

Last Update: April 1, 2024

Systema Corporation

Miura Kenji, President & Representative Director

Contact: Corporate Administration 03-6367-3841

Securities Code: 2317

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

The corporate governance of Systema Corporation (the “Company”) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic policy

The Company intends to enhance corporate governance with the aim of responding to rapid changes in the business climate, to promote management emphasizing speed based on prompt decision-making to increase management efficiency, to work toward sustainable growth of the business, increasing shareholder value and continuous shareholder returns, to harmonize the interests of shareholders, customers, business partners, employees, local communities and other stakeholders (interested parties) and to maximize general benefits as a whole while endeavoring to secure soundness in management and full regulatory compliance.

To achieve this, the Company intends to take very seriously the advice and suggestions of the audit corporation, other external experts and stakeholders and will work to enhance the fairness and transparency of management, to build systems appropriate to the size of the Company using its inherent mobility, to further promote self-improvement as a listed company in full awareness of stakeholders, to enhance corporate governance and to disclose information in a timely and appropriate manner.

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

The reason is presented based on the Code which was revised in June 2021.

Supplementary Principle 2-4-1 Ensuring Diversity in the Promotion of Core human Resources, etc.

The Company promotes employees to management positions regardless of attributes such as gender, age, race, nationality or whether they were hired mid-career or as a new graduate. The Company’s policy is to treat employees according to their abilities and to assign the right people to the right positions.

https://www.systema.co.jp/sustainability/esg_society/esg_diversity.html

Supplementary Principle 3-1-3 Initiatives on Sustainability

The Company’s initiatives on sustainability are described on the webpage below. Here, the Company explains its disclosures based on the TCFD recommendations or an equivalent framework, which is mandatory only for companies listed on the Prime Market.

The Company engages in the business of providing IT service, and does not operate any business with high environmental impact, such as the manufacturing of goods. Accordingly, at present the climate change problem is not expected to affect the Company’s business significantly. However, the Company began to acquire ISO 14001 certification in 2004 and has since been striving to reduce resource consumption and waste emissions based on its understanding that the global environment is an asset held by all of mankind that is valuable and must be preserved for future generations. In addition, all IT-related climate change measures taken by companies are in the Company’s business domain. The increase of the Company’s revenue helps increase the efficiency of customers’ businesses and leads to their reduction of the resources they consume and the waste they emit, which contributes to the protection of the global environment. Therefore, the Company believes that its growth leads to the ability to control climate change. Based on the above ideas, the Company has yet to disclose information based on the TCFD recommendations or an equivalent framework at present. The Company will consider the matter where necessary in the future. The Company’s environmental initiatives are described on the webpage below.

The Company’s sustainability initiatives <https://www.systema.co.jp/sustainability/>

The Company’s environmental initiatives https://www.systema.co.jp/sustainability/esg_environment.html

Supplementary Principle 4-1-3 Succession Plan for the CEO and Other Top Executives

The Company has two Representative Directors: a Chairman & Representative Director, who is the founder, and a President & Representative Director, who is in their 50s. The Company is in the “owner-operating company” stage of development, in other words, the Chairman & Representative Director, who is the founder, is directly involved as Chief Executive Officer in steering management based on a management policy of selection and concentration, and since the succession plan for the CEO currently depends on the future business environment and management policy, the Company believes that giving the Chief Executive Officer sole prerogative is best for the Company’s development. Accordingly, the Board of Directors is not currently involved in the formulation or implementation of a specific succession plan. The Company will consider this matters as necessary in the future.

Supplementary Principle 4-3-3 Establishment of an objective, timely and transparent procedure for CEO dismissal

The Company adopts a structure whereby the Chairman & Representative Director, who is also the founder and the owner-operator, steers the general direction of management as Chief Executive Officer, while the President & Representative Director leads internal operations as Chief Operating Officer with an appropriate evaluation of business results and other factors. In addition, the Company structure is such that the Representative Directors are kept in check by seven Outside Officers (three Outside Directors and four Outside Audit & Supervisory Board Members) who each meet the requirements of independent officers, and the Company believes that if a situation which might involve the dismissal of a Representative Director arose, the Board of Directors would come to a decision through discussion based on recommendations of the Independent Officers and would be able to deal with the situation. Accordingly, the Company has not, at present, established an objective, timely and transparent procedure for CEO dismissal. The Company will consider the matters where necessary in the future.

Supplementary Principle 4-10-1 Establishment of independent advisory committees, such as non-mandatory Nomination Committee and Executive Compensation Committee

All seven Independent Officers -- the three Outside Directors plus four Outside Audit & Supervisory Board Members -- satisfy the requirements for independent officers determined by the Tokyo Stock Exchange and they each leverage their specialist knowledge and extensive experience to actively express opinions during deliberations of important matters at board meetings and the Company is afforded timely and appropriate advice and has, therefore, not currently established independent advisory committees. The Company will consider the matters where necessary in the future.

The reason is presented based on the Code revised in June 2021.

Principle 1.4: Cross-Shareholdings

The Company's policy is not to hold listed shares as cross-shareholdings and has no shares held as cross-shareholdings.

Principle 1.7: Related Party Transactions

The Company's policy is that competition and conflicting interest transactions by directors are matters to be discussed/reported at board meetings and the transactions are approved in advance by the board and the results of the transactions are reported.

Principle 2.6: Roles of Corporate Pension Funds as Asset Owners

The Company's financial position is not affected as its only corporate pension is a defined contribution pension plan.

Principle 3.1: Full Disclosure

(1) Management philosophy, management strategy, management plan

The Company formulates and discloses a management philosophy, a management strategy, and a medium-term management plan. Please refer to the Company's website for further details.

Management Philosophy and Standards of Conduct: <https://www.systema.co.jp/about/idea.html>

Management Targets and Management Basic Policy: https://www.systema.co.jp/ir/management/business_plan.html

Medium-Term Management Plan: https://www.systema.co.jp/ir/management/business_plan.html

(2) Basic views and guidelines on corporate governance are described in "I. 1 Basic Views" of this Report.

(3) Board policies and procedures in determining the remuneration of the senior management and directors are described in "II.1. Directors' Compensation System" of this Report.

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Director and Audit & Supervisory Board Member

On the appointment/nomination of candidates for Director, the President & Representative Director proposes candidates to the Board of Directors based on a comprehensive judgment of attributes such as past achievements, character, insight and ability, and the Board of Directors selects the right person for the job ensuring that the overall composition of the Board of Directors will enable accurate and speedy decision-making, appropriate risk management and supervision of business execution, in accordance with the rules of employment of Directors.

In the event of circumstances requiring the dismissal of a Director, Audit & Supervisory Board Member or Corporate Officer, the Representative Directors shall hold deliberations and the Board of Directors shall take the result of these deliberations into consideration and decide whether to propose dismissal in the case of a Director or Audit & Supervisory Board Member or whether to dismiss in the case of a Corporate Officer. The dismissal of a Director or Audit & Supervisory Board Member is carried out in accordance with the provisions of the Companies Act and other relevant legislation.

On the appointment/nomination of candidates for Audit & Supervisory Board Member, the President & Representative Director proposes candidates to the Board of Directors based on a comprehensive judgment of attributes such as past achievements, character, insight and ability, and the Board of Directors selects candidates, taking into consideration the balance between knowledge about finance, accounting or law and experience of management supervision. The consent of the Audit & Supervisory Board must be required with respect to candidates for Audit & Supervisory Board Member.

(5) Explanation of individual appointments/dismissals and nominations when the Board of Directors appoints and dismisses executive management and nominates candidates for Director or Audit and Supervisory Board Member in accordance with (4) above

The Company discloses reasons for the appointment/dismissal or nomination of candidates for Outside Director and candidates for Outside Audit & Supervisory Board Member and other details about Directors and Audit & Supervisory Board members such as a career summary, positions and duties in materials such as the notice of convocation of the ordinary general meeting of shareholders and the annual securities report. Please refer to the Company's website for further details. In the event of circumstances requiring the dismissal of a Corporate Officer, the Company describes the reason for dismissal mainly in timely disclosure materials.

https://www.systema.co.jp/ir/library/general_meeting.html

<https://www.systema.co.jp/ir/library/securities.html>

Principle 4-1 Roles and responsibilities of the Board of Directors (1)

Supplementary Principle 4-1-1 Scope of Management Responsibility

Matters to be judged and determined by the Board of Directors itself are set out in the Rules of the Board of Directors. The Company has a Management Meeting which acts as an advisory body to the Board of Directors and discusses matters of general importance for company management. The Company leaves other matters concerning the execution of specific business operations to the management team, including the President & Representative Director, to decide, in principle, and clarifies the scope of delegation according to the scale and nature of transactions and business operations in a management authority chart.

Principle 4.9 Independence Standards and Qualification for Independent Directors

The Company elects Outside Directors, who are Independent Officers, in accordance with the requirements for Outside Directors set out in the Companies Act and the Independence Standards determined by the Tokyo Stock Exchange.

Principle 4-11 Preconditions for Ensuring Effectiveness of the Board of Directors and the Board of Corporate Auditors

Supplementary Principle 4-11-1 View on the Appropriate Balance between Knowledge, Experience and Skills of the Board as a Whole, and also on Diversity and Appropriate Board Size, and Policies and Procedures for Nominating Directors

The Company ensures that the composition of the Board of Directors allows for appropriate and flexible decision-making and supervision of business execution, giving comprehensive consideration to expertise, experience and past achievements and managerial ability. The Company's Board of Directors is currently composed of individuals from inside and outside the company who possess diverse knowledge, experience and abilities, and in addition to six internal directors who are familiar with every area of the Company's business, the Company has three Independent Outside Directors, making a total of nine Directors as well as four Independent Outside Audit & Supervisory Board Members. The skills matrix showing each Director's knowledge, experience, capabilities, and other information is available at the following.

https://www.systema.co.jp/pdf/ir/skillmatrix_e.pdf

Supplementary Principle 4-11-2 Status of Concurrent Serving of Directors and Audit & Supervisory Board Members as Directors, Audit & Supervisory Board Members or the Management at Other Listed Companies

The Company discloses the status of concurrent serving of Directors and Audit & Supervisory Board Members as Officers, Audit & Supervisory Board Members or the management at other companies in its business reports and reference documents for shareholders meeting. Please refer to the Company's website for further details.

https://www.systema.co.jp/ir/library/general_meeting.html

Supplementary Principle 4-11-3 Analysis and Evaluation of Effectiveness of Board of Directors as a Whole, and Summary of the Results

The Company's Board of Directors is composed of 13 members who attend Board meetings, of whom seven are Outside Directors or Outside Audit & Supervisory Board Members who are Independent Officers in accordance with the provisions of the Tokyo Stock Exchange. To conduct an analysis/evaluation of the effectiveness of the Board of Directors, the Company uses a "Questionnaire Survey for Evaluation of the Board of Directors" and all Directors and Audit & Supervisory Board Members conduct self-evaluations of the composition and operations of the Board of Directors and the results of analysis of this survey are discussed at a meeting of Outside Officers consisting of the three Outside Directors and the four Outside Audit & Supervisory Board Members.

The results of analysis of self-evaluations based on the questionnaire survey and the results of discussion at the meeting of Outside Officers confirmed that the Company's Board of Directors leverages the knowledge, experience and insights of each officer to engage in discussions which contribute to the sustainable growth and enhancement of shareholder value from a medium-to-long term perspective and that sufficient discussions for the supervision of management are

held, and the Company, therefore, concluded from these findings that the effectiveness of the Board of Directors is ensured.

With reference to the self-evaluations of the Directors and Audit & Supervisory Board Members, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors as a whole every year, in principle, to maintain effectiveness and also pursues further improvement to ensure that effective discussions are held.

Principle 4-14 Training for Directors and Audit & Supervisory Board Members

Supplementary Principle 4-14-2 Training Policy for Directors and Audit & Supervisory Board Members

The Company provides training about the role and responsibilities (including legal responsibilities) officers are required to fulfil, as necessary, and also provides support to Outside Officers to increase their understanding of the Group.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

The Company establishes and discloses a disclosure policy to encourage constructive dialogue with shareholders. Please refer to the Company's website for further details.

<https://www.systema.co.jp/ir/management/disclosure.html>

Please refer to "2. Status of IR Activities" in "III Implementation Status of Measures for Shareholders and Other Stakeholders" in this Report for information about the development of a framework and initiatives for this.

2. Capital Structure Update

| | |
|---------------------------|---------------------------|
| Foreign Shareholder Ratio | From 10% to less than 20% |
|---------------------------|---------------------------|

[Status of Major Shareholders] Update

| Name / Company name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| SMS Holdings Corporation | 103,447,200 | 22.94 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 49,131,300 | 10.89 |
| Custody Bank of Japan, Ltd. (Trust account) | 17,040,100 | 3.77 |
| THE BANK OF NEW YORK MELLON 140044 | 11,514,665 | 2.55 |
| Systema Employee Ownership Association | 8,342,500 | 1.85 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 7,813,868 | 1.73 |
| BBH FOR FINANCIAL INV TRUST GRANDEUR PEAK INTERNATIONAL STALWARTS FD | 6,695,000 | 1.48 |
| NORTHERN TRUST CO. (AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND, L.P | 6,077,300 | 1.34 |
| THE BANK OF NEW YORK MELLON 140042 | 4,728,520 | 1.04 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 4,493,261 | 0.99 |

| | |
|--|-------|
| Existence of Controlling Shareholder (except for Parent Company) | ----- |
| Existence of Parent Company | None |

Supplementary Explanation

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Market and Market Section | Tokyo Stock Exchange Prime Market |
| Fiscal Year-End | March |
| Type of Business | Information & Communication |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | More than 1000 |
| Sales (consolidated) as of the End of the Previous Fiscal Year | From ¥10 billion to less than ¥100 billion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | Less than 10 |

Update

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

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

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

1. Organizational Composition and Operation

| | |
|-------------------|----------------------------------|
| Organization Form | Company with a board of auditors |
|-------------------|----------------------------------|

[Directors]

| | |
|---|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 11 |
| Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board | President |
| Number of Directors | 9 |
| Appointment of Outside Directors | Appointed |
| Number of Outside Directors | 3 |
| Number of Independent Directors | 3 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | |
|---------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
| | | a | b | c | d | e | f | g | h | i | j | k | |
| Yukio Suzuki | From another company | | | | | | | | | △ | | | |
| Kouichi Ogawa | From another company | | | | | | | | | △ | | | |
| Mari Itoh | Lawyer | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

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

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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/accounting auditor
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/accounting auditors are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Accounting Auditor's Relationship with the Company (2)

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---------------|-------------------------------------|---|--|
| Yukio Suzuki | ○ | <p>Mr. Suzuki is not now, nor has never been an employee of the Company or an affiliate of the Company.</p> <p>Mr. Suzuki is a Representative Director of Belle Investment Research of Japan Inc., an Outside Director of Ichigo Inc., an Outside Director (an Audit & Supervisory Committee Member) of XNET Corporation, and an Outside Director of WILLs Inc. The Company has no special relationships with these companies at which Mr. Suzuki concurrently serves. In addition, Mr. Suzuki used to work for Nomura Holdings, Inc., with which the Company does business. The Company has no special relationship with Nomura Holdings, Inc.</p> <p>Mr. Suzuki and the Company have concluded an agreement limiting Mr. Suzuki's liability for damages as Outside Director of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the insurance covering the damages and court costs, etc. that Mr. Suzuki is required to pay resulting from a claim for damages due to any act (including inaction) of Mr. Suzuki based on his position as a director of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if they arise from an act of Mr. Suzuki that he is aware violates laws and regulations.</p> | <p>Mr. Suzuki has extensive experience and deep insight as a manager accumulated over many years working at a securities firm and other companies as well as specialist financial and economic knowledge as a securities analyst and the Company benefits from his accurate advice to ensure the validity and appropriateness of decision-making by the Board of Directors. The Company elected him again expecting that his appropriate advice on the Company's management from an independent perspective and appropriate supervision of business execution will contribute to enhancing the Company's corporate value.</p> <p>Mr. Suzuki has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfill the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Suzuki as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |
| Kouichi Ogawa | ○ | <p>Mr. Ogawa is not now, nor has never been an employee of the Company or an affiliate of the Company.</p> <p>Mr. Ogawa used to work for Mizuho Bank, Ltd., with which the Company does business, and the Company had bank loans of 760 million yen and other transactions such as the provision of IT services and sale of products amounting to 589 million yen with the bank in the fiscal year ended March 31, 2023. However, these are normal business transactions and the Company believes that there is no question about Mr. Ogawa's independence.</p> <p>Mr. Ogawa and the Company have concluded an agreement limiting Mr. Ogawa's liability for damages as Outside Director of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the insurance covering the damages and court costs, etc. that Mr. Ogawa is required to pay resulting from a claim for damages due to any act (including inaction) of Mr. Ogawa based on his position as a director of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if they arise from an act of Mr. Suzuki that he is aware violates laws and regulations.</p> | <p>Mr. Ogawa has extensive experience and deep insight accumulated over many years working at a financial institution and the Company benefits from his useful advice mainly from the perspective of internal controls and compliance. The Company elected him again expecting that his appropriate advice on the Company's management from an independent perspective and appropriate supervision of business execution will contribute to enhancing the Company's corporate value.</p> <p>Mr. Ogawa has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfill the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Ogawa as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |

| | | | |
|-----------|---|---|--|
| Mari Itoh | ○ | <p>Ms. Itoh is not now, nor has she ever been an employee of the Company or an affiliate of the Company.</p> <p>Ms. Itoh is a partner of the Anderson Mori & Tomotsune. The Company has no special relationships with the law company.</p> <p>Ms. Itoh and the Company have concluded an agreement limiting Ms. Itoh's liability for damages as an Outside Director of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided for in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and an insurance company's insurance will cover the damages and court costs, etc. that Ms. Itoh is required to pay resulting from a claim for damages due to an act (including inaction) of Ms. Itoh based on her position as a director of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if the damage is the result of an act of Ms. Itoh that she is aware violates laws and regulations.</p> | <p>An attorney-at-law, Ms. Itoh has expertise in corporate legal affairs in Japan and overseas. Although Ms. Itoh has never been involved in company management except as an Outside Officer, the Company elected her with the expectation that she will provide appropriate advice on the Company's management from an independent perspective, using her extensive experience and insight accumulated over many years, and will thereby contribute to enhancing transparency and soundness in management at the Company.</p> <p>Ms. Itoh has a high degree of independence, with no direct interest in the Company's management and the Company therefore believes that she can duly fulfill the role expected of her by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Ms. Itoh as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |
|-----------|---|---|--|

| | |
|---|-----------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Not Established |
|---|-----------------|

[Accounting Auditor]

| | |
|--|-------------|
| Establishment of Board of Accounting Auditors | Established |
| Maximum Number of Accounting Auditor Stipulated in Articles of Incorporation | 5 |
| Number of Accounting Auditor | 4 |

Cooperation among Accounting Auditor, External Accounting Auditors and Internal Audit Departments

- Cooperation among Audit & Supervisory Board Members and Accounting Auditors

Audit & Supervisory Board Members receive a written explanation outlining the annual audit plan from the Accounting Auditors and check the content including the detailed audit schedule, the persons in charge of the quarterly review and the communication plan. The Audit & Supervisory Board Members receive a report on the review results every quarter from the Accounting Auditors and have them submit a report outlining the audit results at the end of the fiscal year for evaluation. The Audit & Supervisory Board Members also conduct hearings on matters relating to the independence of Accounting Auditors and matters relating to execution of their duties and also hold interviews with Accounting Auditors where necessary to ask about the status of audits.

- Cooperation among Audit & Supervisory Board Members and Internal Audit Departments

The Audit & Supervisory Board Members hold monthly meeting with Internal Audit Department to exchange opinions on matters such as the audit plan, the implementation status of audits and improvements and also seek to gain a better understanding by viewing internal audit reports and so forth. When evaluating business activities for risk management and improvement of internal control systems, Internal Audit Departments seek to share information with Audit & Supervisory Board Members by consulting them beforehand and reporting to them afterwards. In addition, depending on internal audit items, the full-time Audit & Supervisory Board Member attends audits whenever necessary.

| | |
|---|-----------|
| Appointment of Outside Accounting Auditor | Appointed |
| Number of Outside Accounting Auditor | 4 |
| Number of Independent Accounting Auditor | 4 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|--------------------|--------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Toshiji Arita | From another company | | | | | | | | | | | | | |
| Yoshihiro Nakamura | Lawyer | | | | | | | | | | | | | |
| Hiroshi Adagawa | From another company | | | | | | | | | | | | | |
| Nobushige Tokuono | Certified tax accountant | | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

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

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

- in the past
- Executive of the Company or its subsidiary
 - Non-executive director or accounting advisor of the Company or its subsidiaries
 - Non-executive director or executive of a parent company of the Company
 - Accounting auditor(s) of a parent company of the Company
 - Executive of a fellow subsidiary company of the Company
 - A party whose major client or supplier is the Company or an executive thereof
 - Major client or supplier of the Company or an executive thereof
 - Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an accounting auditor
 - Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
 - Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
 - Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
 - Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Accounting Auditor's Relationship with the Company (2)

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|--------------------|-------------------------------------|---|--|
| Toshiji Arita | ○ | <p>Mr. Arita and the Company have concluded an agreement limiting Mr. Arita's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the insurance covering the damages and court costs, etc. that Mr. Arita is required to pay resulting from a claim for damages due to any act (including inaction) of Mr. Arita based on his position as an accounting auditor of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if they arise from an act of Mr. Arita that he is aware violates laws and regulations.</p> | <p>Mr. Arita has a high level of finance and accounting expertise gained largely as an inspector at a government agency. The Company has thus decided that he will audit its management appropriately and elected him. Whilst Mr. Arita has never been involved in company management, the Company judged, for the reasons outlined above, that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Arita has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Arita as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |
| Yoshihiro Nakamura | ○ | <p>Mr. Nakamura is a partner and attorney-at-law at Hinoki - Law Offices. The Company has no special relationship with the firm at which Mr. Nakamura concurrently serves.</p> <p>Mr. Nakamura and the Company have concluded an agreement limiting Mr. Nakamura's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the insurance covering the damages and court costs, etc. that Mr. Nakamura is required to pay resulting from a claim for damages due to any act (including inaction) of Mr. Nakamura based on his position as an accounting auditor of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if they arise from an act of Mr. Nakamura that he is aware violates laws and regulations.</p> | <p>The Company elected Mr. Nakamura because he has specialist knowledge, experience and insight gained as an attorney-at-law and the Company judged that he could properly audit the Company's management as a legal expert. Whilst Mr. Nakamura has never been involved in company management except as an Outside Officer, the Company judged, based on comprehensive consideration of factors such as his track record as an Outside Audit & Supervisory Board Member at the Company and his practical experience in corporate legal affairs for many years, that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Nakamura has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Nakamura as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |

| | | | |
|-------------------|---|---|--|
| Hiroshi Adagawa | ○ | <p>Mr. Adagawa and the Company have concluded an agreement limiting Mr. Adagawa's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the insurance covering the damages and court costs, etc. that Mr. Adagawa is required to pay resulting from a claim for damages due to any act (including inaction) of Mr. Adagawa based on his position as an accounting auditor of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if they arise from an act of Mr. Adagawa that he is aware violates laws and regulations.</p> | <p>The Company elected Mr. Adagawa because he has a high level of finance and accounting expertise gained largely as an inspector at a government agency and the Company judged that he could properly audit the Company's management. Whilst Mr. Adagawa has never been involved in company management except as an Outside Officer, the Company judged, based on the comprehensive consideration of factors such as his track record as an Outside Audit & Supervisory Board Member at the Company and his many years of practical experience in corporate finance, that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Adagawa has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Adagawa as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |
| Nobushige Tokuono | ○ | <p>Mr. Tokuono is the Director of Tokuono Nobushige Tax Accountant Office and an Outside Audit & Supervisory Board Member of DYNAM Co., Ltd., BML Inc. and Totenko Co., Ltd. The Company has no special relationships with these companies at which Mr. Suzuki concurrently serves.</p> <p>Mr. Tokuono and the Company have concluded an agreement limiting Mr. Tokuono's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p> <p>The Company has entered into a directors and officers liability insurance agreement under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the insurance covering the damages and court costs, etc. that Mr. Tokuono is required to pay resulting from a claim for damages due to any act (including inaction) of Mr. Tokuono based on his position as an accounting auditor of the Company. There are, however, certain exceptions to the agreement. Damages will not be covered if they arise from an act of Mr. Tokuono that he is aware violates laws and regulations.</p> | <p>The Company elected Mr. Tokuono because he has specialist knowledge and extensive experience gained as a National Tax Agency tax inspector and tax accountant and the Company judged that he could properly audit the Company's management as an expert in tax and accounting. Whilst Mr. Tokuono has never been involved in company management except as an Outside Officer, the Company judged, based on the comprehensive consideration of factors such as his track record as an Outside Audit & Supervisory Board Member at the Company and his many years of practical experience in corporate tax management, that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Tokuono has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Tokuono as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p> |

[Independent Directors/Accounting Auditor]

| | |
|---|---|
| Number of Independent Directors/ Accounting Auditors | 7 |
|---|---|

Matters relating to Independent Directors/Accounting Auditors

The Company has designated all outside officers who fulfill the qualification requirements for independent officers as independent officers.

[Incentives]

| | |
|----------------------------------|-------|
| Incentive Policies for Directors | Other |
|----------------------------------|-------|

Supplementary Explanation

The Company adopted a stock-based compensation system (stock granting trust) for directors to increase their motivation to contribute to improvement of business results and enhancement of corporate value in the medium and long term by clarifying the link between directors' compensation and the stock price and having directors share the benefits and risks of stock price fluctuation with the shareholders.

Please refer to the release below for further details of the stock-based compensation system (stock granting trust).

Recipients of Stock Options

Recipients of Stock Options

[Director Remuneration]

Disclosure (of individual remuneration)

No Individual Disclosure

Supplementary Explanation

The Company discloses aggregate amounts of remuneration for Directors and for Audit & Supervisory Board Members respectively in its annual securities report and business report. The total amount of remuneration for Directors in the fiscal year ended March 31, 2023 was 333 million yen, paid to 11 Directors (of which 14 million yen was paid to three Outside Directors) and this includes 28 million yen in expenses recorded in relation to stock-based compensation to eight Directors (excluding the three Outside Directors and including two Directors who retired at the close of the 40th Ordinary General Meeting of Shareholders held on June 23, 2022) pertaining to the current fiscal year. The total amount of remuneration for Audit & Supervisory Board Members was 18 million yen, all of which was paid to four Outside Audit & Supervisory Board Members.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic policy

The basic policy on the compensation of Directors (excluding Outside Directors; the same applies hereinafter) shall be to ensure that compensation is provided stably to enable them to stay focused on the achievement of management goals, with an eye toward the sustainable improvement of corporate value through the implementation of the management philosophy, and that the compensation system is synchronized with shareholder interests so that it is an effective incentive for the improvement of business results over the medium and long terms, while also ensuring that the amount of the compensation for each Director is determined in a way that appropriately reflects their responsibilities. Specifically, Directors' compensation shall be comprised of basic compensation, which will be fixed remuneration, and stock-based compensation. In light of Outside Directors' duty to fulfill supervisory functions, their compensation shall consist of basic compensation alone to ensure independence.

2. Policy on basic compensation

Basic compensation for Directors (excluding Outside Directors; the same applies hereinafter) shall be monthly fixed remuneration. The Company shall comprehensively determine basic compensation considering titles, duties assigned, business results and other factors, provided that it shall be within the limits of amounts established for each position in the Work Rules for Directors based on the highest salaries of employees. Basic compensation for Directors shall not include any employee salary received by Directors concurrently serving as employees. The Company shall pay basic compensation to Outside Directors in the form of fixed remuneration commensurate with the scale of the Company's business, while also taking into consideration industry standards.

3. Policy on non-monetary rewards

Non-monetary rewards for Directors (excluding Outside Directors; the same applies hereinafter) shall be provided through the Board Benefit Trust. The purpose of these rewards shall be to increase Directors' motivation to contribute to the improvement of business results and the enhancement of corporate value in the medium and long term, by further clarifying the link between Directors' compensation and the stock price and ensuring that Directors share the benefits and risks of stock price fluctuation with shareholders. Based on this concept, separate from the basic compensation described in 2 above, the Company shall contribute money, up to a maximum of 580 million yen (for 10 business years), to be used to acquire shares pursuant to the share delivery rules, and grant points to Directors at a certain time every year according to their level of contribution and within a certain range for each position, provided that the total number of points shall not exceed 97,000 points (one point is equivalent to one share). In principle, Directors shall be eligible to receive delivery of the shares of the Company when they retire as Directors.

4. Policy on the ratio of compensation

The Company shall determine the ratio of compensation by type for Directors (excluding Outside Directors; the same applies hereinafter), taking into consideration the duties fulfilled by the Directors in the improvement of business results in each business year and the enhancement of corporate value over the medium and long term. To determine compensation for each Director, it shall establish a base amount for basic compensation and stock-based compensation, respectively, for each position, where the standard composition of compensation shall be 90% basic compensation and 10% stock-based compensation.

5. Matters concerning the entrustment of decisions regarding remuneration

The specific content of the remuneration for each Director shall be entrusted to the Representative Director and President based on a resolution at a Meeting of the Board of Directors. The Representative Director and President shall have the authority to decide the basic compensation for each Director, and the stock-based compensation reflecting the point granting criteria specified in the share delivery rules. The Board of Directors shall request the advice of the Representative Director and Chairman and Outside Directors to ensure that this authority is properly exercised by the Representative Director and President.

[Supporting System for Outside Directors and/or Accounting Auditors]

Although the Company does not have full-time staff members to support Outside Directors, staff members from Corporate Administration, which is the secretariat of the Board of Directors, provide them with support and, whenever a Board of Directors meeting is held, these staff members also provide explanations about proposals to be discussed prior to the meeting. The Company does not have full-time staff members to support Outside Audit & Supervisory Board Members either, but the staff members from Corporate Administration provide them with appropriate support.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

| Name | Job title/ position | Content of Services | Employment terms (Full/part time, with/ without compensation, etc.) | Date when former role as president/ CEO ended | Term |
|-------|------------------------|---------------------|---|--|-------|
| ----- | ----- | ----- | ----- | ----- | ----- |

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

0

Others

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

Based on comprehensive judgement of a wide range of factors including agile management through fast decision-making, business scale and the appropriateness of audit functions relative to business size, the Company has adopted an Audit & Supervisory Board Member system, and the Board of Directors and Audit & Supervisory Board are responsible for supervising and auditing business execution.

As of April 1, 2024, the Board of Directors comprises six Internal Directors and three Outside Directors. Ordinary board meetings are convened once a month and extraordinary meetings are held whenever necessary, and the board makes decisions on important management-related matters and supervises business execution. The Company's Outside Directors have no direct interest in the Company's management and have a high degree of independence. They therefore fulfill their function of supervising those who execute business led by the Representative Directors from an independent standpoint.

The Company adopted the Corporate Officer system to build a structure to support directors on the business execution front and to seek to strengthen management's power of execution and energize organizations, and the Company has five Corporate Officers as of April 1, 2024. The Company has a Management Meeting as an organization that advises the Board of Directors on decisions or that gives feedback after decisions are made. The Management Meeting is convened for each division once a month. This meeting comprises Directors, including the Representative Directors, Corporate Officers and division managers and, through lively discussion, meeting participants hear a wide range of opinions from those working on the ground and consider them in order to give shape to company strategies.

The Audit & Supervisory Board is made up of four members in total, with one Full-time Outside Audit & Supervisory Board Member and three part-time Outside Audit & Supervisory Board Members. Meetings are convened once a month and, in accordance with the audit policy, audit plan, division of duties, etc. determined by the Audit & Supervisory Board, each Audit & Supervisory Board Member also attends board meetings and other important meetings, express their opinions and otherwise conduct audits to assess whether Directors are properly executing their duties. They also endeavor to improve the effectiveness of audits by cooperating closely with internal audit departments and the Accounting Auditors, including exchanging information and opinions with them.

The Company has an Internal Audit Office (two full-time members) as a business unit which is under the direct control of the Representative Directors and is independent from the business divisions. In accordance with the Internal Audit Rules, the Internal Audit Office conducts mainly organization and system audits, management efficiency audits and accounting audits, periodically or whenever necessary, reports to the Representative Directors and Directors in charge and made recommendations to the audited divisions. The Internal Audit Office also checks the progress of improvements through follow-up audits.

Through cooperation with the Audit & Supervisory Board and the Accounting Auditors, including the exchange of information and opinions with them, the Internal Audit Office also evaluates and considers management activities and endeavors to bring about improvement in management.

Regarding accounting audits, the Company has concluded an audit agreement with KPMG AZSA LLC for audits in accordance with the Companies Act and for accounting audits in accordance with the Financial Instruments and Exchange Act, and audits are conducted in a timely manner as necessary. There are no special conflicts of interest between KPMG AZSA LLC and the Company or between the Partners of KPMG AZSA LLC who perform the audits and the Company. The certified public accountants who executed accounting audits of the Company for the fiscal year ended March 31, 2023 were Tatsunaga Fumikura and Atsushi Kawamura, both of whom belong to KPMG AZSA LLC. They were assisted in the accounting audits of the Company by six certified public accountants and nine others.

3. Reasons for Adoption of Current Corporate Governance System

The Company selected its current corporate governance structure believing that the election of Outside Directors to supervise execution of the Company's business from an independent and fair standpoint and Outside Audit & Supervisory Board Members who conduct audits of the Company from specialist viewpoints such as legal or tax accounting viewpoints will strengthen the management supervisory function, thereby ensuring management soundness, transparency and efficiency.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

| | Supplementary Explanation |
|---|--|
| a. Early Notification of General Shareholder Meeting | The convocation notice for the Ordinary General Meeting of Shareholders for the 41st fiscal year (from April 1, 2022 to March 31, 2023) was issued on June 6, 2023 but was published on the Tokyo Stock Exchange website and the Company's own website 12 days before that, on May 25. |
| b. Scheduling AGMs Avoiding the Peak Day | The 41st Ordinary General Meeting of Shareholders (for the period from April 1, 2022 to March 31, 2023) was convened on June 21, 2023, avoiding the dates when shareholders meetings are typically held. |
| c. Exercising Voting Rights by Electromagnetic Means | The Company introduced electromagnetic means for the exercise of voting rights at the 39th Ordinary General Meeting of Shareholders held on June 23, 2021. |
| d. Participation in Electronic Voting Platform and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Their Voting Rights | The Company began to participate the Electronic Voting Platform for Institutional Investors in August 2021. |
| e. Providing Convocation Notice (Summary) in English | The Company translated a summary of its convocation notice into English and announced it on its and the Tokyo Stock Exchange's websites on June 2, 2023 |
| Other | The Company holds a briefing explaining business policy after the close of the general meeting of shareholders. |

2. IR Activities

| | Supplementary Explanation | Explanation by Representative |
|---|--|-------------------------------|
| Preparation and Publication of Disclosure Policy | The Company has formulated a disclosure policy consisting of five items, namely information about the Company's basic policy, criteria for information disclosure, information disclosure methods, the silent period, and forecasts, and it publishes this policy on its website. | |
| Regular Investor Briefings for Analysts and Institutional Investors | Briefings for analysts and institutional investors held once every six months are delivered directly by the President & Representative Director and the Director in charge of Finance & Accounting and Directors responsible for each business division also attend as appropriate and provide explanations. | Established |
| Posting of IR materials on the website | The Company posts information such as financial results summary, financial results briefing videos by President, timely disclosure materials, annual securities report, reference materials for general meetings of shareholders, results briefing materials, shareholder correspondence, financial highlights, IR calendar, and stock price information on its website and updates this information when necessary. The Company has also established a webpage for individual investors to enhance the information it provides. The Company periodically renews its website and makes improvements to meet the needs of investors. Moreover, the Company has been taking steps to enhance English materials. It releases English versions of financial results summaries, results briefing materials, convocation notice summaries, and corporate governance reports, among other materials, and distributes a video of the results briefing with an English translation. | |
| Establishment of Department and/or Manager in Charge of IR | Corporate Administration is in charge of IR and cooperates with each Director, including the Representative Directors, each Corporate Officer and the Finance & Accounting Group to take appropriate action. | |

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanation |
|---|---|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | The Company's basic CSR policy is to properly discharge its responsibility to provide full explanations and to clearly communicate its responsibilities and initiatives not only to customers, shareholders, investors, business partners, employees and other stakeholders but also to wider society and the Company has adopted striving for the creation of a vibrant society as its management philosophy. |
| Implementation of Environmental Activities, CSR Activities etc. | The Company has established an "Environmental Management Action Policy" with a basic philosophy of contributing to protection of the global environment through corporate activities and is putting into practice the "Systema Environmental Rules". The Company is also implementing environmentally-friendly initiatives based on environmental management system ISO14001 including saving energy, recycling and conserving resources. At the same time, the Company is working to fulfill its corporate social responsibility through a range of initiatives on the themes of observance of laws and regulations (emphasis on compliance and information security), information disclosure, consideration for the environment, customer oriented products and services, job creation and contribution to society. |
| Development of Policies on Information Provision to Stakeholders | The Company has adopted a disclosure policy consisting of five items, namely information about the Company's basic policy, criteria for information disclosure, information disclosure methods, the silent period, and forecasts, and it publishes this policy on its website. |
| Other | The Company's activities to advance sustainability are described on the website below. https://www.systema.co.jp/sustainability/ |

IV Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

1. Systems to ensure that the execution of the duties of Directors, etc. and employees of the Company and its subsidiaries complies with laws and regulations and the articles of incorporation

(1) To ensure that officers and employees of the Company and its subsidiaries (hereinafter referred to as the “Group”) act in compliance with laws and regulations and the articles of incorporation, the Group shall establish a management philosophy, requirements for services and code of conduct. To foster a thorough understanding of officers and employees of the Group, the President and Representative Director shall repeatedly convey to them the message that the spirit of regulatory compliance and ethical compliance forms the basis for any and all corporate activities.

(2) The Group shall establish Regulations for the Operation of the Whistleblowing System. Through the whistleblowing system, it shall promote early detection and correction of legal violation and other fraudulent acts and protect whistle-blowers.

(3) As Chief Compliance Officer, the President and Representative Director shall endeavor to develop a company-wide compliance system and to grasp issues. As the section in charge of compliance, the Administrative Group shall develop and implement compliance programs on a regular basis.

(4) Members of the Audit & Supervisory Board and Internal Audit Office shall work together to conduct audits of the status of development of a compliance system and report to the Representative Directors and the Board of Directors if there is a problem related to any violation of laws and regulations or the articles of incorporation together with the details of the problem. In the event that a compliance issue arises, the Representative Directors or the Board of Directors shall determine measures for preventing the recurrence of such problems based on the materiality thereof and ensure a thorough understanding of the measures on a company-side basis.

(5) The President and Representative Director, members of the Audit & Supervisory Board and the audit corporation shall meet at regular interval and endeavor to exchange information. The President and Representative Director shall report the results of the above to the Board of Directors on a regular basis.

(6) In the event that an employee breaches laws and regulations or the articles of incorporation, the section in charge of compliance requests the Director in charge of personnel affairs to take action. In the event that an officer breaches laws and regulations or the articles of incorporation, the President and Representative Director shall submit a report describing specific actions to the Board of Directors.

2. Systems related to the retention and management of information pertaining to the execution of the duties of Directors of the Company

Information pertaining to the execution of the duties of Directors shall be recorded and stored in document form or in an electromagnetic format and managed in an appropriate and safe manner in accordance with the Regulations of the Board of Directors, Regulations on Decision-Making, Regulations on Management of Documents and other existing rules and regulations. The Directors and members of the Audit & Supervisory Board may inspect these documents, etc. at any time.

3. Rules and other systems related to management of the risk of loss of the Company and its subsidiaries

(1) The President and Representative Director shall appoint the Director in charge of the Administrative Group as Chief Risk Management Officer of the entire company. In cooperation with Directors in charge of individual sections, the Chief Risk Management Officer shall be responsible for the management of existing rules, including the Accounting Regulations, the Sales Management Regulations, the Credit Management Regulations, the Project Management Regulations, and the Software Management Regulations, and the formulation of other necessary rules for systematic management of risks by category.

(2) The Administrative Group shall exhaustively and comprehensively manage risks on a group-wide basis.

(3) The Internal Audit Office shall audit the risk management status of each section of the Group and report to the President and Representative Director. Based on the results of internal audits, the President and Representative Director shall have the Chief Risk Management Officer review the status of progress of risk management of the overall company and report to the Board of Directors on a periodic basis. The Board of Directors shall deliberate on and determine measures for improvement.

(4) To secure the Group’s business continuity when an unforeseen incident or an emergency situation arises, the Company shall develop a Business Continuity Plan (BCP) as a contingency plan for the Group and fully inform its officers and employees of the plan.

4. Systems to ensure that the duties of Directors, etc. of the Company and its subsidiaries are executed efficiently

By clarifying the responsibilities and persons in charge and prescribing the detailed procedures for performing each responsibility in the Organization Regulations, the Regulations for Division of Duties, the Regulations on Decision-Making and other rules, the Company shall establish a system for ensuring that the duties of Directors, etc. are executed efficiently and shall have its subsidiaries establish systems in compliance with the above. Moreover, the Company shall facilitate the efficient execution of the duties of Directors, etc. by using the management systems described below.

1) Formulation of rules on job functions and decision making

2) Establishment of Business Promotion Meeting for efficient project management and operation

3) Establishment of Management Meeting consisting of Directors, Executive Officers and section heads as an advisory body for the Board of Directors with respect to important policies for the management, etc. of the Company and important business execution

4) Formulation by the Board of Directors of a Group medium-term business plan for a three fiscal year period, in principle, establishment of performance goals and budgets for each business section based on the medium-term business plan and implementation of monthly and quarterly performance management using information technology

5) Review of monthly performance by the Management Meeting and the Board of Directors and implementation of improvement measures

5. System for reporting to the Company of matters pertaining to the execution of the duties of the Directors, etc. of the subsidiaries

(1) At the Management Meeting of the Company held once a month, Representative Directors of the subsidiaries shall be obliged to report to the Company their sales performance, financial situations and other important information.

(2) A subsidiary shall be obliged to promptly report to the Company any important event arising at the subsidiary.

6. Systems necessary to ensure the appropriateness of the business activities of the group of enterprises consisting of the Company and its subsidiaries

(1) By maintaining a collaborative relationship and sharing information with the Company, each subsidiary shall autonomously develop an internal control system in light of its corporate size, business description and other corporate characteristics.

(2) In accordance with the Regulations for Managing Subsidiaries and Affiliates, the Corporate Planning & Administration Office shall conduct the necessary administration of subsidiaries and affiliated companies according to their situation. The management of each subsidiary shall be appropriately conducted by a Director or a member of the Audit & Supervisory Board dispatched from the Company to the subsidiary.

(3) Directors (of the Company) shall monitor and supervise the execution of the duties by the Directors of the Group companies. Members of the Audit & Supervisory Board shall audit the status of the execution of business operations of the Group.

(4) The Internal Audit Office shall perform internal audits of all business operations of the Group and secure the effectiveness and validity of the Group’s internal control systems.

7. Matters related to the employee if members of the Audit & Supervisory Board have requested that an employee be appointed to assist with their duties, matters related to the independence of said employee from Directors and matters for ensuring the effectiveness of instructions to said employee

(1) Members of the Audit & Supervisory Board may request an employee belonging to Corporate Administration to provide assistance necessary for audit operations, and said employee shall follow instructions and orders from Audit & Supervisory Board members.

(2) An employee belonging to Corporate Administration who is requested by members of the Audit & Supervisory Board to provide assistance necessary for audit operations shall not follow instructions and orders from Directors, Head of Internal Audit Office, etc. with respect to orders from Audit & Supervisory Board members.

(3) Transfers and evaluation of and disciplinary measures against an employee belonging to Corporate Administration who is requested by members of the Audit & Supervisory Board to provide assistance necessary for audit operations shall be carried out with the prior consent and opinions of the Audit & Supervisory Board members.

8. System for Directors and employees to report to members of the Audit & Supervisory Board and other systems related to reporting to the Audit & Supervisory Board members

Matters to be reported to members of the Audit & Supervisory Board shall be provided for in the Regulations for the Audit & Supervisory Board and Directors and employees shall report the following matters:

- 1) Matters that may cause serious damage to the Company
- 2) Serious violations of laws and regulations or the articles of incorporation
- 3) Matters resolved at the Management Meeting
- 4) Important matters concerning monthly management situation
- 5) Important matters concerning internal audit status and risk management
- 6) Other important compliance matters

9. System for Directors, members of the Audit & Supervisory Board, etc. and employees of a subsidiary or for a person who received reporting from the above persons to report to members of the Company's Audit & Supervisory Board

- (1) In the event that any of the officers and employees of the Group finds any violation, etc. of laws and regulations, etc. and other fact that may cause significant damage to the Group, he/she shall immediately report to members of the Company's Audit & Supervisory Board.
- (2) Internal Audit Office shall hold a debriefing meeting to report to members of the Company's Audit & Supervisory Board on a periodic basis regarding the current status of the Group's internal audit, compliance and risk management.
- (3) The Administrative Group shall report to members of the Company's Audit & Supervisory Board on a periodic basis regarding the status of whistleblowing from officers and employees of the Group.

10. System to ensure that a person who reported to members of the Board of Directors does not suffer from any disadvantageous treatment due to such reporting
The Regulations for the Operation of the Whistleblowing System established by the Group provide for that officers and employees of the Group may directly perform whistleblowing to members of the Company's Audit & Supervisory Board and that dismissal due to such whistleblowing and any other disadvantageous treatment against said whistleblower is explicitly prohibited.

11. Matters concerning policy on procedures for advance payment or reimbursement of expenses arising from the execution of the duties of members of the Audit & Supervisory Board or on handling of other expenses or payables arising from the execution of said duties

When members of the Audit & Supervisory Board request the advance payment, etc. of expenses arising from the execution of the duties thereof, said expenses or payables shall promptly be processed unless it is deemed unnecessary for the execution of said duties.

12. Other systems for ensuring that audits by members of the Audit & Supervisory Board are performed effectively

- (1) The Company shall work to develop an environment for audits by the members of the Audit & Supervisory Board by ensuring that its officers and employees deepen their understanding of audits by the Audit & Supervisory Board members.
- (2) By providing the members of the Audit & Supervisory Board with opportunities for individual interviews with each Executive Director and key employees no less than twice a year (excluding cases in which said members deem it necessary to hold ad hoc interviews), holding meetings to exchange opinions respectively with the President and Representative Director and the audit corporation on a periodic basis and working to promote collaboration with Internal Audit Office, the Company shall ensure appropriate communications and the effective execution of audit operations.

13. Development of a system to ensure appropriateness of financial reporting

- (1) To ensure appropriate financial reporting, the Company shall establish rules, procedures, etc. for accounting operations based on this policy, thereby working to develop a system for internal controls regarding financial reporting and to improve its validity.
- (2) Internal Audit Office shall conduct regular audits of internal controls regarding financial reporting and shall evaluate the validity of such internal controls. If corrections and improvements are needed, the Internal Audit Office shall promptly report to the Representative Directors and members of the Audit & Supervisory Board and the section shall formulate remedies.

14. Matters concerning the development of a system for the elimination of anti-social forces

- (1) It is the Company's basic policy to have no association with any organized crime group or any other anti-social forces that pose a threat to the order of the company or civil society, to stand firmly against undue claims and to provide no benefits to anti-social forces. By explicitly stating the above in the Code of Conduct, the Company shall ensure that all officers and employees have a thorough understanding thereof.
- (2) In the event of contact or undue claims from anti-social forces, the Administrative Group shall deal with them as the section in charge by closely collaborating with the police, lawyers and other external professional institutions.

2. Basic Views on Eliminating Anti-Social Forces

(1) Basic Views

The Company's basic policy is not to have any relations whatsoever with organized crime groups or other antisocial forces which threaten enterprises or the order of civil society and to not to succumb to unjust demands nor offer them any benefits.

(2) Development of systems

The Group clearly specifies in the "Systema Groups Standards of Conduct" that "We will maintain the posture of eliminating all ties with antisocial forces and illegal organizations that threaten social order and safety, and take action with an uncompromising and resolute stance against unreasonable demands" and seeks to instill these Standards of Conduct in all employees.

(Department in charge)

The Administrative Group is responsible for dealing with any contract or unjust demands from antisocial forces in close cooperation with the police, attorneys-at-law and other specialists and the person responsible for dealing with such matters is the Director for the Administration Group, who should be assisted by the Councilor of the Administration Group and the Manager of Corporate Administration. Any suspicious conduct on the part of an officer or employee in connection with antisocial forces, or any unjust demand by antisocial forces should be reported promptly to the business unit in charge of dealing with such matters, and the whistle-blowing system should be used to report any such matter to the company via the internal contact point or the external contact point (attorney-at-law).

(Cooperation with specialist outside agencies)

To eliminate violent crime of all types against enterprises and to strengthen its corporate defenses, the Company cooperates with outside agencies such as the police, the National Center for Removal of Criminal Organizations and attorneys-at-law to gather information needed for its corporate defences whilst also engaging in activities to raise awareness among officers and employees.

(Provision of manual for dealing with antisocial forces)

The Company provides a manual for dealing with violent crime against businesses. As regards business partners' "relations with antisocial forces," the Company confirms that counterparties to transactions "do not have relations with antisocial forces" through credit searches and other means before commencing transactions.

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System Update

1. Person responsible for timely disclosure and business unit in charge of timely disclosure

The Company appoints an officer in charge of information disclosure by resolution of the Board of Directors as the person responsible for managing inside information (Chief Information Officer), and the Director who is responsible for the Administrative Group or the Finance & Accounting Group assumes this post. The person responsible for handling information who must be appointed in accordance with the Timely Disclosure Rule is the manager of Corporate Administration. Regarding the execution of information disclosure operations, the Company has developed and operates a structure for identifying information that is important when investors make investment decisions and ensuring accurate and fair disclosure of information to the Tokyo Stock exchange without delay in accordance with internal regulations (“Rules for Prevention of Insider Trading” and “Information Disclosure Manual”), with Corporate Administration preparing the disclosure document for information about facts which have occurred or decisions and the Finance & Accounting Group preparing disclosure documents with respect to information about financial results.

2. Inside information management structure pertaining to timely disclosure

1) The Company appoints an officer in charge of information disclosure by resolution of the Board of Directors as the person responsible for management of inside information (Chief Information Officer) and also appoints the general manager of each division as persons responsible for information management.

2) When a material fact occurs, the persons responsible for information management report promptly to the officer in charge of information disclosure and endeavor to prevent the information from being leaked internally or outside the company.

3) The officer in charge of information disclosure discusses the newly gained information with the President and other persons deemed necessary and judges whether the information falls under matters to be disclosed defined in the “Timely Disclosure Rules.”

4) In the case of information deemed to fall under matters to be disclosed defined in the “Timely Disclosure Rules,” the officer in charge of information disclosure ensures inside information management and discloses the information at the appropriate time and by the appropriate method.

5) Material corporate information which falls under matters to be disclosed defined in the “Timely Disclosure Rules” is disclosed with the approval of the Board of Directors, in principle.

6) Information which does not fall under timely disclosure information but whose disclosure is judged beneficial (PR information) is actively disclosed based on the judgement of the officer in charge of information disclosure or the President.

7) When disclosing information, the Company initially uses the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange and then also promptly discloses the information on its website.

8) The Company seeks to raise awareness of the abovementioned management methods companywide by disclosing the “Rules for Prevention of Insider Trading” and the “Information Disclosure Manual” and other documents on the Intranet (internal bulletin board).

3. Information disclosure procedure for decisions which have been made and facts which have occurred

Such information is submitted to the Tokyo Stock Exchange via the TDnet system and materials are also submitted to the press club where necessary.

4. Compliance initiatives

To ensure that the officers and employees of the Company and its subsidiaries (hereinafter referred to as the “Group”) comply with laws and regulations and social ethics in every corporate activity, the Group has established a management philosophy, standards of conduct, requirements for services and a code of conduct. Their spirit is repeatedly communicated in training programs for new employees and at the Management Meeting, which is held monthly, from the Representative Directors to management. The Group has established Regulations for the Operation of the Whistleblowing System for an internal reporting system and has internal consultation and whistleblowing contact points. In addition to a contact point for whistleblowing about violations of laws and regulations and other misconduct, the Group offers a number of consultation services for employees, including an opinion box directly linked to the Representative Directors, a contact point that addresses harassment, a consultation service related to the buying and selling of treasury stock to prevent insider trading, a consultation service related to personnel evaluation and assignment, and a “career support consultation service” where professional career counselors outside the Company who have extensive experience provide counseling and consultations directly to individual employees to detect and correct violations of laws and regulations and corporate ethics early and thereby maintain sound management. In the current fiscal year, there were whistleblowing reports about the improper management of commuter passes related to teleworking, which resulted in a company-wide review of the management of commuter passes and proper management.

The Company adopted the Systema Health Declaration in 2017 and has been undertaking health promotion initiatives for employees. As a result, was recognized under the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program* as one of the “White 500” organizations, or 500 large enterprises that advance health and productivity management. The Company was certified as a 2024 Sports Yell Company**, a company that promotes sports for employees’ health promotion, by the Japan Sports Agency for two consecutive years. Those initiatives are expected to continue stimulating the organization, encouraging employee vitality and enhancing productivity, and consequently improve results.

The Internal Audit Office regularly carries out audits of the effectiveness of internal controls for financial reporting under the Financial Instruments and Exchange Act, compliance with security export control regulations, operating hours (including verification of the status of orders) and outsourcing, and reports results to the Representative Directors and the Audit & Supervisory Board Members. The Representative Directors, Audit & Supervisory Board Members, audit corporation, and internal auditors seek to share information from time to time.

* The 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program is a program where the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi jointly recognize companies. This time, 2,988 companies were recognized in the large enterprise category. The Company was recognized in the large enterprise category for seven consecutive years from 2018 and recognized as one of the “White 500” companies, the top 500 companies, for the sixth time and the fourth consecutive year.

** In the 2024 Sport Yell Company program, 1,246 companies were certified (217 companies, 347 companies, 533 companies, 623 companies, and 685 companies, and 910 companies were certified in 2017, 2018, 2019, 2021, 2022 and 2023, respectively).

5. Risk management

The Director in charge of the Administrative Group is appointed by the President and Representative Director as Chief Risk Management Officer of the entire Company. The Chief Risk Management Officer is responsible for preparing regulations for the systematic management of risks by category, including the Accounting Regulations, the Sales Management Regulations, the Credit Management Regulations, the Project Management Regulations, and the Software Management Regulations, in cooperation with the General Managers of other groups. The Company seeks to link targets related to ISO9001 (quality control), ISO14001 (environmental protection), ISO/IEC27001 (information security), and JISQ15001 (PrivacyMark), for which it has achieved certification, with the Company’s business objectives so that compliance with ISO and JISQ standards will result in quality improvement. The ISO and JISQ targets cascade down to each group’s targets.

In information security and personal information protection, the Company seeks to establish information security rules and build information security

infrastructure through the introduction of system equipment such as firewalls, network surveillance tools, erroneous email transmission prevention tools and security software. In addition, it ensures that all employees (including those of partner companies) are tested on information security rules to increase their literacy on information security and sense of crisis, divisions perform checks on compliance with rules on a monthly basis, corrective measures are taken in the occurrence of incidents/accidents such as the loss of information equipment and erroneous transmission of emails, and that senior management understands the range of initiatives carried out by divisions through management reviews conducted by the President and Representative Director, while also providing guidance continuously to achieve further improvements. As a result, there were no incidents or accidents that led to significant losses in the current fiscal year. Moreover, the Company unifies information and promotes IT management by using the Canbus.*** business application platform, its original service. Through these efforts, it is in the process of strengthening initiatives in conjunction with the improvement of quality and management of the risk of loss, and is beginning to see positive results such as the effective management of operating time and the avoidance of unprofitable projects.

*** Using Canbus., the Company seeks to make visible real-time information, including information about quantifiable management, such as sales management and operations management, customer management, and the management of developers' skills.

Each division's risk management of each project is audited every month by the Internal Audit Office, which reports the results of audits to the Representative Directors and the Audit & Supervisory Board Members from time to time. The Administrative Group manages risks throughout the entire Systema Group thoroughly and in a unified way. To secure the Group's business continuity under unforeseen circumstances, such as those following a major earthquake, the Company has prepared a Business Continuity Plan (BCP) and makes it known to officers and employees.

To prevent COVID-19 infections, the Company continued to take measures to ensure the implementation of recommended preventive actions while also facilitating teleworking. As a result, no serious cases were found.

Non-financial information, including ESG (environment, social and governance) information, has been increasingly emphasized in recent years as indicators for evaluating companies by the Government Pension Investment Fund (GPIF) in Japan and other institutional investors worldwide that take a long-term perspective. In this environment, the Company has created and updates relevant dedicated pages on the Company's website as necessary to describe the Group's sustainability initiatives.

6. Directors' execution of their duties and corporate administration at subsidiaries

The Company makes clear the persons in charge and their responsibilities and prescribes detailed procedures for fulfilling responsibilities in the Organization Regulations, the Regulations for Division of Duties, the Regulations on Decision-Making, and other regulations and has built and operates a system for Directors, etc. to execute their duties efficiently. To enhance the Directors' supervisory functions, the Company appoints three independent Outside Directors out of nine (one third of all the Directors) and took action to comply with the Corporate Governance Code that was revised in June 2021 as a company listed on the Prime Market. The Management Meeting, an advisory body for the Board of Directors consisting of Directors, Corporate Officers, and division managers, is held monthly to help the Board of Directors make decisions about important policies, including the policy on the management of the Company, and the execution of important operations. The Management Meeting reviews monthly results. The members actively exchange questions and answers and deliberate over issues. At each business group, the officer in charge of the group regularly convenes business promotion meetings, etc. to manage and operate projects efficiently.

At subsidiaries, a similar system has been built. A Director or an Audit & Supervisory Board Member is dispatched from the Company for the same quality level as that of the Company and proper management. The Regulations for Managing Subsidiaries and Affiliates make responsibilities clear. The Company's Management Meeting receives reports from the Representative Directors of subsidiaries about monthly results, financial position, and other important information and reviews the information in the same way as at the Company.

The Internal Audit Office participates, as appropriate, in audits and meetings at subsidiaries that affect the effectiveness of internal controls for financial reporting and continually evaluates them according to Systema's standards. The Internal Audit Office reports the results of the evaluation to the Representative Directors, Audit & Supervisory Board Members, and the audit corporation as appropriate and shares information.

7. Audit & Supervisory Board Members

The Audit & Supervisory Board Members have opportunities to speak when they attend meetings of the Board of Directors. The full-time Audit & Supervisory Board Member attends regular executive meetings. They check the internal control system and internal control operations through those meetings. The Audit & Supervisory Board Members can ask employees of the Corporate Administration to give assistance necessary for their duties. An environment that enables them to perform their duties is provided. Under the Group's Regulations for the Operation of the Whistleblowing System, the officers and employees can report directly to the Audit & Supervisory Board Members. Unfair treatment of the officers and employees who have made reports is prohibited. The Audit & Supervisory Board Members share information from time to time with the Representative Directors, audit corporation, and internal auditors to carry out effective audits.

8. Policy regarding decisions on distribution of surplus, etc.

The Company believes that returning profits to shareholders is one of the priorities in management. Its basic policy is to continue to pay stable dividends and distribute profits according to operating results.

The Company aims for a consolidated payout ratio of 40% or more and to actively pay dividends, taking into consideration its operating results and financial position in each fiscal year as well as the strengthening of the management base and business development in the future.

The Company purchases treasury stock flexibly as part of the distribution of profits, considering financial position and trends in stock prices.

The Company will effectively use retained earnings for investment in business fields expected to grow, the research and development of products, and advancing the recruitment and cultivation of human resources in response to business expansion.

Under Article 459, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that dividends of surplus, etc. shall be paid by resolution of the Board of Directors.

9. Prevention of corruption, including bribery

The Company's management is based on its philosophy. Instead of creating a detailed rule book, the Company posts its management philosophy, standards of conduct, code of conduct, and requirements for services on the intranet and requests each employee to understand the management philosophy, standards of conduct, code of conduct, and requirements of services and act under those rules. In this way, the Company strives to prevent corruption, including bribery.

The Company gathers information as appropriate about bribery and other actions that are contrary to the values that the Company emphasizes chiefly through the whistleblowing system and internal audits. If problems are detected, they will be reported to the Representative Directors or the Board of Directors and the Audit & Supervisory Board as needed. The Representative Directors or the Board of Directors will take strict action against problems under the internal rules, develop measures to prevent recurrence, and make them known to officers and employees.

In the fiscal year ended March 31, 2023, no employees faced disciplinary action due to bribery or other actions. The Company was not subject to any disciplinary action related to bribery or other actions.

The management philosophy, standards of conduct, and code of conduct are posted on the page below.

<https://www.systema.co.jp/about/idea.html>

The requirements for services are not publicly available. They are as follows:

1. Always give cheerful greetings and strive to respond to people in a pleasant manner.
2. Observe strict timekeeping and make maximum effective use of the asset of time.
3. Seek personal improvement through the process of pursuing and achieving goals, and work toward continuous improvement.
4. Strive to improve quality, and strictly observe delivery dates and confidentiality.
5. Think from the viewpoints of others, and act with feelings of gratitude.
6. Accept that both positive and negative events are all the result of our own will and actions, and work positively towards future goals.
7. Inspired by our mission, entrusted with responsibilities, satisfied because of a sense of contributing society, and improve ourselves.
8. Strive to comply with the law and act with righteous moral integrity, and an awareness that a company is a public instrument of society.

10. Political contributions

The Company does not make any political contributions.

Reference Material: Diagram

