuneration by type for Directors (excluding Outside Directors) will be structured so that the weight of performance-linked remuneration increases with higher-ranking positions. Representative Director entrusted by the Board of Directors shall determine the content of Director's individual remuneration within the scope of the percentage of remuneration by type.

The ratio of remuneration is as follows (if KPI is 100%)

Position	Basic remuneration	Performance-linked remuneration (directors' bonuses)	Stock-based remuneration
Representative Director	30%	50%	20%
Director (excluding Outside Directors)	60-70%	20-30%	10%
Outside Directors	100%	-	-
Reference > Executive Officers/ Representative Directors of Subsidiary	60-80%	15-35%	5%

6. Matters concerning decisions on the details of remuneration for individual Director

- a. With regard to individual remuneration, the Representative Director shall be delegated the authority to determine the specific details based on a resolution of the Board of Directors, and the content of this authority shall be the amount of each Director's basic remuneration, the amount of performance-linked remuneration, and the amount of non-monetary remuneration. The Board of Directors shall consult with the Nomination and Compensation Committee to ensure that the Representative Director exercises such authority appropriately, and the Representative Director who has been delegated the authority above shall make the above decision in accordance with the content of the report and in line with the standard composition ratio of remuneration.
- b. The Representative Director delegated by the Board of Directors shall be determined in accordance with the policy from (a) to (e) above. The reason for delegating this responsibility to the Representative Director is that we judged that the Representative Director would be best suited to evaluate the responsibilities of each Director while considering the overall performance of the Company.

The maximum amount of remuneration for Directors was resolved at the 19th Ordinary General Meeting of Shareholders held on December 17, 2021, to be within ¥200 million per year (including ¥20 million for Outside Directors). At the same general meeting of shareholders, a resolution was passed to introduce a restricted stock remuneration plan for the Company's Directors (excluding Outside Directors) with the aim of providing an incentive to continuously improve the Company's corporate value and further promote the sharing of value between Directors and shareholders. The resolution also set the total amount of monetary remuneration claims to be paid as remuneration under the plan at 40 million yen per year within the above-mentioned limit.

[Support System for Outside Directors (and/or Outside Auditors)]

CEO Office, Group Human Resources Department, Group Corporate Planning Department, and Internal Audit Office are responsible for communicating with Outside Directors and Outside Auditors as appropriate and sharing internal data. When attending important meetings such as the Board of Directors meetings, the Group Corporate Planning Department assists in distributing the agenda and materials for the meeting and providing explanations in advance.

2. Matters concerning functions of business execution, auditing and supervision, nomination and remuneration decisions (overview of current corporate governance system)

(1) Business execution

Our Director Council is composed of 8 Directors (including 3 Outside Directors) as of the date of this report. In addition to the regular monthly Director meetings, extraordinary Director meetings are held as needed. The Board of Directors, as the managerial decision-making body, resolves important matters in accordance with the regulations of the Board of Directors and the Operational Authority Regulations, and Outside Directors advise and supervise the Board of Directors from an external third-party perspective.

We have introduced the Executive Officer System to strengthen business execution functions and improve management efficiency. Executive Officers were elected by the Board of Directors, and as of the date of this report, there are 15 members, 4 of whom concurrently serve as Directors.

(2) Auditing and supervision

Outside Directors advise and supervise the Board of Directors from an external third-party perspective.

The Board of Auditors consists of 1 Full-time Auditor and 3 part-time Auditors, 3 of whom are

Outside Auditors. The Board of Auditors holds regular monthly meetings of the Board of Auditors and extraordinary meetings as necessary to review the status of audits, audit results and other matters, and to share information with the Board of Auditors members. The Board of Auditors exercises legal authority by attending the General Meeting of Shareholders and the Board of Directors Meeting, receiving reports from Directors, Executive Officers, the independent Auditors, and the Internal Audit Office. In addition, the Board of Auditors engages in effective monitoring. The Board of Auditors attends major meetings and conducts visits to business locations and other sites. The Board of Auditors members regularly conduct audits in accordance with the auditing policies and audit plans for the current fiscal year established by the Board of Auditors. The Board of Auditors members also attend the Board of Directors and the Management Policy Committee, hear the status of the execution of their duties from Chiefs and other officers in each Department, and audit the execution of duties. In addition, the Company monitors the independence of the accounting auditor and work with them through explanations of the audit plan and reports on the audit results.

In order to promote risk management and compliance, we have established the Risk and Compliance Committee, which is chaired by the Representative Director, President and Chief Executive Officer, and is composed of Directors, Auditors and persons appointed by the Chair. The Committee meets at least once a quarter to review the risks we and our group face and determine the direction of responses, monitor the status of responses, and strive to develop, maintain and improve our risk management system.

We have established the Sustainability Committee as a cross-organizational business execution body with the aim of promoting sustainability, contributing to society and the global environment, and enhancing corporate value over the medium to long term. This Committee is chaired by the Director and Managing Executive Officer. This Committee meets once a quarter to select themes and set targets for sustainability-related activities, check the progress of the Task Force, which is a cross-departmental team subordinated to the Committee, and promote the disclosure of information on sustainability. These activities are reported to the Board of Directors on a regular basis, and the effectiveness and efficiency of sustainability measures are ensured by requesting the attendance of the person in charge of the business department and Outside Directors as necessary.

The Company has established a voluntary Nomination and Remuneration Committee to ensure objectivity and fairness in the process of determining Director nominations and remuneration, and to strengthen the supervisory function of the Board of Directors. The Nomination and Remuneration Committee is composed of at least 3 Director members selected by a resolution of the Board of Directors, of which the majority are independent Outside Directors. The Chair is selected from the Committee members who are independent Outside Directors. In response to the Board of Directors' inquiries, the Committee deliberates on matters related to the selection and

dismissal of Directors and remuneration for Directors of the Company and Group companies, succession plans, and reports its findings to the Board of Directors.

In order to promote health management and maintain and improve the physical and mental health of our employees, we have established the Health Management Promotion Committee as an organization that carries out cross-departmental operations. This Committee is chaired by the Director and Managing Executive Officer. This Committee meets once a quarter to promote the disclosure of information on health and productivity management, including the selection of themes and targets for health and productivity management, plans for individual activities, and project progress checks. These activities are reported regularly at Board of Directors meetings, and the effectiveness and efficacy of health management measures are ensured by requesting the attendance of project members and Outside directors as necessary.

Our internal audit is conducted by the Internal Audit Office (1 person) under the jurisdiction of the Representative Director, President and Chief Executive Officer, who prepares an audit plan every fiscal year and conducts operational audits in accordance with the audit plan. The results of internal audits are promptly reported to the Representative Director, and to the Board of Auditors after the audit is conducted. The personnel in charge of the Internal Audit Office participate in the Board of Directors meetings and Board of Auditors meetings, which are held at least once a month, and have a system in place for making direct reports. The Board of Audit members also exchange opinions and respond as necessary. In addition, the Internal Audit Office and the Board of Audit members regularly exchange opinions with auditing firms, and seek reports and respond to matters detected in the course of accounting audits in order to ensure the effectiveness of audits.

We have an audit contract with Ernst & Young ShinNihon LLC for our accounting audits.

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Outside Directors and Auditors have concluded an agreement with us to limit our liability for damages as set forth in Article 423, Paragraph 1 of the same Act. The maximum amount of liability for damages under these contracts is determined by laws and regulations for both Outside Directors and Auditors. The applicable limitation of liability shall be granted only when the performance of duties caused by the applicable Outside Directors or Auditors is in good faith and is not grossly negligent.

3. Reasons for Adoption of Current Corporate Governance System

The Board of Directors and the Board of Auditors work closely together to strengthen management oversight while effectively utilizing the functions of Auditors. In this way, we believe that we can maintain a highly transparent governance system, and we have adopted the current system.

The Board of Directors meets on a monthly basis and on an as-needed basis to respond swiftly to changes in the business climate. In addition to the regular Board of Auditors meetings held once a month, extraordinary Board of Auditors meetings are held as necessary to review the status of audits, audit results, and to share information among the Auditors. A management meeting consisting of full-time Directors, full-time Auditors, Executive Officers and senior employees is held once a month to discuss important management matters.

In addition, the Company has established a voluntary Nomination and Remuneration Committee to ensure transparency and objectivity in Director nomination and remuneration decision-making process and to strengthen the supervisory function of the Board of Directors. The said Committee is composed of a majority of Outside Directors. The Board of Directors obtains appropriate advice and involvement from the said Committee when considering important matters related to the nomination and remuneration of Directors.

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	With regard to the early posting of Notice of the General Meeting of Shareholders, we will endeavor to work to speed up our closing process and send convocation notices as early as possible. The contents of the notice of the General Meeting of Shareholders are posted on our website before the notice is sent out. (https://www.insource.co.jp/resource/pdf/ir/Notice%20of%20Convocation%20Annual%20General%20Meeting%202024.pdf)
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The company's fiscal year ends in September, so we avoid the day when most companies hold their General Meetings of Shareholders.
Electronic Exercise of Voting Rights	Voting via the Internet is possible.
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 participates in the voting platform operated by ICJ, Inc.
Provision of the convocation notice (summary) in English	We provide English translations of parts of the convocation notice on our website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a Representative Director
Formulation and Publication of Disclosure Policies	Posted on our website (https://www.insource.co.jp/en/ir/ir_disclosure_policy.html)	
Regular Investor Briefings held for Individual Investors	We are considering holding company information sessions and financial results briefings.	
Regular Investor Briefings held for Analysts and Institutional Investors	<p>We hold a financial results briefing for institutional investors and the press, and the Representative Director explains our business performance and management strategies in his own words. In FY23, the meetings were held on May 10, 2024 and November 11, 2024.</p> <p>We also hold individual meetings with domestic and overseas institutional investors on an ongoing basis through face-to-face and ZOOM, and other means to explain our performance and business direction (Number of companies that held individual meetings: 157 companies, Number of meetings: 227 times). In addition, we are responding to interviews and questions by telephone.</p>	Yes
IR materials posted on the Company's website	We have an IR information section on our website, where we post various financial and IR materials, including financial results (financial reports and quarterly financial reports), other timely disclosure materials, securities reports, and quarterly reports. (https://www.insource.co.jp/en/ir/index.html) .	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Department in charge of IR and the person in charge of IR administrative liaison are the CEO Office (In charge: Inoue, Shimoji, Nakamura), and the Director in charge of IR is the person in charge of information handling (Director, Executive Officer, CFO: Fujimoto).	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Internal Rules and Regulations that stipulate respect for the position of stakeholders	<p>We recognize that building good relationships with our stakeholders, including our shareholders, is essential for the survival of our company. We have published on our website (https://www.insource.co.jp/en/ir/ir_sustainable_diversity.html) that each and every one of our Executives and employees will act with consideration for respecting the position of all stakeholders.</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>With regard to environmental conservation activities, we have established the Sustainability Committee and the CO₂ Reduction Committee as its subordinate body, and both are chaired by the Director and Managing Executive Officer, and the entire company is working together to save electricity and use LED lighting while carrying out activities with the minimum amount of energy. In addition, in order to promote paperless operations from the perspective of reducing CO₂ emissions, we launched an “electronic textbook service” in April 2022. Details are available on our website on “Environment”.</p> <p>(https://www.insource.co.jp/en/ir/ir_sustainable_environment.html)</p> <p>We actively develop diversity-related training programs to support the creation of a society where human resources with various values and circumstances, such as women, seniors, persons with disabilities, and foreigners, can play an active role. As part of this initiative, we are supporting organizations that support people with disabilities, such as by sponsoring the Japan Blind Football Association and launching the online store “mon champ” in October 2021 to sell products made by welfare organizations that employ people with disabilities. The profits generated by “mon champ” are returned to the welfare organizations that manufacture the products.</p> <p>In March 2021, we took the opportunity of relocating our Tokyo Headquarters to Arakawa Ward to conclude a comprehensive partnership agreement with Arakawa Ward to provide sustained support for local issues, supporting the independence of single-parent households and the advancement of women in society. Furthermore, we have launched the “Efforts to Eliminate Period Poverty Project”, and are using our relationships with our business partners, which include over 37,000 private companies and over 1,200 local government partners (cities, towns and villages), to recruit corporate sponsors who agree to donate sanitary products, and we are providing sanitary products to local governments and social welfare councils nationwide. For more information, please refer to “CSR</p>

	<p>Initiatives” on our website. (https://www.insource.co.jp/en/ir/ir_sustainable_diversity.html)</p>
<p>Formulation of Policies, etc. on Provision of Information to Stakeholders</p>	<p>We recognize the importance of providing our corporate information to our stakeholders in a timely and appropriate manner. Our basic policy is to provide information in a timely and appropriate manner through our website and corporate briefings scheduled for timely meetings. For the provision of information, we use various media, including our website, to actively disclose non-financial information on a monthly basis, and to make appropriate revisions to our financial forecasts, report on management activities, and explain our policies so that our stakeholders can make the right decisions about the Company in an ever-changing environment.</p>
<p>Other</p>	<p>Our management philosophy is “to create a society where all people can enjoy working and feel fulfilled”, and one of our management policies is to realize diversity with the aim of creating a society where anyone can play an active role. We are implementing work style reforms while promoting the active participation of women, seniors, and people with disabilities by continuing to recruit diversity and diversifying working styles. In addition, in May 2023, we obtained “Kurumin” certification as a company that is actively working to support employees who are balancing work and childcare, with the aim of becoming a company where employees can work comfortably and for a long time.</p> <p>The ratio of female employees is 57.0% (+0.4pt YoY) and the ratio of female managers is 40.3% (+2.9pt YoY), showing that many women are taking the leading role in the workplace.</p> <p>(For reference: Percentage of women in managerial positions in 2022: 12.9%/ Source: The White Paper on Gender Equality 2023 (Summary))</p> <p>We will continue to develop and promote motivated women.</p> <p>[Our Diversity Status (as of the end of September 2023, consolidated)]</p> <ul style="list-style-type: none"> • Ratio of female employees: 57.0%*1 • Female Directors: 4 (3 out of 8 Directors, 1 out of 4 Auditors) • Female Manager Ratio : 40.3% • From foreign countries: 9 • Senior (over 60 years old): 55 • LGBT: 5 • People with disabilities: 12 (percentage of employees with disabilities: 3.08%)*2

※1 Employees do not include Director, Auditors, or Executive Officers
※2 Non-consolidated

IV. Matters Concerning the Internal Control System

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

1. System to ensure that the execution of duties by Director and employees complies with laws and regulations and the articles of incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act, Article 100, Paragraph 1, Item 4 of the Enforcement Regulations of the Companies Act)
 - (1) The Compliance Policy shall be established and posted both inside and Outside the Company as a code of conduct for Directors, Executive Officers, and employees to comply with laws, regulations, and the Articles of Incorporation.
 - (2) In order to establish, maintain and improve the system for compliance with laws and regulations, the Articles of Incorporation, and other rules, we will establish rules regarding compliance and establish the Risk and Compliance Committee.
 - (3) In addition to providing compliance training to Directors, Executive Officers, and employees, the Company shall disseminate the laws and regulations to be complied with and the Articles of Incorporation, and other rules, through various meetings, the company intranet, e-mails, and other means to alert employees.
 - (4) The internal audit department shall audit the status of compliance with laws and regulations and the Articles of Incorporation, and report the findings to the Representative Director, President and Chief Executive Officer.
 - (5) An internal reporting system with an external expert as the contact point will be established so that employees can report any violations of laws, regulations, the Articles of Incorporation, or other such rules that they discover.
 - (6) Policies and regulations regarding the handling of anti-social forces will be established, and close cooperation will be maintained with external specialist organizations such as the police and lawyers, in order to ensure and improve the organizational structure and other systems for eliminating all relationships with anti-social forces.
 - (7) In order to ensure the reliability of financial reporting, the Company shall develop and operate a system for evaluating and reporting the effectiveness of internal control over financial reporting in accordance with generally accepted evaluation standards for internal control over financial reporting.

2. System for storing and managing information relating to the execution of duties by Directors (Article 100, Paragraph 1, Item 1 of the Enforcement Regulations of the Companies Act)
 - (1) Information related to the execution of duties by Directors shall be properly created, stored, and disposed of in accordance with the Document Management Regulations, Information Security Management Regulations, and other relevant regulations.
 - (2) The period and location of storage of information and documents and responsible Departments shall be governed by the provisions of the Internal Rules.
 - (3) Directors and Auditors shall have full access to such information and documents.
3. Regulations and other systems concerning the management of risk of loss (Article 100, Paragraph 1, Item 2 of the Enforcement Regulations of the Companies Act)
 - (1) In order to establish, maintain and improve a risk management system, regulations concerning risk management shall be established and the Risk Compliance Committee shall be established.
 - (2) The Risk and Compliance Committee regularly identifies and evaluates potential risks, determines the Departments responsible for implementing countermeasures for each risk, and comprehensively and systematically manages risks across the entire company.
 - (3) In the event of an emergency, we will consider and decide on countermeasures in accordance with risk management regulations, and take prompt and appropriate action.
 - (4) The internal audit department shall audit the risk management system and report the findings to the Representative Director, President and Chief Executive Officer.
4. System to ensure the efficient execution of duties by Director (Article 100, Paragraph 1, Item 3 of the Enforcement Regulations of the Companies Act)
 - (1) In order to strengthen operational execution functions and improve management efficiency, we will introduce an executive officer system.
 - (2) The Board of Directors meets once a month, as a rule, and extraordinary meetings are held as needed. In addition to matters stipulated by law, the Board of Directors determines important matters, and in accordance with this, Executive Officers and the Board of Directors execute their duties appropriately and efficiently, and the Board of Directors will supervise them.
 - (3) In order to ensure that management decisions are made efficiently at Board of Directors meetings, the Company holds regular meetings of the Management Policy

Committee, which deliberates on matters to be submitted to the Board of Directors, and the Risk and Compliance Committee, which deliberates and reports on matters related to risk and compliance.

- (4) The Board of Directors shall establish rules for the Board of Directors, organizational rules, rules for the division of duties, rules for the delegation of authority, or other rules, and clarify the authority and responsibilities of Directors, Executive Officers, and employees.
 - (5) The Company will continue to promote systemization of operations and paperless operations in information management and communication in order to carry out our duties appropriately and efficiently.
5. System to ensure the appropriateness of business operations in the corporate group (Article 100, Article 1, Item 5 of the Enforcement Regulations of the Companies Act)
 - (1) The administrative department of the subsidiary is the Group Corporate Management Department, and for certain duties, approval from or reporting to the Company is required based on the Affiliate Company Management Regulations, to ensure the appropriateness of the Company's Group's operations. The Company's Auditors and the internal audit department conduct audits of the overall operations of the subsidiary and provide guidance for improvements as necessary.
 - (2) Subsidiaries regularly report to the Company on their performance and other matters, and Directors of subsidiaries attend our key meetings as required.
 - (3) We have the Risk Management and Compliance Committee function to comprehensively manage risks in the corporate group consisting of the Company and our subsidiaries.
 - (4) The subsidiary will establish a system for the efficient execution of duties by establishing organizational regulations, division of duties regulations, and job authority regulations equivalent to those of the Company under the guidance of the Group Management Planning Department.
 - (5) The Company will establish a common compliance policy for our group, post it both inside and outside the Company, and make it possible for our Executives and employees of the group to report to our internal reporting system, in which external experts are the contact point, and build a legal compliance system for our group as a whole.
6. Matters concerning employees in cases where Auditors request that employees be assigned to assist them in their duties (Article 100, paragraph (3), Item 1., Item 2., Item 3. of the

Ordinance for Enforcement of the Companies Act)

In the event that employees are required to assist the duties of the Auditors, the Representative Director, President and Chief Executive Officer shall appoint full-time employees who will be subject to the direction and supervision of the Auditors. The personnel evaluation, transfer, and disciplinary action of the appointed employees shall require the approval of the Auditors.

7. System related to reporting to Auditors (Article 100, Paragraph 3, Item 4 (a) and (b), Item 5 of the Enforcement Regulations of the Companies Act)
 - (1) In addition to the matters stipulated in laws and regulations, the Directors, Executive Officers and employees of the Company and its subsidiaries shall promptly report to the Auditors and the Board of Auditors on any matters that are requested to be reported by the Auditors.
 - (2) Auditors attend important meetings such as Board of Directors meetings, and also inspect important documents related to business execution such as approval documents, and when necessary, request explanations from Directors, Executive Officers and employees of the Company and its subsidiaries.
 - (3) The Company will not treat Directors, Executive Officers and employees of the Company and its subsidiaries unfavorably due to the fact that reports have been made to the Auditors.

8. Other systems to ensure effective auditing by Auditors (Article 100, Paragraph 3, Item 6, Item 7 of the Ordinance for Enforcement of the Companies Act)
 - (1) Auditors shall hold regular and extraordinary meetings of the Board of Auditors to exchange information and discuss matters.
 - (2) In addition to regularly exchanging information and opinions with the Representative Director, President and Chief Executive Officer, the Auditors also maintain close cooperation with the accounting Auditors and internal audit department to ensure the effectiveness of audits.
 - (3) Auditors shall comply with any request for payment of reasonable expenses for the execution of their duties.

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

1. Basic Views

We have established policies and regulations regarding our response to anti-social forces, and

we work closely with external specialist organizations such as the police and lawyers, and we are working to ensure and improve our organizational structure and other systems for dealing with anti-social forces in order to eliminate all relationships with them.

2. Development Status

(1) Development status of Internal Regulations

In order to eliminate anti-social forces, we have established the Anti-Social Force Elimination Rules and a response and investigation manual for anti-social forces.

(2) Response Supervising Department and Person in Charge of Preventing Unjust Requests

The Group Corporate Planning Department Manager has been appointed as the person in charge of overseeing anti-social forces, and the Group Corporate Planning Department has been designated as the department in charge of handling such forces. A system has been established to ensure that any improper demands made by anti-social forces are immediately reported to and discussed with the department in charge of handling such forces.

(3) How to Deal with the Elimination of Anti-social Forces

In principle, we use commercial databases to investigate whether or not new clients, business partners, and trainers have any connections with anti-social forces, and we also conclude contracts with partners that clearly state that they guarantee that they have no connections with anti-social forces and that they will terminate the contract if they do have any connections. For existing partners, we regularly use commercial databases to investigate whether or not they have any connections with anti-social forces. If it is discovered that an existing partner is an anti-social force, or if there is any suspicion that they are, we have a system in place to promptly terminate the business relationship.

(4) Cooperation with External Expert Organizations

We have established a system of cooperation with external organizations such as the police, Anti-Organized Crime Campaign Center of Tokyo, and corporate lawyers.

(5) Information Collection and Management for Anti-social Forces

Information on anti-social forces is collected and managed centrally by the Group Corporate Planning Department, which is the department in charge of coordinating responses.

(6) Implementation of Training Activities

We regularly conduct e-Learning-based training and reminders to all Executive Officers and employees on compliance in an effort to eliminate anti-social forces.

V. Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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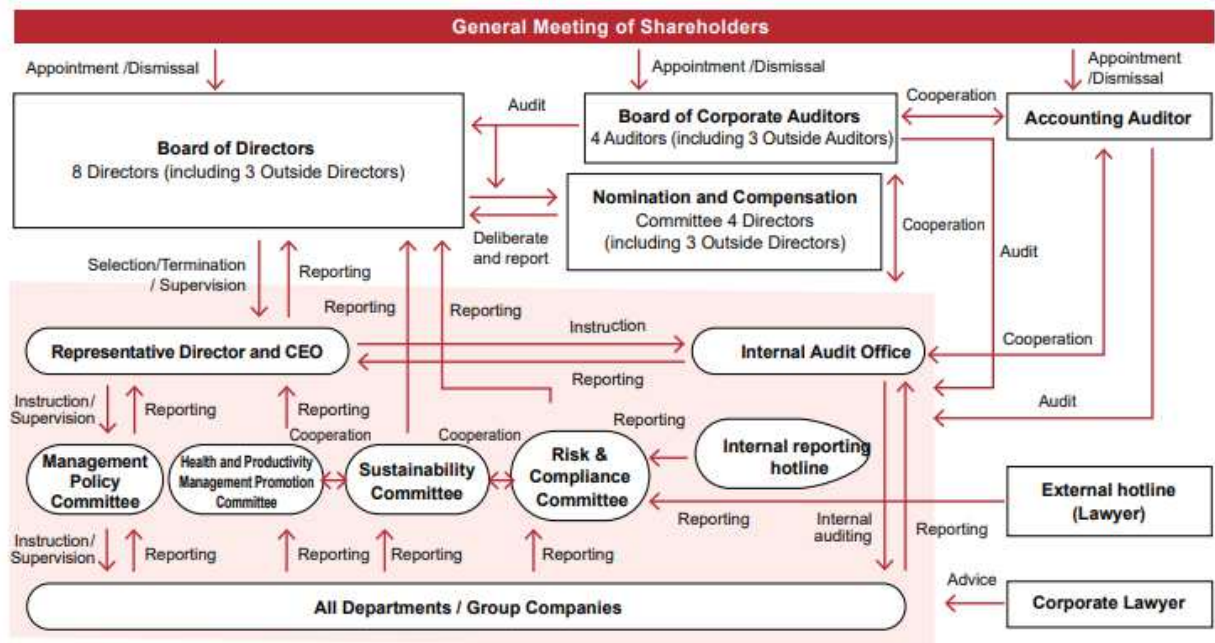
Supplementary Explanation

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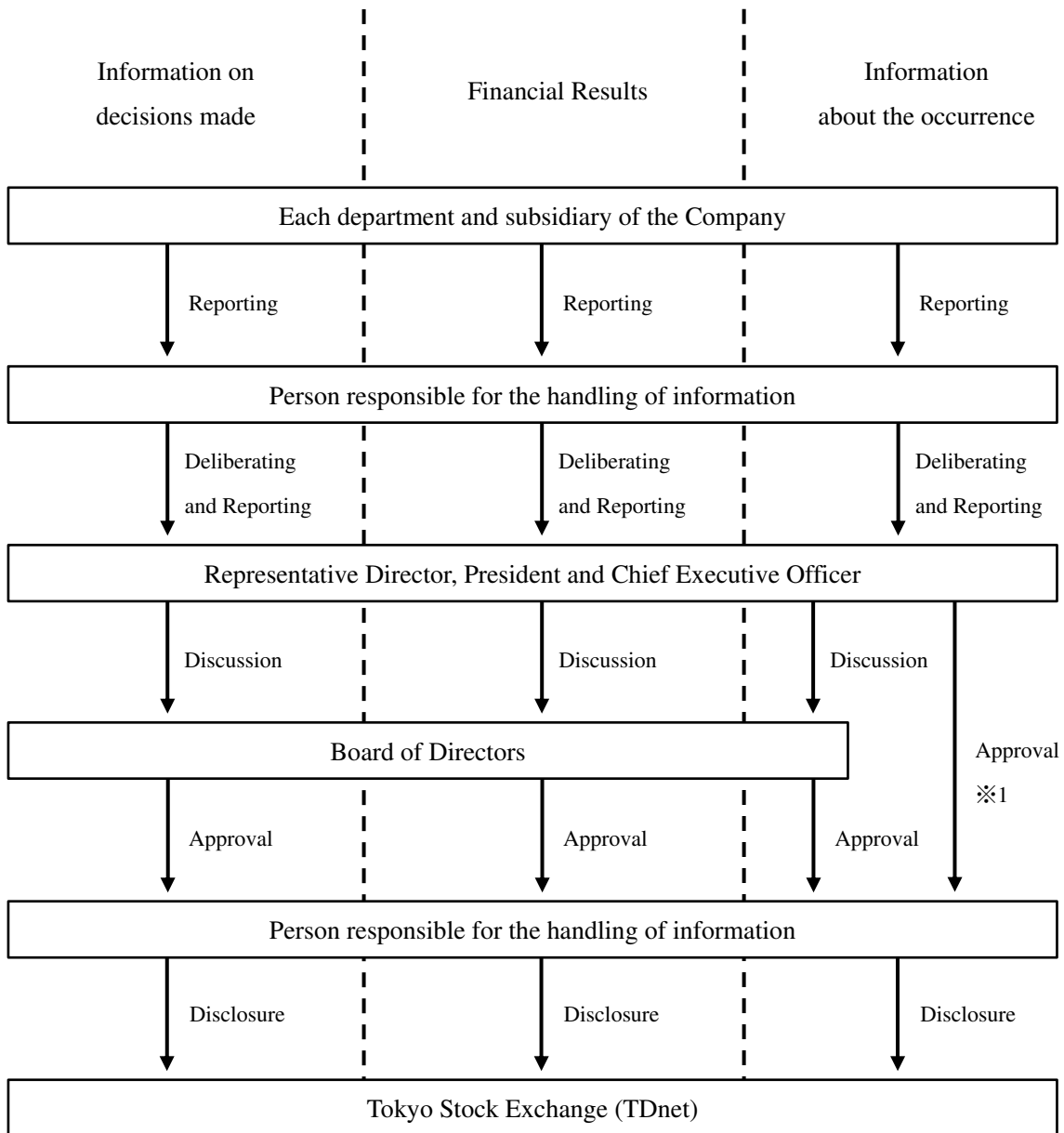
2. Other Matters Concerning the Corporate Governance System

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[Schematic Diagram (Reference)]



[Outline of the Timely Disclosure System (Diagram)]



After disclosure, the information will be promptly posted on the IR site of the Company's website.

※1 In the case of an urgent occurrence. In this case, the Board of Directors will be informed after the disclosure.

END