

Last Update: June 23, 2023

Shinsho Corporation

President and CEO Takafumi Morichi

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Securities code: 8075

<https://www.shinsho.co.jp/english/>

The corporate governance of SHINSHO CORPORATION (the “Company”) is described below.

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

1. Basic Views

Based on our corporate philosophy, we believe that increasing our corporate value, supporting the manufacturing for tomorrow, and contributing to society through our corporate activities, are ways to meet the expectations of all our stakeholders, including our shareholders and business partners.

Corporate Philosophy

“Integrity” is Shinsho Corporation's Company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values.

Core Values

1. Contribution to tomorrow's manufacturing
2. Corporate activities with compliance
3. Activities in global environment
4. Corporate culture respecting diversity
5. Realization of personal growth

Management Structure

Shinsho Corporation has set as its standard that Independent Outside Directors comprise at least one-third of the Board of Directors' members. The Board of Directors functions to formulate Shinsho Corporation Group's basic philosophy, to conduct management supervision, and to formulate the basic policy on internal control and supervise its implementation. It also serves to strengthen management decision making and supervisory functions, while promoting swift and streamlined management execution within a framework in which Executive Directors and Executive Officers are tasked by the Board of Directors to carry out business execution functions based on the authority delegated by the Representative Director.

The Company has established an Audit & Supervisory Board, in which half of the members are Outside Auditor & Supervisory Board Members. By carrying out supervision of executive-level management and monitoring for conflicts of interests through audits, mainly audits on the legality of business management (business execution), the Audit & Supervisory Board strengthens the supervisory function of management and business execution. In addition, as an advisory body to the Board of Directors, the Company established the Advisory Committee on Appointments and Compensation chaired by an Independent Outside Director. This committee serves to ensure objectivity and fairness in the process for selection and remuneration of executive level management.

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

Shinsho Corporation complies with all of the principles of the revised Corporate Governance Code that took effect in June 2021, including the principles for the Prime Market category of the Tokyo Stock Exchange.

Disclosure Based on the Principles of the Corporate Governance Code Update

[Principle 1.4 Cross-Shareholdings]

Concerning publicly listed shares held by the Company, in addition to the propriety of holding such shares considering its operating policy, Shinsho Corporation confirms and verifies that the combined total of profit and dividends gained by transactions with the issuing company surpasses the Company's weighted average cost of capital (WACC); specifically, the economic rationality, and that those shares determined to be of little significance for the Company to hold are promptly sold. In the fiscal year under review, the Company reduced the number of cross-shareholdings by 8 stocks.

The Company exercises voting rights of cross-shareholdings using a holistic judgement based on impacts it will have on transactions with the Company after confirming that proposals do not cause damage to shareholder value.

[1.7 Related Party Transactions]

The Company has established the Basic Policy on Related Party Transactions. In conducting transactions with related parties, the Company preliminarily deliberates prior to the resolution as necessary, and follows appropriate procedures to prevent transactions that would impair the common interests of the Company and its shareholders. One such effort is a transaction within the range of regular market prices accepted on the basis of trading common sense. In internal monitoring, we audit the appropriateness of the decision on such transactions from the aforementioned perspective. In addition, regarding transactions that would cause conflict of interests between the Company and a Director, the Company preliminarily seeks an approval at the Board of Directors, and in principle, makes the Director report the content of such transactions to the Board of Directors annually in order to examine the adequacy and appropriateness of such transactions. (See the relevant section of the Company's website for the same information.)

[2.4.1 Ensuring Diversity in the Appointment of Core Human Resources, etc.]

○ Approach to Ensuring Diversity

“Corporate culture respecting diversity” forms an integral part of the Company’s Conduct Guidelines and materiality. The Company also recognizes that ensuring diversity is an important issue. In this context, the Company established the Basic Policy of Diversity and it is striving to ensure diversity in the workplace.

In FY2022, the Company launched the Diversity Promotion Project Team, a cross-functional in-house team that transcends the boundaries of each segment, to foster a corporate culture in which employees can fully harness their individuality and capabilities.

Please refer to our Basic Policy of Diversity posted on our website.

https://www.shinsho.co.jp/english/csr/social/env_improvement.html

○ Targets and Action Plan for Ensuring Diversity

The Company seeks to create new value by addressing diverse needs as it strives to utilize its diverse workforce, respect their individuality, and maintain/improve a comfortable workplace environment. Amidst this, the Company’s initiatives for women’s empowerment and work-life balance are positioned as important issues. Additionally, the Company has established an action plan pursuant to the Act on Promotion of Women’s Participation and Advancement in the Workplace (Women’s Advancement Promotion Act) enacted on April 1, 2016. Specific targets include the ratio of women in general career track positions (including general career track positions with restrictions on relocation) at 20% or more and the ratio of female managers at 10% or more by the end of FY2030, along with the ratio of women in general career-track positions and those desiring to switch to general career track positions with restrictions on relocation among the total number of regular hires at 40% every year from FY2022 onwards.

As of March 31, 2023, the ratio of women in general career track positions (including general career track positions with restrictions on relocation) was 11.2% (48) and the ratio of female managers was 2.4% (5). In addition, the ratio of women in general career track positions and those desiring to switch to general career track positions with restrictions on relocation was 55.0% (11 out of 20) among regular hires. Going forward, while implementing a number of initiatives, the Company will continue to encourage the promotion of female managers and activities that provide them a sense of satisfaction at work.

The Company continues to hire foreign nationals out of university, and as of March 31, 2023, there were 18 foreign nationals in general career track positions, including 4 in managerial positions. The Group actively hires employees locally including at its overseas subsidiaries for its corporation operations. Also, the Company has a system in place to accept and develop seconded employees from its overseas subsidiaries.

As for mid-career hiring, as of March 31, 2023, the Company employs 118 persons hired mid-career, with 61 of these in managerial positions.

The Company will continue hiring women, foreign nationals and mid-career workers based on the needs of each workplace and the need for certain skill sets in an effort to develop and promote them to core human resource positions.

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

The Company has adopted a defined contribution pension plan in order to mitigate future risks associated with corporate accounting and to support independent asset formation in line with economic rationality and the life plans of each individual employee. Under the plan, the Company employs a highly specialized financial institution as asset manager, and regularly provides asset management education for employees.

[Principle 3.1 Full Disclosure]

1) Corporate Philosophy, Action Guidelines and Medium Term Management Plan

As described in 1-1. Basic Views of this report, the Company has established a Corporate Philosophy and Core Values (Action Guidelines).

The Company established “A trading company that supports manufacturing for tomorrow and contributes to society” as its long-term management vision, envisioning its ideal image of 10 years in the future. In addition, the Company launched a medium term management plan for achieving greater growth from FY2021. For details, please see the Company’s website.

<https://www.shinsho.co.jp/english/ir/policy/pdf/2023-chuki-e.pdf>

2) Basic Approach/Basic Policy Concerning Corporate Governance

Based on its corporate philosophy, the Company believes that increasing our corporate value, supporting the manufacturing for tomorrow, and contributing to society through our corporate activities, are ways to meet the expectations of all our stakeholders, including our shareholders and business partners. For details, see the Company’s website.

<https://www.shinsho.co.jp/english/csr/governance/>

3) Policy and Procedures for Determining Remuneration

In determining remuneration, it is important to provide the management members with incentives for active management, while having them assume appropriate levels of risk. For this reason, the Company incorporated a stock trust scheme as long-term incentive-based remuneration, in addition to the existing fixed remuneration and performance-linked remuneration as a short-term incentive-based remuneration. This will provide motivation to increasing corporate value continuously over the medium to long term and increase its effectiveness.

4) Policy and Procedures for Selection/Dismissal of Executive Level Management and Nomination of Candidates for Director/Audit & Supervisory Board Member

In selecting candidates for Director and Audit & Supervisory Board Member, the Company selects human resources with quality, knowledge, and experiences appropriate for the shareholders and other stakeholders to entrust the Company’s management, in order to achieve the Company’s basic management policy of “A trading company that supports manufacturing for tomorrow and contributes to society.”

Decision making on proposals related to nomination and remuneration is carried out after preliminary deliberations by the Advisory Committee on Appointments and Compensation, chaired by an Independent Outside Director and a majority of whose members are Independent Outside Directors, in order to ensure the transparency and fairness of the decision-making process of the Board of Directors regarding proposals related to nomination and remuneration.

With regard to the selection of the President and CEO, the Company has established a succession plan that stipulates the requirements and procedures for the selection and appointment of the President and CEO in order to realize the Company's corporate philosophy and management plan and enhance the corporate value of the Company and its Group. In the event that an executive level management engages in serious violation of law or performs inappropriate duties that seriously damage the corporate value and credibility of the Company, the relevant executive level management may be dismissed.

5) Reasons for Selection and Nomination of Individual Director Candidates

For the reasons for selection of Director candidates, please refer to the Reference Documents for the General Meeting of Shareholders.

<https://www.shinsho.co.jp/english/ir/stock/pdf/105reference.pdf>

[Supplementary Provision 3.1.3 Sustainability Initiatives]

In order to further strengthen initiatives for sustainability, the Company established the Basic Policy for Sustainability and important sustainability issues (materiality issues), along with the Sustainability Committee as an advisory body to the Board of Directors.

https://www.shinsho.co.jp/english/csr/basic/basic_policy.html

Additionally, the Group recognizes that response to climate change is an important management issue. The Group is working not only to reduce the CO₂ emissions of the entire Group, but is also endeavoring continuously on social contributions concerning climate change initiatives utilizing its trading company functions. The Company discloses its initiatives following the TCFD’s recommendations on its website.

<https://www.shinsho.co.jp/english/csr/environment/tcf.html>

Fully recognizing that human resources are an important management resource for a trading company, the Company implements and promotes various measures such as reviewing personnel system and recruitment so that diverse human resources can play an active role. In the medium term management plan announced in May 2021, the Company set the goal of introducing a new personnel system and enhancing the training system as part of personnel system reform. In addition, the Company provides all officers and employees with learning tools for self-improvement in order to enhance their abilities. The Company continues working to protect intellectual properties. For details, see the Company's website.

https://www.shinsho.co.jp/english/csr/social/hr_development.html

[Supplementary Provision 4.1.1 Scope of Delegation to Management]

In accordance with internal regulations (Rules of the Board of Directors, Rules of the Management Committee, Rules on the Delegation of Duties, and Rules on Executive Officers, etc.), the Company clearly stipulates the scope of decision-making by the Board of Directors and the scope of delegation of business to the management team, and based on these regulations, the Board of Directors makes management decisions and supervises operations, and Executive Directors and Executive Officers execute business. As a result, decision-making, supervision and business execution are separated, and management is appropriate and swift.

[Principle 4.8 Effective Use of Independent Directors]

The Company has strengthened its management decision-making and supervisory functions based on the basic principle that at least one third of the Board of Directors shall comprise Independent Outside Directors.

In addition, by establishing a system in which Executive Directors and Executive Officers perform business execution functions, the Company promotes swifter, more efficient management execution.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The Company has established the Independence Standards for Outside Directors/ Outside Audit & Supervisory Board Members). In accordance with these standards, the Company confirms that the independence of candidates for Independent Outside Director is ensured in terms of their qualifications, background, and knowledge, as well as their substantive independence.

[Supplementary Principle 4.10.1 Authority and Roles, etc. of Nomination Committee and Remuneration Committee]

With regard to the nomination and remuneration of the management team, voluntary committees, a majority of whose members comprise independent Outside Directors, have been established as an advisory body to the Board of Directors. Each committee is chaired by an Independent Outside Director.

[Supplementary Principle 4.11.1 Approach, etc. to Diversity of the Board of Directors]

The functions of the Board of Directors are based on the functions of management decision-making and supervision, and the composition of the Board of Directors is based on the basic structure of having Independent Outside Directors comprise at least one-third of all Directors. In addition, each Director is a person who is familiar with the management of each business and urgent issues, and the Board of Directors has a balanced and appropriate size composition in terms of qualities, experience, ability, and global perspective.

The Company has established an Audit & Supervisory Board, half of whose members are Outside Audit & Supervisory Board Members. It conducts audits mainly on the legality of management (execution of duties), supervises management, monitors conflicts of interest, etc., thereby strengthening the management and execution supervision functions.

In addition, in order to realize the Company's corporate philosophy and management plan and enhance the corporate value of the Company and the Group, the Company has identified six skills that it expects from Directors and Audit & Supervisory Board Members: (1) management experience, (2) global perspective, (3) sales and marketing, (4) treasury, accounting, and finance, (5) legal affairs and compliance, and (6) sustainability and governance. The Company has prepared a skill matrix table that lists the skills possessed by each Director and Audit & Supervisory Board Member. For details, see the Convocation Notice of the General Shareholders Meeting posted on the Company's website.

<https://www.shinsho.co.jp/english/ir/stock/pdf/105reference.pdf>

[Supplementary Provision 4.11.2 Concurrent Positions of Directors and Audit & Supervisory Board Members]

The Company discloses the status of concurrent positions of Directors and Audit & Supervisory Board Members every year in the Business Report for the General Meeting of Shareholders.

[Supplementary Provision 4.11.3 Evaluation of Effectiveness of the Board of Directors]

1. Purpose of Evaluation

In order to enhance corporate value and meet the expectations of stakeholders, the Company evaluates the effectiveness of the Board of Directors every year with the aim to strengthen the management decision-making and supervisory functions, which are functions of the Board of Directors. In the fiscal year under review, in order to ensure the objectivity and fairness of the effectiveness evaluation and to actively incorporate external opinions, the Company engaged a third-party organization for the second consecutive year to conduct the evaluation of the effectiveness of the Board of Directors.

2. Evaluation Method

In the fiscal year under review, the Company conducted a questionnaire targeting all Directors and Audit & Supervisory Board Members to evaluate the effectiveness of the Board of Directors.

In the fiscal year under review, the Company confirmed matters that are considered important for the effective fulfillment of its roles and responsibilities (composition and operation of the Board of Directors, deliberations on strategies, etc.). In order to conduct evaluations that are objective and transparent, the Company used an external organization to design the questionnaire and analyze and evaluate the results.

In addition, the Board of Directors deliberated on the effectiveness of the Board of Directors for the current fiscal year and the location of issues based on the results of the analysis of the questionnaire.

3. Overview of Evaluation Results

As a result of the deliberations, it was evaluated that Outside Directors constructively stated their opinions during Board of Directors meetings, that it has established an effective risk management system through the Risk Management Committee and that the Board of Directors is functioning effectively. In addition, among the issues identified in the previous fiscal year, the Company confirmed that improvements were made through steady efforts to implement officer training that contributes to stimulating discussions at Board of Directors meetings and to deepen discussions on issues related to sustainability.

On the other hand, in order to further improve effectiveness, the Company recognized the necessity of continuing constructive dialogue with shareholders and investors, appropriately sharing opinions and proposals obtained through dialogue to management and utilizing them in management, providing opportunities for discussions on the promotion of management mindful of capital costs and share price, and deepening the supervision of officers' evaluations and remuneration. Based on the recognition of these issues, the Board of Directors will strive to function more effectively.

[Supplementary Provision 4.14.2 Training for Board of Directors and Audit & Supervisory Board]

Following the Basic Policy on Officer Training, the Company prepares a training plan for the management team including newly appointed officers, Directors, and Audit & Supervisory Board Members. In order for them to acquire knowledge on businesses, finance, organizations, and other fields necessary for fulfilling their roles and responsibilities as Director and/or Audit & Supervisory Board Member, the Company provides training, such as seminars led by outside experts, in a timely and appropriate manner. In FY2022, the Company conducted training for newly appointed officers and held training and seminars on digital transformation (DX), sustainability and governance led by outside experts.

In FY2023, the Company plans to continue providing training for newly appointed officers, training on governance, and training and seminars on diversity and inclusion. The Company encourages officers to actively participate in training and seminars on specialized fields related to the execution of business operations and on topics outside of these specialized fields.

Additionally, the Company provides all officers and employees with learning tools for self-improvement in order to improve their skills.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company's Basic Policy of Investor Relations/Shareholder Relations is as follows:

Basic Policy

The Group positions building long-term relationships of trust with its shareholders and investors as an issue of the upmost importance. We properly provide corporate information necessary for investment decisions and carry out activities that would contribute to the enhancement of corporate value through constructive dialogue, thereby strengthening the bonds of trust with the shareholders and investors.

In addition, please refer to the above Basic Policy, Disclosure Policy, and disclosure targets posted on the Company's website.

<https://www.shinsho.co.jp/english/ir/policy/irsr.html>

The General Affairs Department is the department in charge of IR. It works with the Corporate Planning Department and other internal departments to carry out its duties.

In addition to holding financial results briefings twice a year where the President and Representative Director directly explains to shareholders and investors, the Company also holds individual interviews with shareholders and investors.

The Company has set the one month prior to the announcement of financial results as a silent period and refrains from disclosing information related to financial results. In addition, after the announcement of financial results, interviews with shareholders and investors are conducted by multiple people, including managers, to prevent insider information from being leaked to specific interviewees, and internal information management is also thoroughly compliant with the Rules for Managing the Prevention of Insider Trading.

Principle 5.2 Establishing and Disclosing Management Strategies and Management Plans

The Company has always emphasized return on equity (ROE) as one of its management indicators, and in the fiscal year under review it was 13.6%. In addition, the Company is working on management mindful of the cost of capital, such as repaying borrowings and reducing cross-shareholdings. On the other hand, with regard to investments that form the foundation for our growth, the Company plans to make these investments as necessary while assessing their profitability and future potential.

For details of the Company's business portfolio and investment status, please refer to the FY2022 Financial Results Briefing Materials.

https://www.shinsho.co.jp/ir/pdf/kessan_2022_0511.pdf

(Japanese Only)

2. Capital Structure

Foreign Shareholding Ratio

Less than 10%

Status of Major Shareholders **Updated**

Name or Company Name	Number of Shares Owned	Percentage (%)
Mizuho Trust & Banking Co., Ltd. Kobe Steel, Ltd. Retirement Benefit Trust Account Re-trust Trustee: Custody Bank of Japan, Ltd.	1,906,200	21.53
Kobe Steel, Ltd.	1,179,118	13.32
Shinsho Client Shareholding Association	805,527	9.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	620,500	7.01
Shinsho Employees' Shareholding Association	226,592	2.56
Custody Bank of Japan, Ltd. (Trust Account)	187,200	2.11
SINFONIA TECHNOLOGY CO., LTD.	150,000	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Tokyo Branch, Citibank, N.A.)	121,499	1.37

MUFG Bank, Ltd.	109,280	1.23
Tojiro Ashida	104,600	1.18

Name of Controlling Shareholder, if applicable (excluding Parent Company)

Name of Parent Company, if applicable

Not Adopted

Supplementary Explanation

3. Corporate Attributes

Listed Stock Exchange and Market Segment

Updated

Tokyo Prime Market

Fiscal Year-End

March

Business Sector

Wholesale business

Number of Employees (Consolidated) as of the End of the Previous Fiscal Year

1,000 or more

Net Sales (Consolidated) as of the End of the Previous Fiscal Year

100 billion yen or more and fewer than 1 trillion yen

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year

10 or more and fewer than 50

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

Corporate Governance System	Company with an Audit & Supervisory Board
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Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President and CEO
Number of Directors	6
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yoshio Tano	From another company									△			
Miyuki Nakagawa	Certified Public Accountant						△						

*Categories for "Relationship with the Company".

(Use "○" 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; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Yoshio Tano	○	<p>The Company has a transactional relationship with Kobelco Systems Corporation where Mr. Yano had served as an executive person until March 2021. The transactional value accounts for approximately 0.7% of Kobelco Systems Corporation's net sales. Kobelco Systems Corporation is an equity-method affiliate of Kobe Steel, Ltd., with 51% of the company's shares owned by IBM Japan Ltd. and 49% by Kobe Steel, Ltd.</p>	<p>Yoshio Tano has a management track record and extensive experience as President & CEO of Kobelco Systems. The Company requests his election as Outside Director because it expects that he can utilize this experience for the management of the Company. In addition, the Company determined that his past experience in IT utilization and solutions for all aspects of manufacturing will benefit the Company's promotion of digital transformation (DX) and enhancement of corporate value. The relationship between the Company and his previous employer is detailed at left. The Company has designated him as Independent Officer because it determined that this relationship will not impact his objective, fair and neutral judgements as Outside Director and there is no concern of a conflict of interest between him and general shareholders.</p>
Miyuki Nakagawa	○	<p>Miyuki Nakagawa joined Asahi & Co. (now KPMG AZSA LLC) in October 1995 and retired in August 2018. KPMG AZSA LLC is the Company's accounting auditor, but Ms. Nakagawa was never involved in audits of the Company. The Company's payments account for around 0.07% of KPMG AZSA LLC's total net sales.</p>	<p>Miyuki Nakagawa has extensive accounting experience and insight, having built a career as a certified public accountant. She has also been active in a broad range of other areas, including serving on the panel of a public-sector body. Her wide-ranging experience and knowledge will prove useful in helping the Company build new value. For these reasons, the Company requests her election as Outside Director. Miyuki Nakagawa has never been involved in corporate management other than in the capacity of an Outside Director; nevertheless, the Company believes that she will duly perform her duties as an Outside Director for the above reasons. Ms. Nakagawa served as an executive person at KPMG AZSA LLC until five years ago. The relationship between the Company and KPMG AZSA LLC is detailed at left. The Company has designated her as Independent Officer because it determined that this relationship will not impact her objective, fair and neutral judgements as Outside Director and there is no concern of a conflict of interest between her and general shareholders.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

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

Supplementary Explanation

In order to enhance the transparency and objectivity of the processes for nomination (selection) of executive level management and Directors, the Company has established committees as an advisory body to the Board of Directors. In principle, the Nomination Advisory Committee convenes in March and the Compensation Advisory Committee in June.

Link: <https://www.shinsho.co.jp/english/ir/policy/governance.html>

Audit & Supervisory Board Member

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

In order to conduct audits efficiently, the Audit & Supervisory Board Members collaborate by regularly meeting with the accounting auditor and striving to exchange management information. Regular meetings are held between the Audit & Supervisory Board and the Audit Department, which is the department in charge of internal audits, to exchange opinions on the status of audit implementation, etc.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	1

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		A	b	c	d	e	f	g	h	i	j	k	l	m
Hiroko Kaneko	From another company													
Shinya Miyawaki	From another company							△		△				

*Categories for "Relationship with the Company".

(Use "○" when the officer presently falls or has recently fallen under the category; "△" when the officer fell under the category in the past; "●" when a close relative of the officer presently falls or has recently fallen under the category; and "▲" when a close relative of the officer fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company

- d. An Audit & Supervisory Board Member of a parent company of the Company
- e. Person who executes business of a fellow subsidiary
- f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- g. Major client of the Company or a person who executes business for such client
- h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & Supervisory Board Member compensation from the Company
- i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- j. Person who executes business for a client of the Company (excluding persons categorized as any off, g, or h above) (applies to self only)
- k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- m. Other

Relationship with the Company (2) **Updated**

Name	Independent officer	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Hiroko Kaneko	○	————	Hiroko Kaneko has amassed a wealth of experience and insight mainly regarding personnel and labor matters as an attorney-at-law. The Company designated her as Independent Officer after determining that she can provide useful advice from an objective and neutral standing with a global perspective and she can execute audit operations appropriately. Hiroko Kaneko has never been involved in corporate management other than in the capacity of an Outside Director or Outside Audit & Supervisory Board Member; nevertheless, the Company believes that she will duly perform her duties as an Outside Director for the above reasons.
Shinya Miyawaki		After joining Kobe Steel, Ltd., Shinya Miyawaki later served as Executive Officer and Managing Executive Officer. In June 2015, he became Representative Director and President of Kobelco Research Institute. After retiring from this position in June 2019, he was appointed as Advisor, a position that he retired from in June 2021.	Shinya Miyawaki has many years of experience working at Kobe Steel, Ltd. and management experience as Representative Director of Kobelco Research Institute. The Company selected him as Outside Audit & Supervisory Board Member after determining that he can utilize this experience in fulfilling the role of supervision of the overall management of the Company.

Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & Supervisory Board Members

3

Other Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

The Company's Approach to the Independence of Outside Officers

In addition to the provisions of the Companies Act on Outside Directors and Outside Audit & Supervisory Board Members, the Company has formulated the Independence Standards for Outside Directors/Outside Audit & Supervisory Board Members by referring to the Tokyo Stock Exchange's criteria for determining the independence of independent officers. For details, please see the Company's website.

Link: <https://www.shinsho.co.jp/english/ir/policy/governance.html>

Incentives

Implementation Status of Measures related to Incentives Granted to Directors **Updated**

Introduction of Performance-linked Remuneration Scheme, etc.

Supplementary Explanation for Applicable Items **Updated**

The consolidated business performance of the Company, the performance of the department they are in charge of, etc. are reflected in Director remuneration as evaluation criteria.

In addition, the Company introduced a stock compensation plan in FY2022, in which the Company will deliver and provide Directors with a cash sum equivalent to the conversion value of the Company's shares and the Company's shares in accordance with the role of each Director.

For details, see the “Policy on Determining Remuneration Amounts and the Calculation Methods Thereof” in this report.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

The Company does not disclose remuneration of individual Directors.

Supplementary Explanation for Applicable Items

The Company discloses the total amount for each individual Director and Audit & Supervisory Board Member.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof **Updated**

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

1. Basic Policy on Remuneration

Remuneration for Directors and Audit & Supervisory Board Members is determined within the range of the total amount approved at the General Meeting of Shareholders for each.

(i) Remuneration of Directors

Remuneration paid to Directors is the total amount including remuneration for executive officers, and is determined by resolution of the Board of Directors after deliberation by the Compensation Advisory Committee. Director remuneration consists of fixed remuneration determined by role and performance-linked remuneration that fluctuates according to business performance. Starting in FY2022, in addition to this, the Company introduced a new stock compensation plan for Directors and Executive Officers (excluding Outside Directors and non-residents of Japan, hereinafter “Directors, etc.”) after obtaining approval at the 104th Ordinary General Meeting of Shareholders held on June 24, 2022 in order to further enhance Directors' awareness of their contributions to the medium- to long-term enhancement of business performance and maximization of corporate value.

With the introduction of this plan, the remuneration of Directors, etc. consists of fixed remuneration, performance-linked remuneration as a short-term incentive, and stock-based remuneration as a long-term incentive.

Remuneration for Outside Directors, who are independent from business execution, continues to consist only of fixed remuneration because they assume the role of supervisory function.

(ii) Remuneration of Audit & Supervisory Board Members

Remuneration paid to Audit & Supervisory Board Members consists of fixed remuneration only in light of their role and independence.

2. Policy on Determining the Remuneration of Individual Directors

(i) Details of Remuneration

a) Fixed Remuneration

Fixed remuneration is determined according to role and assigned duties.

b) Performance-linked Remuneration

Performance-linked remuneration as a short-term incentive is evaluated on a 14-point scale based on the degree of achievement of each target and comparison with the previous year's results, etc. for company-wide consolidated performance and the performance of the departments they are in charge of, using ordinary income, which is a numerical target for short-term performance management, as an indicator.

In the case of the lowest evaluation rank among the 14 points, performance-linked remuneration is not paid, and in the case of the highest evaluation rank, the amount of performance-linked remuneration is set at about 33% to 58% of the fixed remuneration amount for each role, and the ratio of performance-linked remuneration to remuneration, etc. is higher for higher role that require accountability for performance.

c) Stock-based Remuneration

The number of points determined by the base amount for each role is determined every year in accordance with the Stock Delivery Regulations so that stock-based remuneration as a long-term incentive is about 10% of the fixed remuneration, and the determined number of points is granted on June 1 of each year.

One point equals one share of the Company's common stock, and Directors receive shares, etc. in accordance with the number of points accumulated at the time of their retirement as Director.

(* Overview of Stock Compensation Plan

The stock compensation plan adopts a Board Incentive Plan (BIP) trust for officers, etc., and is a system in which the Company's shares and cash sum equivalent to the conversion value of the Company's shares are delivered and paid to Directors, etc. according to their role.

With regard to stock-based remuneration, in the event of a serious fraud or legal violation of a Director, etc., the Company has established a system that allows it to disqualify or seize the right of the Director, etc. to receive the Company's shares, etc. under this system (malus), and to request the return of a cash sum equivalent to the Company's shares, etc. delivered (clawback).

(ii) Remuneration Standard

Remuneration for Directors is set by the Compensation Advisory Committee on a regular basis through comparative verification by the committee using objective remuneration survey data from external specialized organizations that mainly benchmark domestic companies with the same size as the Company's business and market capitalization.

3. Reasons Why the Board of Directors Judges that the Details of Individual Remuneration for Each Director for the Relevant Fiscal Year is in Line with the Policy

In order to ensure the transparency and fairness of the decision-making procedures of the Board of Directors regarding remuneration, the Compensation Advisory Committee, a majority of whose members are Outside Officers, deliberates on the appropriateness of the amount of remuneration for Directors in light of the basic policy of the Corporate Governance Code and submits a written opinion to the Board of Directors. The Board of Directors has confirmed that it will make resolutions within the range of the total amount approved at the General Meeting of Shareholders after taking into account the opinions of the Compensation Advisory Committee.

4. Matters Related to the Policy for Determining the Amount of Remuneration, etc. for Individual Audit & Supervisory Board Members

The amount of remuneration for individual Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the total amount of remuneration for Audit & Supervisory Board Members and based on the duties and responsibilities of individual Audit & Supervisory Board Members.

5. Matters Concerning Resolutions at the General Meeting of Shareholders Regarding Remuneration of Directors and Audit & Supervisory Board Members

The maximum amount of remuneration for Directors is no more than 352 million yen per year (no more than 29 million yen per year for Outside Directors), as determined by a resolution of the 99th Ordinary General Meeting of Shareholders held on June 28, 2017.

Stock-based remuneration, which is non-monetary remuneration for Directors, etc., is set separately from the limit from the viewpoint of plan operation. The number of Directors during the fiscal year was 10 (including 4 Outside Directors).

The maximum amount of remuneration for Audit & Supervisory Board Members is no more than 75 million yen per year (no more than 22 million yen per year for Outside Audit & Supervisory Board Members) as determined by a resolution of the 99th General Meeting of Shareholders held on June 28, 2017. The number of Audit & Supervisory Board Members during the fiscal year was 4 (including 2 Outside Audit & Supervisory Board Members).

6. Officer Remuneration Paid to Directors and Audit & Supervisory Board Members in FY2022 was as Follows.

(Including four Directors who retired during FY2022)

173 million yen paid to ten Directors (14 million yen of this amount was paid to Outside Directors)

67 million yen paid to four Audit & Supervisory Board Members (14 million yen of this amount was paid to Outside Audit & Supervisory Board Members)

Support System for Outside Directors and/or Outside Audit & Supervisory Board Members Update

One employee is assigned to assist the duties of the Audit & Supervisory Board Members, upon their request, and is in charge of assisting the audits of the Audit & Supervisory Board Members and at the same time is in charge of the secretariat of the Audit & Supervisory Board. In addition, the Company regularly holds supplementary briefings on its business operations and pre-briefings prior to Board of Directors meetings for outside officers.

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

1) The Company's Board of Directors convenes at least once every month, in principle. It functions as a decision-making body for management and a supervisory body for the business execution of Directors and Executive Officers, by deliberating and deciding upon important matters pertaining to management as well as separately listening to reports from all Directors and Executive Officers on a quarterly basis pertaining to the execution status of their duties and the progress of the Company's performance, etc. Furthermore, the Company has appointed Yoshio Tano and Miyuki Nakagawa as Outside Directors. Both are Independent Officers without concern of conflict of interest with general shareholders.

2) The Company's Management Committee, which is positioned as an advisory body to the President and CEO, comprises full-time Directors, officers in charge of the head office staff departments, and Statutory Audit & Supervisory Board Members. It deliberates in advance on important matters to be submitted to the Board of Directors, discusses the direction of management such as business strategies and other important matters, and examines and reports on specific countermeasures.

3) The Company has introduced the Executive Officer System, which separates the decision-making and supervisory functions of Directors from the functions of business execution. This not only strengthens the supervisory function of the Board of Directors, but also builds a flexible management system that can respond swiftly to changes in the operating environment.

4) The Company has adopted the Audit & Supervisory Board System. The Company's Audit & Supervisory Board comprises four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members. The Audit & Supervisory Board formulates annual audit policies and audit plans, etc., and the Audit & Supervisory Board Members attend important meetings, such as those of the Board of Directors and the Management Committee, to understand the status of management and operations in general, and there is a system in place that allows them to constantly monitor the execution of duties by Directors by viewing and investigating various important documents. Additionally, one employee is assigned to assist the Audit & Supervisory Board Members, and is in charge of assisting the audits of the Audit & Supervisory Board Members and at the same time is in charge of the secretariat of the Audit & Supervisory Board.

Audit & Supervisory Board Members have extensive experience in corporate administration and sales management, and possess considerable knowledge of finance and legal affairs.

5) The Company has established the Advisory Committee on Appointments and Compensation, which serves as an advisory body to the Board of Directors and a majority of whose members are Outside Officers. It functions as an organization that conducts deliberations on the appointment of Directors and Audit & Supervisory Board Members and the remuneration of Directors, etc., and reports to the Board of Directors.

6) With regard to accounting audits, the Company has appointed KPMG AZSA LLC as the accounting auditor. The accounting auditor provides accurate management information and undergoes audits from the accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act from a fair and impartial standpoint as an independent third party. The Certified Public Accountants who executed the Company's accounting audit operations are as follows:

(Names of Certified Public Accountant who executed operations) (Name of the audit corporation they are employed at)
(Continuous audit years)

Appointed limited liability employee/Managing Partner: Kohei Shingaki, Certified Public Accountant KPMG AZSA LLC 7 accounting periods

Appointed limited liability employee/Managing Partner: Takahiro Akiyama, Certified Public Accountant KPMG AZSA LLC 1 accounting period

Appointed limited liability employee/Managing Partner: Daisuke Harada, Certified Public Accountant KPMG AZSA LLC 5 accounting periods

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the Audit & Supervisory Board Member System based on the belief that strengthening this system is the most optimal way to raising the effectiveness of corporate governance. In addition, with the aim of obtaining useful advice from broad perspectives for revitalizing the Board of Directors, the Company has appointed two Outside Directors who have no interests in the Company.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

Supplementary Explanation	
Early Posting of Notice of the General Shareholders Meeting	The Company sends out by postal mail the Convocation Notice of the General Shareholders Meeting in advance of the meeting and also posts it to its website before sending it by postal mail.
Scheduling of General Shareholders Meeting to Avoid Days on which Many Other Companies Hold their Shareholders' Meeting	To the extent possible, the Company schedules the General Shareholders Meeting to avoid days on which many other company hold their shareholders' meetings.
Electronic Exercise of Voting Rights	The Company's shareholders can exercise their voting rights electronically since 2008.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for the electronic exercise of voting rights for institutional investors since 2012.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company has prepared an English language version of the Convocation Notice since 2015 (since 2017 for Business Report) and publishes it on its website.
Other	The Convocation Notice of the General Shareholders Meeting is posted on the Company's website and the Tokyo Stock Exchange website.

2. Status of IR-related Activities

Supplementary Explanation		Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	The Company hosts regular briefings for institutional investors two times a year. The Company also organizes one-one-one meetings with institutional investors as needed.	Held
Online Disclosure of IR Information	Business Report, Consolidated Financial Results, Long-Term Management Vision, IR Briefing Materials, etc.	
Establishment of Department and/or Placement of a Manager in Charge of IR	General Affairs Department (PR/IR)	

3. Status of Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>The Company's Corporate Philosophy and the Code of Corporate Ethics of Shinsho Group contain provisions that require the Company to live up to the trust and expectations of all stakeholders including shareholders, business partners and employees.</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>The Company established its Environmental Policy in January 2000 and obtained ISO 14001 certification in the same year.</p> <p>In April 2022, the Company established the Sustainability Committee and the Basic Policy for Sustainability. The Company identifies important issues (materiality issues) and contributes to a sustainable society in the future through the implementation of measures to address these important issues.</p> <p>In addition, the Group recognizes that responding to climate change is an important management issue, and will continue to contribute to society as it relates to climate change not only through initiatives to reduce CO2 emissions of the entire Group but also through initiatives that make use of our trading company functions.</p> <p>We have set a CO2 reduction target of 46% by 2030 and carbon neutrality by 2050, and we will promote the introduction of green energy. The Company's recent initiatives include handling fuel for biomass power generation in the Ferrous Raw Materials Division, developing a closed-loop business in the Non-ferrous Metals Division in which aluminum panel waste is collected, sorted, and sold to aluminum sheet rolling companies, and investing in the UMI Decarbonization Fund established by Universal Materials Incubator Co., Ltd. by the head office division. The Company is implementing initiatives for the SDGs and decarbonization in this manner, and contributing to a resource-recycling society.</p> <p>In terms of CSR activities, the Company established a CSR Basic Policy and CSR Conduct Guidelines and put an internal system into place to implement these activities. At the same time, the Company participates in the Furugi de Vaccine (Used Clothes with Vaccines) charity campaign, which sends clothing and vaccines to developing countries.</p>
Formulation of Policies, etc. on Provision of Information to Stakeholders	<p>The Company established the Basic Policy of Investor Relations / Shareholder Relations and the Disclosure Policy, and publishes them on its website.</p> <p>https://www.shinsho.co.jp/english/ir/policy/irsr.html</p>

IV. Matters Concerning the Internal Control System

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

System for ensuring the execution of duties by Directors conforms to laws, regulations and the Articles of Incorporation and other systems for ensuring the appropriateness of company operations

The Company has resolved as follows regarding the above systems at meetings of the Board of Directors.

1) System for ensuring the execution of duties by Directors and employees of the Company and the affiliates stipulated in the Rules on Affiliated Companies Management (hereinafter, “the Group”) conform to laws, regulations, and the Articles of Incorporation

1. The Code of Corporate Ethics of Shinsho Group stipulates that the Company will maintain a high level of corporate ethics and comply with laws, regulations and other social norms and company regulations. It also establishes specific standards of conduct to which all officers and employees of the Group must follow.

2. In order to achieve the purpose of the preceding paragraph, the Company has put a system into place to establish and spread awareness of legal compliance within the Group as well as monitor and prevent violations. This system includes preparing and distributing a compliance handbook and conducting training as well as establishing and operating the Compliance Committee and the Shinko Group Internal Reporting System.

3. The Company stipulates in the Code of Corporate Ethics of Shinsho Group that it will take a resolute stance against anti-social forces and groups that threaten the order and safety of civil society and that engage in activities that gain unjust racketeering by interceding in civil disputes and threatening the use of violence, etc. The Company will establish internal systems necessary for the Group and work to eliminate all relationships with anti-social forces.

2) System for ensuring the reliability of the Group’s financial reporting

In order to respond to the internal control reporting system under the Financial Instruments and Exchange Act, the Company has established and operates an internal system to ensure the reliability of the Group's financial reporting in accordance with the Basic Rules on Internal Controls Concerning Financial Reporting.

3) System concerning the retention and management of information related to the execution of duties by Directors

The Company shall record and retain necessary information so that the decision-making of Directors as well as the process and results of the execution of duties are clear. The information to be retained (documents or electromagnetic records), the department responsible for management, the retention period, etc. are determined by internal regulations, and a reliable information management system is in place whereby the storage status of information is checked periodically to prevent its dispersal and/or leakage.

4) Regulations and other systems concerning the management of risk of loss of the Group

1. The Company has identified various risks (risk of loss) based on the characteristics of the Company's business. The Company has established management regulations for each category for major risks such as investment and loans, credit, derivatives transactions, and security export control, etc., and clarifies the departments responsible for management, decision-making authority, internal audit method, and obligations to report to the Board of Directors, etc.

2. The Risk Management Committee monitors the internal control system and operational status through the Risk Management Action Plan, deliberates on various measures and policies for the appropriate implementation of risk management, and submits the results to the Management Committee to strengthen the risk management system of the entire Group.

3. In response to changes in the business environment and legal regulations, etc., the Company reviews and revises various regulations in a timely manner, has established comprehensive companywide risk management regulations, and has established an enterprise risk management system for the Group.

4. The Company has established a system to minimize damage and ensure business continuity by identifying events that may cause serious damage to management, such as accidents, disasters, and system failures of the Group and by clarifying emergency response procedures, emergency systems, and means of information transmission.

5) System for ensuring that the execution of duties by the Group’s Directors are carried out efficiently

1. The Company has adopted the Executive Officer system that clarifies the division of roles in management-level decision-making and business execution, and established a system where, under the supervision of the Board of Directors, Executive Officers (including those who concurrently serve as Representative Director or Director) appointed by the Board of Directors decide on matters delegated to them in accordance with the Rules on the Delegation of Duties and execute their duties, thereby speeding up management and improving management efficiency.

In addition, Executive Directors and Executive Officers report to the Board of Directors on the status of business execution of the Group under their control on a quarterly basis.

2. The Company formulates the Group's medium term management plan and annual budget, and reviews the progress periodically; thereby, enabling the clarification of management strategies and management issues, efficient operations of the business, and appropriate implementation of various measures in response to changes in circumstances.

6) System for ensuring the appropriateness of operations within the Group and system for reporting matters related to the execution of duties by the Directors of affiliates to the Company

1. The Company aims to realize appropriate and sound management of the Group. To this end, the Company identifies the status of legal compliance and risk management at affiliates, and cooperates, instructs, and assists each company to establish and operate an appropriate internal control system according to the actual circumstances of each company in harmony with the Group's policies.

2. The Company, in accordance with its internal regulations, defines the departments with management responsibility of the Group, agenda items, preliminary reporting items, and the approaches of mutual transactions, etc., and based on these regulations, the Company constantly grasps the business conditions of each company, and when necessary, the head office department or the departments with management responsibility conduct audits and investigations.

3. The internal reporting system is available to all officers and employees of the Group, and it enables the provision of information from affiliates.

7) Matters concerning employees who are requested by the Audit & Supervisory Board Members to assist them in their duties, matters concerning the independence of such employees from Directors, and matters concerning ensuring the effectiveness of instructions to such employees

In response to requests from the Audit & Supervisory Board Members, the Company shall assign a full-time person to assist in the audits conducted by the Audit & Supervisory Board Members and at the same time to be in charge of the secretariat of the Audit & Supervisory Board. Decisions on appointment, dismissal, and evaluation shall be made with the prior consent of the Audit & Supervisory Board. The Directors' command and order authority shall not extend to such auxiliary work, but shall be subject only to the command and order authority of Audit & Supervisory Board Members.

8) System for Directors, Audit & Supervisory Board Members, employees, and persons who receive reports from these individuals to report to the Company's Audit & Supervisory Board, system for handling such reports, and other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively

1. A system is in place to report immediately to Audit & Supervisory Board Members, when Directors, Audit & Supervisory Board Members, and employees of the Group discover a risk of significant damage to the Company.

In addition, the Directors, Audit & Supervisory Board Members and employees of the Group shall make appropriate reports at the request of the Audit & Supervisory Board Members at important meetings such as the Management Committee, the Sustainability Committee, the Compliance Committee, the export control officers' council, the Risk Management Committee, and the Investment and Loan Committee, etc., in order for the Audit & Supervisory Board Members to appropriately ascertain the decision-making process and the status of business execution of the Company. Necessary explanations are provided in response to requests from the Audit & Supervisory Board Members regarding major approval documents and other important documents related to the execution of business.

2. In order to conduct audits efficiently, the Audit & Supervisory Board Members shall report to the Board of Directors on annual audit policies, priority audit items, etc., and collaborate by holding regular meetings with the Representative Director, other Directors, accounting auditor, Audit & Supervisory Board Members of the Company's affiliates, etc., in an effort to exchange management information.

3. The Company prohibits Directors, Audit & Supervisory Board Members, employees and persons who receive reports from these individuals from being treated unfavorably due to reports to the Audit & Supervisory Board Members, and has put into place a system to achieve this.

4. When an Audit & Supervisory Board Member makes a request to the Company for advance payment of expenses pursuant to Article 388 of the Companies Act regarding the execution of his/her duties, the Company shall, after deliberation by the department in charge, promptly process such expenses or obligations, except in cases where it is recognized that the expenses or obligations related to the request are not necessary for the execution of duties by the Audit & Supervisory Board Member.

Overview of the management status of systems for ensuring the appropriateness of operations

Compliance system

The Company distributes the Compliance Practice Manual to all Group employees in order to educate all employees about the philosophy of the Code of Corporate Ethics of Shinsho Group. In addition, the Company conducts various training by employee rank and also holds training at Group companies as needed. In terms of its internal reporting systems, the Company made changes to the Rules on Internal Reporting Systems, switching to an internal reporting system that is easier to use by establishing a hotline located at an external business process outsourcing provider and seeks to further protect whistleblowers.

Internal control system related to financial reporting

The Company prepares audit plans and conducts internal audits throughout the year based on the Basic Policy on Internal Controls Concerning Financial Reporting resolved by the Board of Directors.

Document management system

The Company conducted an internal audit in February 2023 pursuant to the Rules concerning the Storage and Management of Information related to the Execution of Duties by Directors and found that there are no issues in terms of the status of the retention and management of information.

Risk management system

The Company accurately manages and addresses the risks facing the Group pursuant to the Risk Management Rules. Regarding the implementation status of such, the Company formulated, evaluated and reviewed the Group's risk management action plan at the Budget Review Council meeting (held in March in Japan and in December overseas) and the Revised Budget Review Council meeting (held in September in Japan and in June overseas). Furthermore, at the meetings of the Risk Management Committee held in May and November 2022, deliberations were held on monitoring of the status of actions and initiatives to address priority issues, etc.

• Implementation status concerning individual risk management items of focus

1) Investment and loan risk

The Investment and Loan Committee identified risks pertaining to the Group's investments and loans in advance in an effort to minimize risks. The committee reviewed investments and loans post execution and examined measures for investments or loans that pose a problem, reporting to the Board of Directors as needed.

2) Risk of divulgence of corporate secrets

Each Group company implemented measures against information security risks (physical security, personal security, and IT infrastructure security) pursuant to the Corporate Secrets Management Rules.

3) Credit risk

Group companies thoroughly managed credit exposure pursuant to the Credit Limit Control Rules and similar regulations of affiliates in Japan and the Credit Limit Control Rules for Overseas Affiliates overseas.

4) Insider trading risk

The Company provided extensive training internally to employees following the Rules for Managing the Prevention of Insider Trading and managed stock trading through the employees shareholding association. For officers, the Company managed the ownership of stocks through the directors' shareholding association in an effort to prevent insider trading.

5) Risk of large-scale disaster

The Company established an emergency contact network, implemented disaster prevention training drills, and managed stockpiles needed in case of an emergency, pursuant to the Rules on Countermeasures against Large-scale Disasters.

System for operational streamlining and business performance management

The Group's business performance is managed using reports on the status of business execution by Directors and Executive Officers made to the Board of Directors on a quarterly basis following the Rules of the Board of Directors. As for the method, the scope of the Group, the department in charge, management responsibilities, preliminary agenda items, etc. are determined in accordance with the Rules on Affiliated Companies Management, and then investigations, audits, and business conditions are ascertained, resolutions or reports are made at the Board of Directors meeting in accordance with the Rules of the Board of Directors and the Rules on the Delegation of Duties, and the situation and issues are grasped, and measures to deal with issues, etc. are discussed. The progress of the first half of FY2022 and the outlook for the second half were deliberated upon at the Revised Budget Review Council meeting (September) and the progress of the second half of FY2022 and budget for FY2022 were deliberated upon at the Budget Review Council meeting (March). The details of which were resolved at meetings of the Board of Directors held in September 2022 and March 2023, respectively.

System for reporting to Audit & Supervisory Board Members and execution of duties by Audit & Supervisory Board Members

The Company operates a system of reporting to the Audit & Supervisory Board Members appropriately in which important matters requiring reporting within the Group are reported promptly after occurrence to the Audit & Supervisory Board from the business execution side in accordance with the Basic Policy on Constructing an Internal Control System and the Audit & Supervisory Board Members' Auditing Standards of Audits.

Meanwhile, all, or after determining a division of duties some, Audit & Supervisory Board Members attended important meetings such as those of the Board of Directors, Management Committee, Sustainability Committee, Compliance Committee, export control officers' conference, Risk Management Committee, Investment and Loan Committee, and Budget Review Committee, etc. Each Audit & Supervisory Board Member states his/her opinion as necessary at important meetings they attend to supervise the execution of duties by Directors. In addition, they meet with Outside Directors, the President and CEO, and accounting auditor

on a quarterly basis to exchange opinions. Audit & Supervisory Board Member also regularly visit Group companies inside and outside of Japan to ascertain the situation and issues of each Group company by conducting interviews of management and field audits.

Furthermore, the Audit & Supervisory Board formulates the annual audit plan (from July to June the following year) for audits conducted by Audit & Supervisory Board Members in July, which it reports to the Board of Directors. As a result, a system is in place where Directors are made aware of the system of supervision of their duties and cooperate.

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

The Company is a member of a special joint organization of monitoring agencies for the prevention of violence organized by the Metropolitan Police Department and the Defense Society of Osaka, and receives guidance and exchanges information.

In addition, in the event of receiving an unreasonable demand from an anti-social force, the General Affairs Department will supervise the response and will respond with a resolute stance in cooperation with the police and other related organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance System

The status of the Company's internal system related to timely disclosure of corporate information is as follows.

Department in charge of timely disclosure

One of the Company's basic policy of management is to disclose appropriate corporate information to investors, and the Company handles information for timely disclosure as follows pursuant to company regulations.

- 1) The aggregation and management of information is carried out by the Officer in charge of the General Affairs Department, who serves as Chief Information Officer.
- 2) The determination of the importance of information and the need for timely disclosure is carried out mainly by the General Affairs Department based on consultations with the Corporate Planning Department, etc. following the Timely Disclosure Rules of the Tokyo Stock Exchange.
- 3) Timely disclosure of corporate information is carried out by the General Affairs Department following the instructions of the Chief Information Officer.

Internal procedures related to timely disclosure of corporate information

- 1) Persons in charge of information management (in principle, the heads of each department) immediately convey and report to the General Affairs Department once they identify information or facts applicable to disclosure.
- 2) The General Affairs Department reports to the Chief Information Officer after deliberations with relevant departments on the determination of the importance of information and the need for timely disclosure, as needed.
- 3) The Chief Information Officer discloses corporate information in a timely manner without delay after obtaining the approval of the Board of Directors for "information on the facts of decisions" and "information on financial results," and instructs the General Affairs Department to disclose "information on the facts of occurrence" when the occurrence of such information is recognized.

