

Last update: July 28, 2022

AEON Fantasy Co., Ltd.

President & Representative Director:

Tokuya Fujiwara

Contact: Fumi Endo

Public Relations and Investor Relations Department

Code number: 4343

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

The status of corporate governance at AEON Fantasy Co., Ltd. is as follows.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**1. Basic Views**

Based on our purpose of, “nurturing children’s enthusiasm to create a world full of smiles”, which is a sublimation of our original corporate policy, AEON Fantasy’s vision is to be “the only edutainment company that provides joyful “play and learning” to the world so that a lot of smiles are brought to the faces of children and their families”. We are engaged in sustainability management as a corporation that contributes to a sustainable society and enhances corporate value. We recognize the importance of corporate governance as one of the most important management issues to accomplish this vision and we are working to build an effective corporate governance structure.

Basic Approach to Corporate Governance

1. We set AEON’s basic principles and our purpose, “pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core,” as a guideline for all our corporate activities.
2. We strive to actively engage in dialogue with customers and stakeholders and we proactively disseminate information to achieve appropriate collaboration.
3. We ensure transparency and fairness in decision-making through appropriate and clear information disclosure.
4. Our Board of Directors indicates growth strategies and management plans based on our management philosophy, supports prompt and bold decision-making, and provides a high level of supervision of effectiveness, to ensure our sustainable growth and to increase our corporate value.
5. We are committed to promoting sustainable management as the core of our corporate activities. We aim to be a company that contributes to a sustainable society and enhances corporate value, and we have established a sustainability policy and set specific initiatives and numerical targets to enhance the effectiveness of our sustainability management.
6. We incorporate feedback and input received through constructive dialogue with shareholders and use them for our sustainable growth and corporate value enhancement.

For details, please refer to our website.

Basic Policy on Corporate Governance (Japanese only)

https://www.fantasy.co.jp/company/ir/management/management_03.html

[Reasons for not implementing Principles of the Corporate Governance Code]

[Principle 4.8 Effective Use of Independent Outside Directors]

AEON Fantasy has appointed two Independent Outside Directors who meet the qualifications for Independent Directors defined by the Tokyo Stock Exchange, and we have enabled discussions based on their independent and neutral opinions at meetings of the Board of Directors. We will work towards the goal of appointing at least one-third of Independent Outside Directors in the future.

[Supplementary Principle 4.8.3 Independent Outside Director Appointment Ratio at Prime Market Listed Companies with a Controlling Shareholder]
AEON Fantasy has appointed two Independent Outside Directors who meet the qualifications for Independent Directors defined by the Tokyo Stock Exchange, and we have enabled discussions based on their independent and neutral opinions at meetings of the Board of Directors. We will aim to appoint at least one-third of Independent Outside Directors, who is independent from the controlling shareholder, and to establish a special committee consisting of independent persons, including Independent Outside Directors.

[Disclosure in Accordance with the Principles of the Corporate Governance Code]

[Supplementary Principle 1.2.4 Electronic Voting]

AEON Fantasy recognizes the need to develop an environment that facilitates the exercising of voting rights and to provide information in English for overseas shareholders, depending on the composition of institutional investors and other shareholders, and we have been posting English translations of our convening notices on our website since FY2016. In FY2021, we enabled electronic exercising of voting rights via the Internet. In FY2022, we began using an electronic voting platform.

[Principle 1.4 Cross-Shareholdings]

(1) Policy on Cross-Shareholdings

AEON Fantasy’s basic policy is not to hold cross-shareholdings unless we recognize the significance of holding it for our company.

(2) Exercising of Voting Rights for Shares Held as Cross-Shareholdings

We decide whether to approve the exercising of voting rights of cross-shareholdings for each proposal, taking into consideration the medium- to long-term corporate value and shareholder return of the cross-holding company and the management situation at that company.

[Principle 1.7 Related Party Transactions]

AEON Fantasy has established the following system to ensure transactions with officers or major shareholders do not infringe on the interests of the Company or our shareholders.

- We clearly state that competitive transactions and conflicts of interest between the Company and our Directors must be approved by the Board of Directors in principle, in accordance with the Companies Act. We follow strict procedures, such as excluding Directors who have a special interest in a transaction from voting on resolutions relating to that transaction.

- We regularly verify the existence of transactions with Directors, Audit and Supervisory Board Members, and major shareholders.

[Supplementary Principle 2.3.1 System for Sustainability from the Perspective of Increasing Corporate Value]

AEON Fantasy has established a system to formulate activity targets and manage progress based on our awareness of the importance of sustainability initiatives, including social and environmental issues. In March 2021, we established a department in charge of promoting the SDGs under the direct control of the President, and we formulated a Sustainability Policy and Materialities through discussions with the management team, which we disclosed on April 8, 2022. We have also established a Sustainability Committee, chaired by the President and Representative Director, as an advisory body to the Board of Directors, and the entire Company has been proactively working together to further evolve the Company's business with respect to best practices and results by taking the initiative in the field, reporting information to the Board of Directors, and receiving advice from Directors.

[Supplementary Principle 2.4.1 Ensuring Diversity in Core Personnel Hiring]

Based on our conviction that it is our employees who are the driving force behind our growth, AEON Fantasy, especially as a global company with an overseas presence, views the promotion of "Diversity and Inclusion" that leverages diverse values, as an important strategy for our sustainable growth, and we are actively working to achieve diversity and inclusion. We actively recruit and appoint talented personnel, regardless of their gender, nationality, or age. In May 2021, we promoted a female, foreign national employee internally to the level of general manager for the first time. We also appointed a mid-career IT professional to the position of general manager within one year of hiring to enable him to play a more active role in the Company.

We have appointed a diversity officer and we are working to create a pleasant working environment, focusing on promoting diversity within the Company by providing regular in-house training and networking opportunities. We have also established a program, Japan Training, as part of our executive training at overseas subsidiaries. A female executive from an overseas subsidiary who participated in the Japan Training program in 2019 was appointed Representative Director and President of that overseas subsidiary in 2022. As part of the new personnel system we introduced in February 2021, we have established a specialist course and designed a system so that employees with skills essential for the development of our business can work more enthusiastically and remain in our employment for many years. We will continue our efforts to secure diverse personnel, including women, foreign nationals, and mid-career hires with various career backgrounds.

<Percentage of Women in Managerial Positions or Higher in Japan and Other Countries>

Plan: 50.0% by 2030

Results: 44.0% in 2021 (Japan 23.4%; other countries 58.4%)

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

AEON Fantasy is a member of the AEON Corporate Pension Plan. This fund is managed to secure, over the long term, the total returns considered necessary, within an acceptable range of risk, for the purpose of reliably paying pension benefits and making lump-sum payments to beneficiaries into the future. In light of the pension fund's financial status, the fund determines and periodically reviews the policy asset mix after listening to the opinions of outside experts. The fund has established the Asset Management Committee, which selects investment products and monitors fund performance quarterly, and decisions are made by the Board of Representatives so as to maximize the interests of beneficiaries and appropriately manage conflicts of interest. This committee includes one delegate from AEON Fantasy. The Asset Management Committee also includes the Chief Financial Officer and external experts.

[Principle 3.1 Full Disclosure]

(1) The Company has disclosed our management philosophy, basic strategies and medium-term management plan on our website and in our financial results briefings.

Management philosophy: <https://www.fantasy.co.jp/company/companyinfo/identity/> (Japanese only)

Basic strategies: https://www.fantasy.co.jp/company/ir/management/management_02.html (Japanese only)

Medium-term management plan: https://www.fantasy.co.jp/company/ir/en/upload_file/m000-Medium-termManagementPlanFY2021to2023.pdf

(2) Our basic policy on corporate governance is described in the Basic Approach section of this report.

(3) Remuneration for Directors is determined by the Board of Directors based on the findings of a voluntary Nomination and Remuneration Advisory Committee, chaired by an Outside Director and comprising a majority of Outside Directors, which reports its discussions to the Board of Directors. See Disclosure of Policy on Determining the Amount of Remuneration and the Calculation Methods later in this report for our policy on determining remuneration, etc.

(4) The voluntary Nomination and Remuneration Advisory Committee reports the results of discussions regarding candidates for Director, that take into consideration their work experience, character, insight, ability, and health, in addition to their understanding of the Company's management philosophy and management policies, to the Board of Directors, and the Board of Directors makes decisions on candidates. The voluntary Nomination and Remuneration Advisory Committee, reports the results of its discussions regarding candidates for Audit and Supervisory Board Member, that take into consideration their wealth of knowledge and experience in various fields, and their ability to appropriately fulfill their role while maintaining objectivity and neutrality, to the Board of Directors, and the Board of Directors makes decisions on candidates following discussion by and consent from the Audit and Supervisory Board.

(5) The reasons for the election and dismissal of Directors and Audit and Supervisory Board Members are disclosed in the Convocation Notice of the Ordinary General Meeting of Shareholders and other documents.

[Supplementary Principle 3.1.2 Disclosure and Provision of Information in English]

We have been proceeding with the disclosure and provision of information in English, taking into consideration the current composition of our shareholders and the effects of such disclosure and provision. We recognize the need to provide information in English for overseas investors in the future, and we have disclosed our "Financial Results" and "Supplementary Materials" in English for the fiscal year ended February 28, 2022. Going forward, we plan to disclose our "Corporate Governance Report" in English.

[Supplementary Principle 3.1.3 Sustainability Initiatives and Disclose and Provision of Information on Investment in Human Capital and Intellectual Property]

We have repeatedly considered the social role required of corporations based on changes society and in the environment surrounding children, and we have sublimated our company motto, which we have been using since our founding, into our "purpose," to add more meaning to our social existence. We announced our purpose earlier this year. At the same time, in order to achieve our "purpose" we have established a "Sustainability Policy", identified "Materiality" and built an "Implementation and Promotion Management System," aiming to be a company that contributes to a sustainable society and to enhance our corporate value. In order to tackle sustainability as a management issue, we have established a Sustainability Committee as an advisory body to the Board of Directors and a Sustainability Club, which has an implementation structure established for each materiality as a subordinate organization, to establish specific initiatives and numerical targets in the future to enhance the effectiveness of sustainability management. We have identified the following six materialities: (1) addressing climate change, (2) initiatives for a recycling-oriented society, (3) contributing to the future of children, (4) deepening communication with local communities, (5) creating an organization in which employees can thrive, and (6) strengthening corporate governance.

In particular, we recognize that addressing issues such as climate change will have an enormous impact on the lives of our customers, including future generations, and on the development of local economies and society. In the future, we will work to reduce electricity consumption and promote initiatives through our businesses as part of our decarbonization efforts based on the Aeon Decarbonization Vision 2050, and we will work to disclose information in line with the framework of the Task Force on Climate-related Financial Disclosures (TCFD), which aims to encourage companies to disclose information on "risks and opportunities" to create a decarbonized society. We will also work to ensure our policies and initiatives are adopted internally and strive to build a relationship of trust with society at large through dialogue with institutional investors, shareholders, and other stakeholders.

In terms of human capital, we understand that human resource development is essential for continuous growth of AEON Fantasy. We have been committed to reforming our educational system and expanded the program since 2019, with the goal of establishing an ideal educational system supporting; "development of human resources who will contribute to the growth of the company through maintenance and promotion of the system

to provide knowledge and skills necessary for the employees in different positions, in which motivated individuals can grow on their own initiative." AEON Fantasy offers company-sponsored training, as well as a system for the employees willing to develop themselves to learn on their own, regardless of their position or employment status (AEON Fantasy Self-Development Program).

A number of employees voluntarily have applied for the courses for which expenses are all covered by the company and participated in them to acquire skills necessary for their work. In the new personnel system introduced in 2021, Store Managers equivalent to Partner Staff Members became full-time employees to secure human resources and efforts have been made to improve on-site capabilities so that we can provide better services to our customers.

With the expansion of our business fields, we also work to protect our intellectual property by making prompt applications for trademark registration both in Japan and overseas. As we consider that our original products and characters are important assets for differentiation from competitors, we are proactively facilitating development of the original products, as well as engaging in branding activities through original characters. Furthermore, we highlight full digitization in the medium-term management plan as a main goal, focusing on digital investments. In addition to improvement of operational efficiency including introduction of face authentication with SSO service, we are committed to investing in the system that will serve as a foundation for new businesses such as MOLLY. ONLINE.

[Supplementary Principle 4.1.1 Roles and Responsibilities of the Board of Directors]

We have established Regulations of the Board of Directors and we have stipulated matters to be deliberated by the Board of Directors in accordance with laws and regulations, etc. as matters to be referred to the Board of Directors. We have also established Occupational Responsibility and Authority Regulations and clarified the scope of the management team's execution of duties, and we have put a framework in place to ensure that these rules and responsibilities are constantly reviewed in response to organizational changes, etc.

[Supplemental Principle 4-1-3 Formulation of A Succession Plan for the CEO, etc.]

The Board of Directors deliberates and determines succession plans for Directors, including the Representative Director and President, and Audit and Supervisory Board Members following deliberations by advisory committees such as the Nomination and Remuneration Committee. We then accelerate the speed of training by dispatching potential successors to the Aeon Group's management training programs and other programs, as well as recommending such individuals to our own management development program, AEON Fantasy Top Seminar, which we introduced in 2020.

<AEON Fantasy Top Seminar>

AEON Fantasy Top Seminar is the highest level training program we offer, with the president as the dean and participants selected from senior management. The program employs experts and entrepreneurs as lecturers who can teach about the real world, and its mission is to teach "the management knowledge required of managers so they acquire the ability to think things through, implement, and be aware as a manager" and to nurture "leaders to make proposals to solve management issues." We take about a year to develop senior management who will lead the next generation. The first session started in January 2020 with 12 participants. In 2021 we promoted three students from the first session to the positions of general manager and Director. Furthermore, we adopt the proposal that offers the most business opportunities from among the final presentations, set up an implementation system, and work toward its realization. The second session, which is still ongoing, started in November 2021 with nine participants. We will continue to identify and train successors.

[Supplementary Principle 4.2.2 Formulation of a Basic Policy for Sustainability Initiatives and Supervision of Investment in Human Capital and Intellectual Property]

In March 2021, we established a department in charge of promoting the SDGs under the direct control of the President, and we formulated a Sustainability Policy and Materiality through discussions with the management team, which we disclosed on April 8, 2022. We also established a Sustainability Committee, chaired by the President and Representative Director, which serves as an advisory body to the Board of Directors and reports the state of initiatives to the Board of Directors. We allocate human resources and investment domestically and internationally under the supervision of the Board of Directors, based on our business portfolio strategy.

[Supplemental Principle 4.3.4 Use and Supervision of Internal Audit and Internal Control Departments by the Board of Directors]

We have assigned a department to be in charge of compliance, an internal audit department, and a department to be in charge of internal controls and we have established an Internal Control Committee that is chaired by a representative Director, to promote compliance and risk management. We have also built a system to maintain compliance management in cooperation with the internal audit department and Audit and Supervisory Board Members. The state of the Internal Control Committee, the state of company-wide internal controls, and the appropriateness of business processes are regularly reported to the Board of Directors, which confirms the operational system. As part of our efforts to build company-wide management, we have appointed a risk management officer to conduct surveys of the current state of risks surrounding the Company and to identify and evaluate risks. Based on the outcome of the surveys, we work to implement prioritized measures, develop regulations, etc., and establish an internal management system.

[Principle 4-9. Independence Standards and Qualification for Independent Outside Directors]

Based on the standards established by law and by the Tokyo Stock Exchange, we prepare our own Standards for Independence of Outside Directors and we appoint candidates for Independent Outside Director based on deliberation and consideration by the Board of Directors. Please refer to Other Matters Relating to Independent Directors below for the Independence Standards for Outside Directors.

[Supplementary Principle 4.10.1 Establishment of a Nomination and Remuneration Advisory Committee Predominantly Made Up of Independent Outside Directors]

Our Independent Outside Directors coordinate with the Board of Directors and play an important role in the decision-making process. We established a Nomination and Remuneration Advisory Committee in 2019. At present, the Nomination and Remuneration Advisory Committee is composed of one internal and two external members, two of whom are female. The Committee is thus structured to provide gender and other diversity and skills perspectives. The Nomination and Remuneration Advisory Committee further strengthens the objectivity and transparency of the selection, evaluation, and decision-making process relating to the nomination and remuneration for Directors and Audit and Supervisory Board Members.

[Principle 4.11 Preconditions for Ensuring the Effectiveness of the Board of Directors and the Audit and Supervisory Board]

The Board of Directors has an overall balance of knowledge, experience, and abilities to effectively fulfill its roles and responsibilities. The Audit and Supervisory Board has appointed one member who is a certified public accountant and who has a wealth of experience and broad insight in accounting and auditing services, and one member who is an attorney, to ensure the effectiveness of the Board of Directors.

[Supplementary Principle 4.11.1 Approach to the Overall Balance of the Board of Directors]

To ensure the effectiveness of the Board of Directors, the Board is currently composed of eight Directors. The Board of Directors is well-balanced, with individuals who have in-depth knowledge of the Company's business, individuals who have knowledge, experience, and expertise in finance, financing and accounting, risk management, and legal compliance, as well as women and individuals with a wealth of new business and international experience. The Board of Directors is composed of an appropriate balance of internal Directors who are familiar with the Company's business and Independent Outside Directors who supervise the management team, including Directors, from an independent and objective standpoint.

[Supplementary Principle 4.11.2 Concurrent Service by Directors and Audit and Supervisory Board Members]

The Company's Directors and Audit and Supervisory Board Members, including Outside Directors and Outside Audit and Supervisory Board

Members devote the time and effort necessary to appropriately fulfill their respective roles and responsibilities, and keep their concurrent positions within reasonable limits. The Company discloses the state of material concurrent positions held by Directors and Audit and Supervisory Board Members annually in our Business Report and other disclosure documents in the Convocation Notice of the Ordinary General Meeting of Shareholders.

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

We ask all Directors and all Audit and Supervisory Board Members to complete an annual "Board of Directors Effectiveness Questionnaire." This year, we received responses from all members in March, and the Board of Directors discussed and self-evaluated the results. As a result, we will be aiming for a board composed of at least one-third Independent Outside Directors in the future, and we will also aim to enhance the knowledge base that the board lacks. Regarding the operation of meetings of the Board of Directors, the Board of Directors confirmed that it will consider optimizing the number of agenda items and transferring authority to subordinate meeting bodies in order to enhance discussions. We will also make improvements in the future to increase the time allotted for advance explanations on important matters and to enhance discussions on strategic issues. We will continue to evaluate the Board of Directors to further improve its effectiveness.

[Supplemental Principle 4.13.3 Internal Audit Department Collaboration with the Board of Directors]

Our internal audit department exchanges information and collaborates with Directors and Audit and Supervisory Board Members as appropriate. The content of audits conducted by the Internal Audit Department is reported to the Board of Directors and the Audit and Supervisory Board as appropriate. We have established a system capable of responding as necessary in which the Administration Supervisory and General Affairs Group has been put in charge of communicating and coordinating between Outside Directors, Outside Audit and Supervisory Board Members and the Company.

[Supplementary Principle 4.14.2 Training Policy for Directors]

We continuously provide necessary training and training opportunities relating to compliance, governance and other topics in order for Directors and Audit and Supervisory Board Members to fulfill their roles and responsibilities. We also provide Outside Directors and Outside Audit and Supervisory Board Members with opportunities to visit stores, etc. when they assume office to deepen their understanding of our business and we continue to provide necessary information, including knowledge of our business, after they assume office.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

We have established a Basic Policy on Constructive Dialogue with Shareholders and we have established a system to promote constructive dialogue with shareholders, in which the department in charge of investor relations serves as the point of contact for dialogue with shareholders.

Basic Policy on Constructive Dialogue with Shareholders

- (1) We actively engage in constructive dialogue through IR activities to build good relationships with investors, including shareholders.
- (2) Dialogue with shareholders is centered around the department in charge of investor relations, which strives to realize construction dialogue by organically collaborating with the finance and accounting department, the general affairs department, and other departments.
- (3) When a shareholder requests an individual meeting, we agree to the meeting if we determine that dialogue will be conducted from the perspective of contributing to our sustainable growth and medium- to long-term enhancements in our corporate value.
- (4) We hold regular financial results briefings for shareholders and investors twice a year, and we establish opportunities to provide explanations through small meetings and other means, as necessary.
- (5) We disclose explanatory materials for financial results briefing and other information on our website.
- (6) Opinions, etc. obtained through dialogue with shareholders and investors are reported and discussed at meetings of the Board of Directors and Management Meetings, and efforts are made to reflect opinions in dialogue with shareholders and investors.
- (7) When engaging with shareholders, we handle undisclosed material facts on the basis of equality between shareholders, and we manage information in accordance with our Regulations Concerning Internal Information Management and Insider Trading so as to comply with the Financial Instruments and Exchange Act and other related legislation and not to infringe on insider information.

[Supplementary Principle 5.1.1 Shareholder Meetings with Senior Management, Outside Directors or Audit and Supervisory Board Members]

We have developed a system for meeting with shareholders in an appropriate manner, and the Representative Director and President, or Directors and IR staff meet with shareholders who visit the Company, to a reasonable extent, to address their needs. When a shareholder requests a meeting with senior management, Outside Directors or Audit and Supervisory Board Members, we agree to such meetings if we determine that dialogue will be conducted from the perspective of contributing to our sustainable growth and medium- to long-term enhancements in our corporate value.

2. Capital Structure

| | |
|----------------------------|---------------|
| Foreign Shareholding Ratio | Less than 10% |
|----------------------------|---------------|

[Major Shareholders]

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| AEON Co., Ltd. | 13,003,581 | 65.78 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 668,500 | 3.38 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account) | 452,400 | 2.29 |
| JPLLC-CL JPY | 181,058 | 0.92 |
| Maxvalu Nishinohon Co., Ltd. | 114,998 | 0.58 |
| AEON Financial Service Co., Ltd. | 114,998 | 0.58 |
| Aeon Mall Co., Ltd. | 114,998 | 0.58 |
| Aeon Fantasy Kyoeikai | 114,998 | 0.46 |
| Custody Bank of Japan, Ltd. (Trust Account 1) | 78,200 | 0.40 |
| COX Co., Ltd. | 76,664 | 0.39 |

| | |
|---|---|
| Controlling Shareholder (except for Parent Company) | --- |
| Parent Company | AEON Co., Ltd. (Listing: TSE, Code: 8267) |

Supplementary Explanations

3. Corporate Attributes

| | |
|---|------------------------------------|
| Listed Stock Market and Market Section | Prime Market, Tokyo Stock Exchange |
| Fiscal Year End | February |
| Type of Business | Service Industry |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | More than 1,000 |
| Sales (consolidated) as of the End of the Previous Fiscal Year | From ¥10 billion and ¥100 billion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | Less than 10 |

4. Guidelines for Policy to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

The Company is a member of a corporate group consisting of its parent company, AEON Co., Ltd. and AEON's consolidated subsidiaries and equity method affiliated companies. AEON Co., Ltd. our parent company, holds 68.45% (direct holding of 65.93%) of the voting rights in the Company through the Group, including its subsidiaries. In the course of our business operations, the Company leases stores from AEON Retail Co. Ltd., a subsidiary of AEON Co., Ltd. When conducting transactions, the Company makes decisions on transaction based on reasonable judgments after negotiations based on market prices, in the same way as when conducting general transactions. When conducting such transactions, the Board of Directors strives to ensure that the interests of minority shareholders are not harmed by discussing transactions in accordance with laws, regulations, and internal rules and confirming that the terms and conditions are equivalent to those of general transactions before deciding whether to conduct the transactions. Going forward we will continue to maintain a system to protect minority shareholders.

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

The Company is a member of a corporate group consisting of its parent company, AEON Co., Ltd. and AEON's consolidated subsidiaries and equity method affiliated companies. The core of our service business is the installation and operation of amusement facilities in shopping centers in Japan, China, and ASEAN countries. As a member of the Aeon Group, we share AEON's basic philosophy of, "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core" as our purpose of "nurturing children's enthusiasm to create a world full of smiles," and we conduct daily business operations based on our own judgment. We strive for sustainable growth, development, and improvements to our performance while maintaining a close cooperative relationship with AEON Co., Ltd. and Aeon Group companies, while fully respecting each other's autonomy and discipline. With regard to our management decision-making, the Board of Directors currently consists of eight Directors, two of whom are Outside Directors, and both of the Outside Directors are designated as independent officers. The Company is a company with an Audit and Supervisory Board, three of whose four members are Outside Audit and Supervisory Board Members, of whom two are designated as independent officers. AEON Co., Ltd., our parent company, holds 68.45% (direct holding of 65.93%) of the voting rights in the Company through the Group, including its subsidiaries. However, our daily business operating system, the supervision by Outside Directors of the Board of Directors, and our system of Outside Audit and Supervisory Board Members on the Audit and Supervisory Board do not prevent us from making independent management decisions and we recognize that a certain degree of independence from the parent company is ensured. We have established a Nomination and Remuneration Advisory Committee, which consists of three members, two of whom are Outside Directors and is chaired by an Outside Director to ensure independence and objectivity with respect to the appointment of Directors and their remuneration. Going forward we will strive to protect minority shareholders by strengthening our governance structure.

The Policy on Governance of Listed Subsidiaries, established by our parent company AEON Co., Ltd., states that AEON promotes integrated group management while respecting the autonomous management of group companies, and we recognize that maximizing cooperation and synergy with AEON Group companies will benefit minority shareholders.

// Business Management Organization and Other Corporate Governance Systems Relating to Decision-making, Business Execution, and Management Oversight

1. Organizational Structure and Operations

| | |
|-------------------|--|
| Organization Form | Company with Audit and Supervisory Board Members |
|-------------------|--|

[Directors]

| | |
|---|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 12 |
| Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board | President |
| Number of Directors | 8 |
| Appointment of Outside Directors | Appointed |
| Number of Outside Directors | 2 |
| Number of Outside Directors Designated as Independent Officers | 2 |

Outside Director Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|--|
| | | a | b | c | d | e | f | g | h | i | j | k | | |
| Kazuko Ohya | From another company | | | | | | | | | | | | | |
| Mami Yamashita | From another company | | | | | | | | | | | | | |

* 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

a Executive of the Company or its subsidiaries

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

c Executive of a fellow subsidiary company of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the Company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit and Supervisory Board member

g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h 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)

i Executive of a company, between which the Company and Outside Directors/Outside Audit and Supervisory Board members are mutually appointed (the Director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k Others

Outside Directors' Relationship with the Company (2)

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment |
|----------------|-------------------------------------|---|--|
| Kazuko Ohya | ○ | <Significant concurrent positions outside the Company> Outside Director, Asahi Mutual Life Insurance Company | Kazuko Ohya has been applying her abundant experience in global company management, which includes serving as a senior manager and Audit and Supervisory Board Member in a company that operates business in countries around the world, and her extensive knowledge to proactively offer her opinions and advice on important matters related to the management of the Company in deliberations by the Board of Directors. Accordingly, the Company appointed her as an Outside Director as it deems it would be most appropriate to continue receiving her supervision relating to the management of the Company. |
| Mami Yamashita | ○ | <Significant concurrent positions outside the Company> Representative Director, Kokoruku, Inc. Board Member, General Incorporated Association Learning Journey Outside Director, HONDA TSUSHIN KOGYO CO., LTD. | Mami Yamashita has been active as a senior manager for many years, and possesses an extremely abundant amount of experience and knowledge related to starting a business and management. The Company appointed her as an Outside Director as it deems she will provide a high level of guidance and advice regarding overseas development and new businesses, which are indispensable for the future growth of the Company as she has a high level of understanding concerning international business and an advanced ability to analyze information in Japan and overseas because of her experience studying abroad and working at an American investment bank. |

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

Established

Establishment of optional committees, members of the committees, and attributes of the chairperson of the committees

| | Committee Name | Total Number of Members | Full-time Members | Inside Directors | Outside Directors | Outside Experts | Other | Committee Chairperson |
|--|--|-------------------------|-------------------|------------------|-------------------|-----------------|-------|-----------------------|
| Optional Committee Corresponding to the Nomination Committee | Nomination and Remuneration Advisory Committee | 3 | 0 | 1 | 2 | 0 | 0 | Outside Director |
| Optional Committee Corresponding to the Remuneration Committee | Nomination and Remuneration Advisory Committee | 3 | 0 | 1 | 2 | 0 | 0 | Outside Director |

Supplementary Explanation

[Audit and Supervisory Board Members]

| | |
|---|-------------|
| Establishment of Audit and Supervisory Board | Established |
| Maximum Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation | 4 |
| Number of Audit and Supervisory Board Members | 4 |

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

At AEON Fantasy, Audit and Supervisory Board Members, accounting auditors, and the business audit office exchange opinions from time to time and work together to monitor the state of the Group's business operations, identify issues, point them out, and make recommendations for improvement.

| | |
|--|-----------|
| Appointment of Outside Audit and Supervisory Board Members | Appointed |
| Number of Outside Audit and Supervisory Board Members | 3 |
| Number of Outside Audit and Supervisory Board Members Designated as Independent Officers | 2 |

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

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|--------------------|-----------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Yoshihiko Takegaki | From another company | | | | | △ | | | | | | | | |
| Shigeji Sugimoto | Certified public accountant | | | | | | | | | | | | | |
| Shion Okamoto | 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

a Executive of the Company or its subsidiaries

b Non-executive director or accounting advisor of the Company or its subsidiaries

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

d Audit and Supervisory Board Member of a parent of the Company

e Executive of a fellow subsidiary company of the Company

f A party whose major client or supplier is the Company or an executive thereof

g Major client or supplier of the Company or an executive thereof

h Consultant, accountant or legal professional who receives a large amount of monetary remuneration or other property from the Company besides remuneration as an officer

i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j Executive of a client or supplier company of the Company (which does not correspond to any of "f", "g", or "h") (the Audit and Supervisory Board Member himself/herself only)

k Executive of a company, between which the Company and Outside Directors/Outside Audit and Supervisory Board members are mutually appointed (the Audit and Supervisory Board Member himself/herself only)

l Executive of a company or organization that receives a donation from the Company (the Audit and Supervisory Board Member himself/herself only)

m Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment |
|--------------------|-------------------------------------|--|---|
| Yoshihiko Takegaki | | <Significant concurrent positions outside the Company> Outside Audit and Supervisory Board Member, AEON ENTERTAINMENT CO., LTD. General Auditor, AEON Fantasy (China) Co., Ltd. | Yoshihiko Takegaki has been involved in the business management at AEON Hokkaido Co., Ltd. for many years. He has served in various posts in the areas of Sales and Administration and has contributed to the growth and development of that firm. The Company appointed him as an Outside Audit and Supervisory Board Member as it expects him to apply his abundant experience and broad insight to provide supervision of overall management and valuable advice. |
| Shigeji Sugimoto | ○ | <Significant concurrent positions outside the Company> Outside Audit and Supervisory Board Member, NIPPON STEEL TRADING CORPORATION Outside Audit and Supervisory Board Member, AEON Bank, Ltd. Outside Audit and Supervisory Board Member, OSAKA STEEL CO., LTD. | Shigeji Sugimoto has been involved in accounting audit work over many years as a certified public accountant at an audit corporation. The Company appointed him as an Outside Audit and Supervisory Board Member as it expects him to apply his abundant experience in accounting audits and broad insight to provide supervision of overall management and valuable advice. |
| Shion Okamoto | ○ | <Significant concurrent positions outside the Company> Engagement Manager of Finance Management Division, Z Holdings Corporation | Shion Okamoto is an attorney at law in Japan and the U.S., and has engaged in projects in Japan and overseas, primarily M&A, corporate restructuring and corporate legal affairs. In addition, she has experience and knowledge related to new business. The Company appointed her as an Outside Audit and Supervisory Board Member as it expects her to apply her abundant experience and wide-ranging knowledge to provide supervision of overall management and valuable advice. |

[Independent Officers]

Number of Independent Officers

4

Other Matters Relating to Independent Officers

[Standards for Independence of Outside Directors]

The Company has established the following independence requirements for Independent Directors (including candidates), which are conditions for appointment. Independent Directors maintain the independence requirements set forth below after assuming office, and their independence is verified by the Board of Directors based on these independence requirements when assuming a key position.

1. Individuals who are not currently a Director (excluding an Outside Director), Audit and Supervisory Board Member (excluding an outside Audit and Supervisory Board Member) or employee of the Company or its subsidiaries, and who have not been a Director (excluding an Outside Director) or Audit and Supervisory Board Member (excluding an outside Audit and Supervisory Board Member) of the Company or its subsidiaries during any of the past 10 business years.

2. Individuals who have not been a Director (excluding an Outside Director), Audit and Supervisory Board Member (excluding an outside Audit and Supervisory Board Member), executive officer or corporate executive officer, or employee of the Company's parent company(*1) or fellow subsidiary company(*2) during any of the past five business years.

(*1) "Parent company" means a company, etc., that controls the organization (general meeting of shareholders and other similar bodies) that determines the Company's financial and operating or business policies.

(*2) "Fellow subsidiary company" means a company that has the same parent company as the Company.

3. Individuals who have not been a Director, Audit and Supervisory Board Member, executive officer or corporate executive officer, or employee of a company that is a major shareholder of the Company(*) during any of the past five business years.

(*) "Major shareholder" means a company that holds 10% or more of the total voting rights.

4. Individuals who are not a Director, Audit and Supervisory Board Member, executive officer or corporate executive officer, or employee of a major client(*) of the Company or its subsidiaries.

(*) A "major client" is a company whose payments or receipts from transactions with the Company or its subsidiaries accounted for 2% or more of the consolidated net sales of the Company or the client (including its parent company and significant subsidiaries) in the most recent business year or any of the past three business years.

5. Individuals who are not a trustee or other Director, Audit and Supervisory Board Member, executive officer or corporate executive officer, or employee of a corporation or organization, etc. that has received large donations(*) from the Company or its subsidiaries.

(*) A "large donation" means an amount exceeding the greater of either 10 million yen per year or 2% of the receiving party's consolidated sales or total revenue on average over the past three business years.

6. Individuals who are not a representative employee, employee, partner, or member of staff at a financial auditor of the Company or its subsidiaries who has actually performed audit work for the Company or its subsidiaries during any of the past five business years.

7. Individuals who are not a lawyer, certified public accountant, or consultant, etc. who receives a large amount of money(*) or other assets from the Company or its subsidiaries other than officer remuneration.

(*) A "large amount of money" means an amount exceeding 10 million yen per year if an individual or the greater of either 10 million yen per year or 2% of the organization's consolidated sales on average over the past three business years if an organization.

8. Individuals who are not a spouse, relative within the second degree of kinship, cohabiting relative, or a person who shares living expenses with a person who falls under any of the following:

- (1) Director, Audit and Supervisory Board Member, or an important employee(*) of the Company or its subsidiaries
 - (2) A person who has been a Director, Audit and Supervisory Board Member, or important employee of the Company or its subsidiaries during any of the past five business years
 - (3) A person whose appointment is restricted in items 2. to 7. above
- (*) An "important employee" means an employee a general manager or higher ranking employee.
9. Any Other individual whose independence when performing duties as an independent outside officer is not in doubt.

[Incentives]

Incentive Policies for Directors

Introduced Performance-linked remuneration and stock options

Supplementary Explanation

In May 2007, AEON Fantasy abolished its retirement benefit plan for officers, and limited remuneration, etc. to no more than 400 million yen. We also expanded the performance-linked portion of monetary remuneration to no more than 360 million yen per year. In addition, the Company has decided to introduce stock-based remuneration stock options, with an annual value of no more than 40 million yen per year and a maximum of 32,000 shares per year. The aim of stock-based remuneration is to further raise the linkage between remuneration, etc. for Directors and the Company's performance and share value, and to share not only the benefits of stock price increases but also the risks of stock price decreases with shareholders, thereby raising the awareness and morale of Directors to improve the Company's performance and increase corporate value. This plan was approved at the 11th Ordinary General Meeting of Shareholders.

Persons Eligible for Stock Options

Internal Directors

Supplementary Explanation

In order to ensure independence with respect to remuneration, etc. for Outside Directors and Audit and Supervisory Board Members, the Company has not adopted a performance-linked remuneration or stock-based remuneration stock options plan, and only pays Outside Directors and Audit and Supervisory Board Members fixed monthly remuneration.

[Director Remuneration]

Disclosure (of Individual Directors' Remuneration)

No individual disclosure

Supplementary Explanation

The total amount of remuneration for Directors and Audit and Supervisory Board Members for the fiscal year ended February 28, 2022 is as follows:

Remuneration paid to Directors: 113 million yen

Remuneration paid to Audit and Supervisory Board Members: 19 million yen

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for the Company's Directors is determined through a highly objective and transparent process, based on findings reported to the Board of Directors at consultations by the Nomination and Remuneration Advisory Committee, which is chaired by an Outside Director and is comprised of a majority of Outside Directors.

1. Remuneration Policy

(1) Principle and objective of the remuneration system

- The Company's Directors shall continuously take on challenges and contribute to the sustainable growth of the Company based the Basic Principles.
- The Company's Directors shall receive remuneration in accordance with the roles expected of officers and the degree of achievement of management objectives.

(2) Basic remuneration system policy

- The remuneration system shall be highly fair so as to be understood and endorsed by stakeholders.
- The system shall be linked to the Company's performance to create a strong motivation to execute management strategy.
- The level of remuneration shall be such that it secures, retains, and motivates human resources responsible for management.
- The remuneration system shall be reviewed appropriately as needed, in light of the Company's business environment and performance.

2. Directors' remuneration

(1) Basic remuneration

- A fixed amount of monthly monetary remuneration determined based on individual assessments shall be paid within the standard amounts set for each position.
 - (2) Performance-based remuneration
 - The standard amount for each position is determined by multiplying the company-wide performance remuneration, which is calculated using a coefficient (0% to 200%) based on the achievement rate of the consolidated ordinary income budget, by an individual coefficient (80% to 120%) based on the level of contribution to the business, etc. they are in charge of.
 - The weight of performance-based remuneration as a percentage of total cash remuneration that combines standard remuneration, should be between 25% and 45%, with the weight increasing for higher positions.
 - (3) Stock-based remuneration stock options
 - The Company allots stock acquisition rights as stock-based remuneration stock options that reflect business performance for the purpose of increasing Directors' motivation to continuously improve business performance and increase corporate value by increasing the linkage between the share price and business performance and remuneration, and by sharing not only the benefits of a rise in the share price but also the risks of a decline in the share price with shareholders.
 - The number of stock acquisition rights allotted shall be determined after the end of the fiscal year based on performance during the relevant fiscal year with regard to the standard number by position.
 - (4) Remuneration for Outside Directors
 - Basic remuneration is paid to Outside Directors.
3. Process for determining Director remuneration
- (1) A Nomination and Remuneration Advisory Committee has been established under the Board of Directors which is chaired by an Outside Director and is comprised of a majority of Outside Directors.
 - (2) The Nomination and Remuneration Advisory Committee discusses the policy for assessing the performance of Directors and the appropriateness of performance evaluation and basic and performance-based remuneration payment levels, and reports its findings to the Board of Directors.
 - (3) The Board of Directors resolves the payment of basic and performance-based remuneration based on such findings, and delegates the decision on the amount remuneration for each Director to the Representative Director and President. The delegated authority consists of the amount of each Director's basic remuneration and performance-based remuneration based on the performance of the business, etc. that he or she is responsible for.

END

[Support System for Outside Directors (Outside Audit and Supervisory Board Members)]

Support for Outside Directors and Outside Audit and Supervisory Board Members is provided by the General Affairs Group. When holding meetings of the Board of Directors, the Company takes necessary actions to ensure that appropriate decisions can be made, such as providing advance explanations of agenda items.

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

- (1) The Company has eight Directors (including two Outside Directors). The Board of Directors meets once a month and holds extraordinary meetings as necessary. The four Audit and Supervisory Board Members also attend meetings. Each Director deliberates and resolves statutory matters to be resolved and matters to be discussed as stipulated in the Regulations of the Board of Directors, and actively exchange opinions, including active opinions and advice from Outside Directors and Audit and Supervisory Board Members, to strengthen management supervisory functions and internal control functions.
- (2) The Company has established a Management Meeting to deliberate and report on important matters other than matters mostly proposed by the Board of Directors. The Management Meeting consists of Executive Directors, full-time Audit and Supervisory Board Members, and general managers, and meets once a month to engage in lively discussions by actively exchanging opinions, thereby enabling prompt decision-making and information sharing.
- (3) The Company is a company with Audit and Supervisory Board Members and the Company has four Audit and Supervisory Board Members (including three Outside Audit and Supervisory Board Members). The Audit and Supervisory Board meets once a month and holds extraordinary meetings as necessary. At Audit and Supervisory Board meetings, each Audit and Supervisory Board receives reports on and discusses and resolves important matters relating to audits. Full-time Audit and Supervisory Board Members attend meetings of the Board of Directors and other important meetings related to the execution of business and are entitled to make necessary statements and inspect records of meetings and important documents, such as approval documents, at any time. Audit and Supervisory Board Members exchange information as appropriate with the internal audit department and the accounting auditor, and strive for highly effective audits.
- (4) The Company has appointed Deloitte Touche Tohmatsu LLC to perform accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. The names of the certified public accountants who performed audits during the current fiscal year and the assistants involved in the auditing services are as follows:
 - Name of the Certified Public Accountant who performed the audit
 - Yuji Takei, designated member with limited liability and managing member
 - Takuya Sumida, designated member with limited liability and managing member
 - Accounting and auditing service assistants:
 - 3 certified public accountants, 10 others

3. Reasons for Adoption of the Current Corporate Governance System

The Company is a company with an Audit and Supervisory Board and the Company has appointed two Outside Directors and three Outside Audit and Supervisory Board Members. The Company clearly separates management decision-making, business execution, supervision, and management oversight functions and has adopted the current system in the belief that the Audit and Supervisory Board, Outside Directors, and Outside Audit and Supervisory Board Members provide objective and neutral management oversight functions. Going forward the Company will undertake initiatives to strengthen the management oversight function and work to further enhance corporate governance.

/// Implementation of Measures for Shareholders and Other Stakeholders

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

| | Supplementary Explanations |
|---|---|
| Early Dispatch of Convocation Notice for the General Meetings of Shareholders | We dispatched the convocation notice 22 days prior to our general meeting of shareholders. |
| Scheduling Meetings to Avoid Peak Meeting Days | We held our general meeting of shareholders on May 18, 2022. |
| Allowing Electronic Exercise of Voting Rights | We allow shareholders to exercise their voting rights by postal mail or via the Internet when not present on the day of the meeting, and a notice to that effect is included in the convocation notice. |
| Participation in Electronic Voting Platform and Other Initiatives to Enhance the Environment for the Exercising of Voting Rights by Institutional Investors | We adopted an electronic voting platform from the general meeting of shareholders in 2022. |
| Providing Convocation Notice (Summaries) in English | The Company provided an English version of our convocation notice (narrow defined and reference documents) in 2022. |

2. IR Activities

| | Supplementary Explanation | Explanation by Representative |
|---|---|-------------------------------|
| Regular Investor Briefings for Individual Investors | The Company holds briefings in various locations within Japan roughly once a year | Yes |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds briefings on interim and full year financial results, and simultaneously streams video of the briefings on our website. | Yes |
| Posting of IR Materials on Website | The Company posts the latest information makes past financial statements available in our library. | |
| Establishment of Department and/or Manager in Charge of IR | The Company has established the Public Relations and Investor Relations Department has been established as the dedicated department in charge of IR. | |
| Other | The Company holds individual meetings with institutional investors as well as briefing sessions for individuals as appropriate, and posts videos of these meetings on our website in an effort to promote timely and fair disclosure. | |

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanations |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | All employees, including officers, endeavor to comply with corporate ethics by clarifying the standards of conduct to be followed with respect to customers, local communities, society, business partners, shareholders, and employees, based on the Aeon Code of Conduct established by the Aeon Group. |
| Implementation of Environmental Activities, CSR Activities etc. | The Company actively promotes social contribution and environmental preservation activities, is engaged in the following activities to continuously raise our corporate value and contribute to local communities as a good corporate citizen. <ul style="list-style-type: none">- Earthquake reconstruction support activities- Child support activities- Environmental conservation activities |
| Development of Policies on Information Provision to Stakeholders | The Company is aware that disclosing information is an important management issue, and that the proper disclosure of easy-to-understand information is necessary for obtaining understanding from stakeholders. In addition to disclosures required by laws and regulations, we will proactively disclose information deemed important to stakeholders (includes non-financial information) via our website. |

IV. Matters Related to the Internal Control System

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

The Company has established the following Basic Policy on the Establishment of an Internal Control System in accordance with Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act.

1. System to ensure that the execution of the duties of Directors and employees of the Company and its subsidiaries complies with laws, regulations, and the Articles of Incorporation

(1) The Company and its subsidiaries work to build better community relations and fulfill our social responsibilities as a corporation and thoroughly ensure that our Directors and all employees comply with the Aeon Code of Conduct, which emphasizes compliance management.

(2) The Company has established an internal control committee, that is chaired by the Representative Director, to promote compliance and risk management and we have built a system to maintain compliance management in cooperation with the internal audit department and Audit and Supervisory Board Members.

(3) The Company participates in our parent company's internal reporting system, and matters concerning the Company are reported to the relevant officers of the Company, and serious matters are reported to the Board of Directors and the Audit and Supervisory Board, as well as to the Audit and Supervisory Board of the parent company.

2. System to retain and manage information concerning the execution of duties by the Company's Directors

(1) The minutes of each meeting are prepared and kept by the secretariat in accordance with internal regulations, and the decision-making documents related to decisions by Directors are properly kept and managed by the department in charge of administration. These important documents are available for inspection by Directors at all times.

(2) The Company properly manages information in accordance with internal rules such as the Information Security Management Rules and the Personal Information Security Management Rules, and reviews the rules in a timely manner.

3. Rules and other systems concerning the Company's management of the risk of loss

(1) The Company has appointed an employee in charge of a risk management to assume and categorize specific risks in advance, and has established and revises rules and manuals, etc., as appropriate, to take countermeasures in advance.

(2) The Company's Risk Management Subcommittee deliberates issues and measures related to the promotion of risk management throughout the entire Group, and reports to the Internal Control Committee and the Board of Directors.

(3) In an emergency, the Company establishes a response task force in accordance with internal rules and develops a system to prevent and minimize the spread of damage. The Company develops a system to coordinate and cooperate with our parent company and Group companies as necessary.

4. System to ensure the efficiency of the Company's Directors in the execution of their duties

(1) Regular meetings of the Board of Directors are held once a month, and extraordinary meetings of the Board of Directors are held as necessary to ensure the efficient execution of duties by Directors.

(2) The Company has established Regulations of the Board of Directors to clarify matters to be resolved and matters to be reported to the Board of Directors, as well as to clarify decision-making authority with regard to decision making other than on matters to be resolved by the Board of Directors in the Standard Table of Responsibilities and Occupational Responsibility and Authority Regulations, and to clarify the division of organization, scope of duties and responsibilities necessary for business execution.

(3) The Board of Directors thoroughly deliberates on important management decisions and the supervision of management and operations.

(4) The Company has introduced an executive officer system to speed up the execution of operations and to utilize the Management Meeting and other meeting bodies to ensure efficient management of the Group.

5. System to ensure the appropriateness of operations in the corporate group consisting of the Company, our parent company and our subsidiaries

Matters that contribute to Group management are reported and discussed by the parent company, and management autonomy and independence is maintained with regard to matters and specific measures peculiar to the Company and its subsidiaries. Each department, including the compliance department, receives information and operational guidance as appropriate from the relevant departments at the parent company and Group companies, to ensure the appropriateness of operations.

(1) System for reporting matters related to the execution of duties by Directors, etc. of the Company's subsidiary companies

In order to accurately understand the management situation at its subsidiaries, the Company, in accordance with internal rules, requests the approval of the President of the Company and regularly or occasionally requests reports to the Board of Directors, etc.

(2) Rules and other systems concerning subsidiary companies' management of the risk of loss

Subsidiary companies have established and operate an independent risk management system according to the Company's risk management system under the Company's internal rules, and requests appropriate reporting.

The Company formulates internal rules governing risk management for the entire Group, and under such rules, the Company manages its subsidiaries to minimize losses even when emergencies occur at a subsidiary company.

(3) System to ensure the efficiency of subsidiary companies' Directors, etc. in the execution of their duties

The Company supports its subsidiaries to establish a system for their appropriate and efficient business execution while respecting their management independence.

With respect to decisions made by the Board of Directors, etc., the general managers of each division under subsidiary companies' Directors, execute their duties appropriately and efficiently in accordance with subsidiary companies' Occupational Responsibility and Authority Regulations.

6. Matters relating to the system concerning employees to assist the duties of the Company's Audit and Supervisory Board Members, matters concerning the independence of such employees from Directors, and matters relating to ensuring the effectiveness of Audit and Supervisory Board Members' instructions to such employees

If an Audit and Supervisory Board Member asks an employee to assist the duties of the Audit and Supervisory Board Member in order to perform the work of Audit and Supervisory Board Members stipulated in laws, regulations, and related internal rules, the Company shall assign an employee independently from the executive departments under the direction of the Audit and Supervisory Board Member, and shall establish a system to ensure that instructions given to the employee are carried out effectively.

7. System for reporting to Audit and Supervisory Board Members by Directors and employees of the Company, Directors, Audit and Supervisory Board Members and employees of the Company's subsidiary companies, or by persons who receive reports from such persons, and other systems for reporting to Audit and Supervisory Board Members and systems for ensuring that audits by Audit and Supervisory Board Members are conducted effectively

(1) The Company has a system that Directors and employees of the Company, Directors, Audit and Supervisory Board Members and employees of the Company's subsidiary companies, and persons who receive reports from such persons, report to Audit and Supervisory Board Members on a regular and an ad hoc basis, those matters required by laws, regulations and internal rules, and those matters requested by Audit and Supervisory Board Members.

(2) The Company prohibits disadvantageous treatment of any person who reports to Audit and Supervisory Board Members as provided for in the preceding paragraph on the grounds of making such report, and thoroughly familiarizes Directors, Audit and Supervisory Board Members and employees of the Company and its subsidiaries of such prohibition.

(3) The Company's business audit office regularly reports the state of internal audits, compliance, risk management and other matters within the

Company Group to the Company's Audit and Supervisory Board Members.

(4) In addition to meetings of the Board of Directors, Audit and Supervisory Board Members are able to participate in management meetings and other important meetings as necessary, and have access to materials from such meetings, etc., and relevant documents and materials, etc. are immediately provided upon request by Audit and Supervisory Board Members.

(5) Costs or liabilities incurred in the performance of duties by Audit and Supervisory Board Members shall be met promptly upon request.

8. System for eliminating anti-social forces

The Company resolutely works to eliminate anti-social forces and organizations that threaten the order and safety of society, and the entire Company systematically deals with any unreasonable demands or claims in cooperation with lawyers, the police, and other authorities.

2. Basic Approach to Eliminating Anti-Social Forces

The Company is fully aware that it is our corporate social responsibility to eliminate anti-social forces, and we clearly indicate to all employees and others that our policy is to sever any relationships with anti-social forces and to resolutely eliminate such relationships.

Furthermore, the Personnel and General Affairs Division, under the supervision of the Chief Administrative and Risk Management Officer has been established as the department in charge of responding to unreasonable demands by anti-social forces and we respond to such unreasonable demands as an organization, including taking civil and criminal legal actions, by building close cooperative relationships with outside experts and investigative agencies.

V. Other

1. Adoption of Anti-Takeover Measures

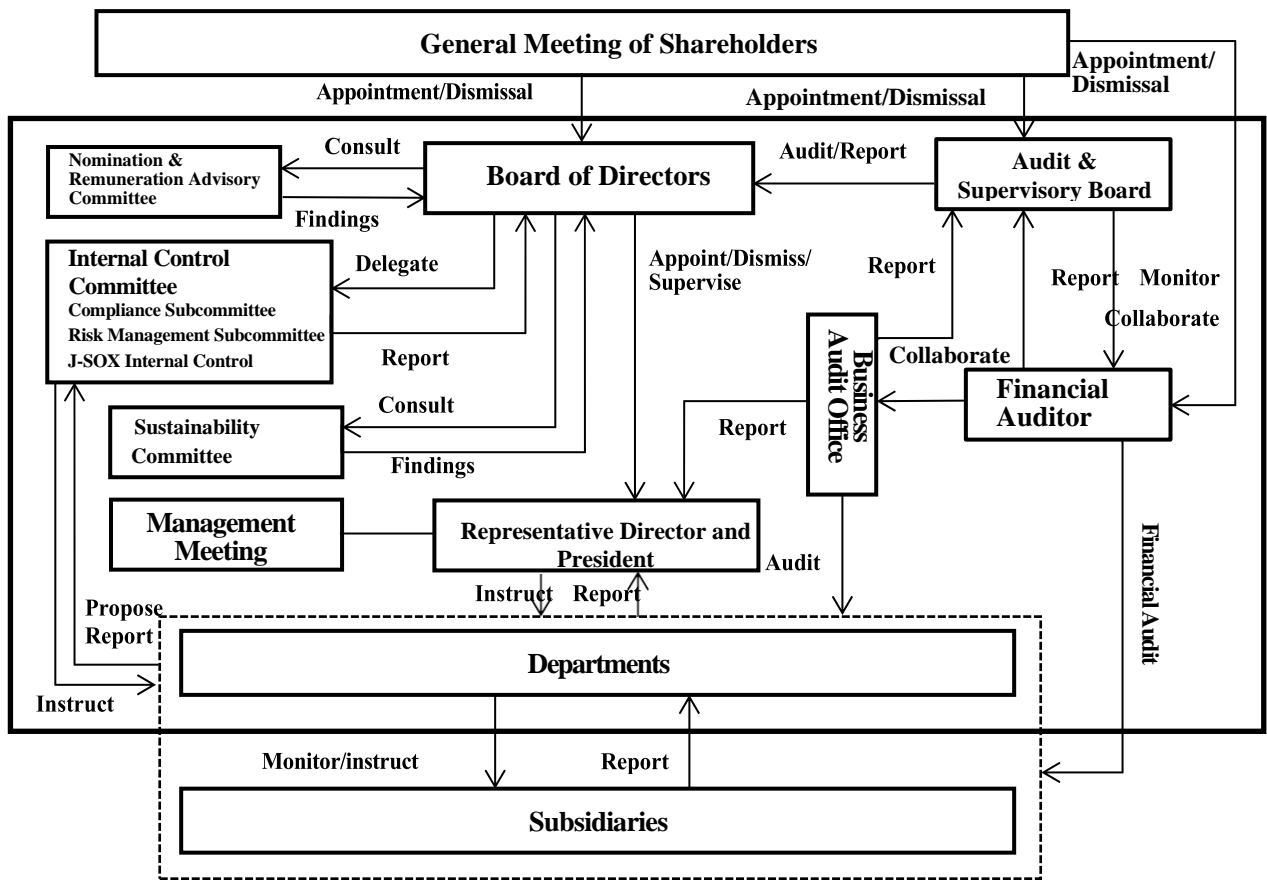
| | |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

Supplementary Explanation

2. Other Matters Concerning the Corporate Governance System

(1) The Company ensures transparency and fairness by focusing on enhancing appropriate and easy-to-understand information disclosure in accordance with laws and regulations and the timely disclosure rules stipulated by stock exchanges.

(2) The Company has established a dedicated department for information disclosure, and when material facts or corporate information requiring timely disclosure arises, the Director with jurisdiction over the department in charge submits and reports such matters to the Board of Directors. At the same time, we conduct timely disclosure to the Tokyo Stock Exchange under the direction of the officer in charge responsible for handling information who manages internal information.



Timely Disclosure System

