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Corporate Governance

H-ONE CO., LTD.

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H-ONE CO., LTD.

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Described below is the current state of corporate governance at the Company.

I. Basic Outlook on Corporate Governance, Capital Composition, Company Attributes, and Other Basic Information

1. Basic Outlook on Corporate Governance

Our basic sustainability policy calls for various activities, grounded in our Management Philosophy, in each of the environmental, social, and governance (ESG) aspects, thereby assuming our role as a company that contributes to the world.

Under this basic policy, we recognize enhancement in corporate governance to enable the Group's sustained growth while rewarding the expectations and trust placed in us by shareholders, customers, employees, and society to be a management priority, and are moving forward with various efforts toward these ends.

In addition, we ensure that each and every employee fully understands and implements the H-one Group Code of Conduct, established based on this basic policy, and behaves in an ethical manner consistent with these standards.

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

The following is based on the Corporate Governance Code after the June 2021 revisions of the corresponding principles.

<Principle 1.4> Cross-Shareholdings

We hold shares of other listed companies to stabilize and enhance transaction relationships and sales activities.

The Board of Directors assesses cross-shareholdings in various aspects, including business benefits of each holding and whether the economic effects are appropriate for the capital cost.

We exercise our voting rights on cross-shareholdings after checking whether each resolution would contribute to our corporate value over the medium to long term and to our joint interests with other shareholders in each cross-shareholding.

[Disclosure Based on Various Principles of the Corporate Governance Code] Updated

The following is based on the Corporate Governance Code after the June 2021 revisions of the corresponding principles.

<Principle 1.7> Related Party Transactions

When the Company engages in transactions with related parties, to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders, it checks to ensure that such transactions are handled in the same way as ordinary transactions with third parties. We also require reporting to and approval by the Board of Directors for competing transactions involving Directors and transactions involving conflicts of interest between Directors and the Company. We survey all officers at the end of the business year to check for any transactions with related parties.

<Supplementary Principle 2.4.1> Ensuring diversity for promotions involving core human resources

[Views on securing diversity and policies to develop internal environments]

We have identified securing and promoting the activities of diverse human resources as key management strategies for sustained growth. As part of these efforts, we strive to secure diversity in management levels through active promotion of women.

In addition, we have adopted the following policy on internal environmental development to ensure diversity, based on the recognition that ideas from diverse individuals will grow and improve organizational abilities: We will develop internal environments capable of supporting motivation and drive through means such as consciousness reforms among managers and supervisors, work-style reforms, and support for balancing work with caring for children and other family members, so that diverse human resources, including women, can thrive in comfortable workplaces.

We carry out a wide range of initiatives under this basic policy, including diversity and inclusion initiatives and enhancement of systems to support work-life balance.

The specifics of these initiatives are disclosed on our website.
<https://www.h1-co.jp/eng/sustainability/employee.html>

[Human resource development policies to secure diversity]

Against a backdrop that includes business globalization and dramatic changes in the business environment, we recognize human resources in and of themselves to be a form of capital that generates value. Based on this understanding, we have adopted the basic human resource development policy of creating and supporting systematic learning opportunities for diverse human resources, including women, so that all individuals can develop their abilities and careers regardless of gender, age, national origin, or other factors, based on the respect for humanity woven into our Management Philosophy.

Under this basic policy, we proactively advance initiatives to secure diverse human resources and promote their activities through means such as systems to support Japanese language learning by individuals from other countries, career design training for women employees, and diversity management training for managers, as well as enhancing education and training programs for employee skills development.

The specifics of these initiatives are disclosed on our website.

<https://www.h1-co.jp/recruit/training.html> (Japanese only)

<https://www.h1-co.jp/eng/sustainability/employee.html>

[Voluntary and measurable goals and their status]

(i) Promoting women to managerial positions

For the three-year period from April 2021 through March 2024, our general employer action plan under the Act on the Promotion of Women's Active Engagement in Professional Life sets a target whereby women represent at least 10% of all new hires each year. Women represented 24% of new hires joining the Company in April 2023, which exceeded this target.

In addition, in October 2021, we adopted a new target for 2030: to at least triple the number of women managers from the 2021 level (two persons). This is intended to enhance the career orientation of female human resources and accelerate their skills development. As of the end of June 2023, the Company had three women managers.

(ii) Promoting foreign nationals and midcareer hires to managerial positions

At present, we have not formulated or disclosed targets for promoting foreign nationals and midcareer hires to managerial positions, since we have not identified any particular discrepancies in promotion to managerial positions due to nationality or time of hiring.

<Principle 2.6> Roles of Corporate Pension Funds as Asset Owners

The Company has established a defined-benefit corporate pension plan and established the Pension Asset Management Council to perform its functions as an asset owner in various ways, including issuing pension portfolio instructions and assessing asset-management results. Qualified human resources, such as the Chief Operating Officer, Administration Operations, the General Manager, Corporate Management Planning Operations, and the General Manager, Accounting Division, serve as members of this council. We exchange information with the asset managers of corporate pension funds concerning their stewardship activities. Although we do review the allocation of the pension portfolio, we entrust asset management and administration entirely to our contracted asset managers. Since voting rights on stock shares included in pension assets are exercised based on the policies of the contracted asset managers, potential conflicts of interest are managed appropriately.

<Principle 3.1> Full Disclosure

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

A. Business principles

Management Philosophy: To realize our dream we should conduct ourselves with respect and trust for each other while challenging one another to strive for continuous improvement that enables us to become a company that contributes to the world. We have established business principles as a management philosophy that describes our aims and reason for existing. We strive to put it into practice through sharing it among all officers and employees.

Our Management Philosophy is described on our website.

(Management Philosophy: <https://www.h1-co.jp/eng/corporate/philosophy.html>)

B. Business strategies and business plans

The Group has formulated 2030 VISION as a long-term vision for the period through 2030, to serve as the strategic foundation for achieving steady growth while adapting in a timely manner to any sudden changes. This vision serves as the Group's medium- to long-term management policy, together with our seventh medium-term business plan that took effect in FY2023 (covering the period from April 2023 through March 2026).

◇ 2030 VISION

2030 VISION: Be a Value Creator

Corporate slogan: Exceed expectations

* 2030 VISION defines the Group's core competences as Technology (Manufacturing technologies that embodies customer needs) and Hospitality (Corporate culture that realizes customer needs together with customers).

◇ Seventh Medium-Term Business Plan (April 2023 – March 2026)

[Management policy]

Achieve solid growth based on a value-creation mindset by restructuring the business foundation

[Priority measures]

- (i) Strengthen sustainability
- (ii) Stabilize and maintain high-quality
- (iii) Improve profitability
- (iv) Enhance competitive edge in development / production technology
- (v) Increase business segments
- (vi) Strengthen HR development

[KPIs]

We have set the following targets for the key performance indicators (KPIs) of revenue, profit before tax profit/profit before tax margin, and return on equity (ROE):

Final year of Seventh Medium-Term Business Plan (year ending March 2026)

- (i) Revenue: JPY300.0 billion
- (ii) Profit before tax: JPY15.0 billion
- (iii) Profit before tax margin: 5.0%
- (iv) ROE: 10.0%

The Group is moving forward toward the goals of 2030 VISION by strengthening its existing businesses and developing new products based on ESG initiatives and by fostering a culture of value creation. We will promote among all employees the concept of “Think Value,” based on the Group’s core competences and ESG to generate new value. This process will demonstrate our presence in the auto industry and our essential role in society by contributing useful value to ensure that we serve as a Value Creator that exceeds expectations.

[Basic views and guidelines on corporate governance]

Our basic sustainability policy calls for various activities, grounded in our Management Philosophy, in each of the environmental, social, and governance (ESG) aspects, thereby assuming our role as a company that contributes to the world.

Under this basic policy, we recognize enhancement in corporate governance to enable the Group’s sustained growth while rewarding the expectations and trust placed in us by shareholders, customers, employees, and society to be a management priority. We are moving forward with various sustained efforts toward these ends.

(Securing shareholder rights and equality)

We give sufficient consideration to effectively securing the rights of shareholders and maintaining environments for exercise of rights as well as effective equality among shareholders.

(Appropriate joint efforts with stakeholders other than shareholders)

We strive to undertake suitable joint efforts with various stakeholders to enable sustained growth and to create corporate value over the medium to long term.

(Appropriate disclosure and transparency)

We strive to achieve fair, timely, and equitable disclosure not just of information required under laws and regulations but also other information considered useful for understanding the Company.

(Board responsibilities, etc.)

Our corporate governance structure is that of a company with an Audit & Supervisory Board. Following enhancement of the Operating Officer system, we have delegated business execution to Operating Officers, with the Board of Directors tasked with timely decision making and oversight of business execution.

(Shareholder dialogue)

Recognizing that dialogue with shareholders and investors contributes to corporate value over the medium to long term, the Company proactively promotes IR activities.

[Policies and procedures in determining the remuneration of Directors and officers]

See “II.1. Director Remuneration: Details of Disclosure of Policies for Determining Remuneration Amounts and Calculation Methods” in this Report.

[Policies and procedures in the appointment and dismissal of officers and the nomination of Director and Audit & Supervisory Board Member candidates]

Candidates for officers and Director positions are chosen or nominated based on a comprehensive consideration of perspectives such as possession of a wealth of experience, high expertise, and strong discernment and ethical outlook.

Candidates for Audit & Supervisory Board Members are nominated through consideration of perspectives such as their financial, accounting, and legal insights and their knowledge of the Company’s businesses.

The Board of Directors decides on responses to members of officers judged inappropriate for positions of Company officers for various reasons, including violations of their professional duties or unethical actions.

[Explanations with respect to the individual appointment and dismissal of officers and nominations of Director and Audit & Supervisory Board Member candidates]

The reasons for nomination of all Directors are disclosed in the notice of convocation for the 17th Ordinary General Meeting of Shareholders.

Reasons for nominating Audit & Supervisory Board Members are disclosed in the notices of convocation for the Ordinary General Meetings of shareholders in which they were appointed (16th Ordinary General Meeting of Shareholders: Kazuo Yamashita, Hiroki Murakami; 17th Ordinary General Meeting of Shareholders: Hiroyuki Kawai).

See our website for past notices of convocation of Ordinary General Meetings of shareholders.

<https://www.h1-co.jp/eng/news/>

Information on the dismissal of individual members of officers is not disclosed due to the absence of such dismissals.

<Supplementary Principle 3.1.3> Initiatives on sustainability, etc.

[Basic sustainability policy]

Our basic sustainability policy calls for various activities, grounded in our Management Philosophy, in each of the environmental, social, and governance (ESG) aspects, thereby assuming our role as a company that contributes to the world.

Specifically, we are accelerating activities in each area on a global basis while identifying enhancement of environmental, social, and governance (ESG) activities and related human resource development as fundamentals of the Group's sustained growth.

In addition, the Seventh Medium-Term Business Plan (April 2023 – March 2026) identifies strengthening sustainability as a key priority measure, and we are accelerating related efforts in ways linked to our business activities.

The specifics of these policies are disclosed on our website.

https://www.h1-co.jp/eng/sustainability/basic_policy.html

[Priority (materiality) topics for sustainability]

We recognize the following sustainability topics as priorities for enhancing sustainability within the Group, reflecting consideration for matters such as business issues and relationships to stakeholders.

- (i) Environment (E): Developing technologies and products to contribute to the environment; production activities reflecting consideration for addressing climate change
- (ii) Society (S): Realizing diverse work styles; employment of diverse human resources
- (iii) Governance (G): Establishing business foundations to contribute to sustained growth

[Sustainability initiatives]

The Company's specialized committees and sections in charge deploy a wide range of ESG initiatives on a global basis in areas including the environment, governance, legal affairs, risk management, IR, and human rights.

The specifics of these initiatives are disclosed on our website.

<https://www.h1-co.jp/eng/sustainability/>

[Investments in human capital, intellectual property, etc.]

In addition to the sustainability priorities referred to above, the Group recognizes the needs to keep abreast of changes in the auto industry, against the backdrop of stronger environmental regulations worldwide, and to work toward carbon neutrality as management topics that it must address over the medium to long term.

We recognize that the economic value the Group can provide in regard to these topics emerges from activities that enhance existing businesses, provide more multifaceted value, and create new businesses. For these reasons, the Group long has invested strategically in human capital and intellectual property.

The Board of Directors and other bodies oversee the allocation of management resources, including investments in human capital and intellectual property, and the implementation of strategies related to the business portfolio based thereon, with consideration for progress on business plans and profit plans and related matters.

- (i) Investments in human capital

The Seventh Medium-Term Business Plan identifies strengthening human resource development as a key priority measure. In addition to making progress on various measures, in Japan and worldwide, to develop human resources able to play active roles on the global stage, we are also promoting efforts such as training for those in middle management positions to develop the next generation of core management.

For more information, see "I.1. Disclosure Based on Various Principles of the Corporate Governance Code: Supplementary Principle 2.4.1 Ensuring diversity for promotions involving core human resources" in this Report.

- (ii) Investments in intellectual property

The Seventh Medium-Term Business Plan identifies advancing research and creating technologies as a key priority measure. In addition to R&D, materials research, and establishment of mass production technologies for our main line of automotive frame parts, we are also aggressively promoting development of technologies to contribute to solutions to environmental challenges,

including research on EV frames and development of mass production technologies for metal separators used in the power-generating components of fuel-cell vehicles.

In addition, our R&D facilities in Japan are advancing development to meet customer needs in various markets from a global perspective.

In non-automotive areas, we are striving to create new value by developing new technologies and products and proposing our expertise in precision machining technologies and technologies to reduce vehicle weight to potential customers.

In the fiscal year ended March 2023, we invested a total of JPY2,557 million in R&D expenses while securing patents for inventions developed through our R&D efforts and promoting business activities based on R&D.

[Impact of climate change-related risks and earning opportunities on business activities and profits]

We consider reducing our environmental impact and realizing carbon neutrality to be essential to continuing our business into the future in a social environment faced with the risks of sudden climate change. Based on this understanding, we are promoting efforts to accelerate sustainability management, with the targets of reducing CO₂ emissions by 46% vs. FY2013 by FY2030 and achieving carbon neutrality by FY2050.

As part of these efforts, in March 2022 we analyzed the impact of climate-change risks and opportunities on our business activities in line with the framework recommended by the Task Force on Climate-related Financial Disclosure (TCFD), based on TCFD recommendations.

The specifics of this analysis are disclosed on our website.

<https://www.h1-co.jp/sustainability/environment/tcfdf/> (Japanese only)

<Supplementary Principle 4.1.1.> Clear specification of the scope of matters delegated from the Board of Directors to management and the disclosure of a brief summary thereof

In addition to matters specified by laws, regulations, and the articles of incorporation, the Company Board of Directors deliberates and makes decisions on important matters identified as subject to Board decisions in the Management Body Agenda Standards established by the Board of Directors. The Management Committee or the Management Assessment Council also deliberates and makes decisions on matters that do not meet the specific criteria of these Standards.

In addition, the Board of Directors strives to enhance reporting on the state of business execution to monitor whether business delegated to management is appropriately executed.

The Company has enhanced the Operating Officer system, delegating business execution to Operating Officers to clarify roles and responsibilities through the clear separation of oversight functions and business execution functions. To enhance the oversight provided by the Board of Directors and to accelerate management decision-making, the Board of Directors currently consists of six members, including three outside Directors.

<Principle 4.9> Independence Standards and Qualification for Independent Directors

The Company's independence standards satisfy the requirements for independent officers established by the Tokyo Stock Exchange in addition to the independence requirements of the Companies Act of Japan, to appoint independent outside Directors free of any risk of conflicts of interest with general shareholders. The Company seeks to select independent outside Director candidates who will contribute active advice and recommendations as well as monitoring from a fair and independent perspective regarding Company management.

<Supplementary Principle 4.10.1> Concepts, authority, roles, etc. related to independence of optional committees

The Company has established the Nomination and Remuneration Committee as an optional committee to discuss matters such as the nomination, appointment, dismissal, and remuneration of officers (Directors, Senior Managing Officers, and other higher-rank Operating Officers). The membership of this committee consists of a majority of independent outside Directors.

For more information, see "II.1. Director Remuneration: State of Establishment of Optional Committees and Attributes of Their Membership and Chairpersons" and "Supplemental Explanation" in this Report.

<Supplementary Principle 4.11.1> View on the appropriate balance between knowledge, experience, and skills of the Board of Directors as a whole, diversity, and appropriate board size

To enable timely and appropriate decision-making and to ensure effective management oversight, the Company, as an enterprise that promotes global business activities in the auto parts industry, appoints to the Director candidates characterized by a wealth of internal and external experience, high expertise, and strong discernment and ethical outlook, up to the maximum number of Directors specified in the articles of incorporation.

Our independent outside Directors are currently made up of one (male) attorney, one (male) Director with management experience at another company, and one (female) Director with executive experience at an administrative agency. The Company believes that a board consisting of outside Directors with diverse experience, knowledge, and values in addition to inside Directors highly knowledgeable of Company business and industry trends is optimal for ensuring diversity and balance as regards the knowledge, experience, and skills of the Board as a whole.

The knowledge, experience, and skills of each Director are disclosed in the notice of convocation for the 17th Ordinary General Meeting of Shareholders and the financial report for the year ended March 2023.

(Notice of Convocation of Ordinary General Meeting of Shareholders: <https://www.h1-co.jp/eng/news/>; Financial Report: https://www.h1-co.jp/ir/library/financial_report.html (Japanese only))

<Supplementary Principle 4.11.2> Concurrent posts of Directors and Audit & Supervisory Board Members with other listed companies
The Company discloses the important concurrent posts of Directors and Audit & Supervisory Board Members in reference materials for the Ordinary General Meeting of Shareholders. Each such concurrent post is judged to be within the scope whereby the individuals can reasonably be expected to perform their roles and responsibilities as Directors and Audit & Supervisory Board Members.

<Supplementary Principle 4.11.3> Evaluation and analysis of the Board's effectiveness

Since the year ended March 2016, the Board's effectiveness is evaluated each year. Directors and all Audit & Supervisory Board Members conduct self-assessments using a questionnaire, the results are totaled and analyzed, and the results of evaluations of the Board's effectiveness and courses of action for corresponding improvements are reported to the Board of Directors.

Provided below is a summary of the results of evaluation of the Board's effectiveness in the year ended March 2023:

An overall evaluation of the results of self-assessment by each Director and Audit & Supervisory Board Member shows that the Company's Board of Directors is evaluated and presents no problems regarding the effectiveness of the Board as a whole.

This evaluation of the Board's effectiveness shows that progress has been made in areas such as the number of Directors, their diversity, deliberation methods, content of related documents, and appropriateness of time for prior study. Room for improvement was identified in the areas of active exchange of opinion with inside and outside Directors and allocation of time for explanation and deliberation in accordance with the importance of each agenda item. Accordingly, we will proceed with efforts to make the Board even more effective through continued discussion reflecting developments both inside and outside the Company.

<Supplementary Principle 4.14.2> Training of Directors and Audit & Supervisory Board Members

Newly appointed Directors and Audit & Supervisory Board Members are provided with opportunities to undergo outside training, intended mainly to help them to understand their roles and responsibilities. In addition, once a year a specialized instructor is invited to lead a training program on corporate governance overall, for Directors and Audit & Supervisory Board Members.

In addition, Directors and Audit & Supervisory Board Members are encouraged to attend outside seminars to keep this knowledge up to date. In each of these cases, the Company provides continuous support for the costs of training.

<Principle 5.1> Policy for Constructive Dialogue with Shareholders

Recognizing that dialogue with shareholders and investors contributes to corporate value over the medium- to long term, the Company has adopted a policy of energetically promoting such dialogue.

- (1) The Sustainability Promotion Division serves as the contact for responding to shareholders and investors, and related activities are coordinated by the Director responsible for Administration Operations.
- (2) Efforts such as sharing information among related sections are made to ensure appropriate disclosure.
- (3) Briefings are held on financial results for institutional investors and analysis, in principle twice a year, for the first half and the full year.
- (4) Comments and concerns expressed in dialogue with shareholders and investors are reported to the Board of Directors as necessary.
- (5) We closely monitor the management of insider information based on Insider Trading Control Regulations.

2. Capital Composition

Foreign shareholding ratio	Less than 10%
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[Status of Major Shareholders] **Updated**

Name	Number of shares	Percentage of shares
Honda Motor Co., Ltd.	6,055,890	21.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,842,900	6.49
H-ONE Employees' Stockholding	1,320,374	4.65
Saitama Resona Bank, Ltd.	780,000	2.75
Shoko Ujie	776,450	2.73
JFE Shoji Corporation	727,500	2.56
Toko Miyamoto	726,450	2.56
Yuko Nakajo	680,260	2.40
Custody Bank of Japan, Ltd. (Trust Account)	648,200	2.28
Custody Bank of Japan, Ltd. (Trust Account 4)	572,900	2.02

Presence of controlling shareholders (parent excluded)	—
Presence of parent	None

Supplementary Explanation

3. Company Attributes

Listed exchange and market classification	Tokyo Stock Exchange, Prime Market
Fiscal year end	March
Industry	Metal products
Number of employees at the end of the most recent business year (consolidated)	1,000 or more
Net sales at the end of the most recent business year (consolidated)	¥100 billion or more but less than ¥1 trillion
Number of consolidated subsidiaries at the end of the most recent business year	10 or more but less than 50

4. Guidelines on Measures to Protect Minority Interests in Transactions with Controlling Shareholders

5. Other Special Circumstances with the Potential to Materially Impact Corporate Governance

II. Status of Business Administration Organizations Pertaining to Management Decision-Making, Execution, and Auditing, and Other Corporate Governance Structures

1. Matters Pertaining to Organizational Structure and Operation

Organizational configuration	Company with Audit & Supervisory Board Members
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[Directors]

Maximum number of Directors according to articles of incorporation	10
Term of Directors according to articles of incorporation	1 year
Chairperson of meetings of Board of Directors	President
Number of Directors	6
Outside Director(s) appointed?	Yes
Number of outside Directors	3
Number of outside Directors designated as independent officers	3

Relationship to the Company (1)

Name	Attribute	Relationship to Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keiichiro Maruyama	Attorney-at-law								○			
Kunihiro Todokoro	Possesses background with another company					△			○			
Sawako Yamamoto	Other											

* Categories of relationships to the Company

* A white circle indicates that the individual currently has or recently had such a relationship. A white triangle indicates that the individual had such a relationship in the past.

* A black circle indicates that a close relative of the individual currently has or recently had such a relationship. A black triangle indicates that a close relative of the individual had such a relationship in the past.

- a. Person involved in business execution of the listed company or subsidiary thereof
- b. Person involved in business execution or non-executive Director of a parent company of the listed company
- c. Person involved in business execution of a sister company of the listed company
- d. Party for which the listed company is an important trading partner or person involved in the business execution thereof
- e. Important trading partner of the listed company or person involved in the business execution thereof
- f. Consultant, accounting specialist, or legal specialist receiving monetary compensation or other assets in a large amount from the listed company, other than executive compensation
- g. Important shareholder of the listed company (or person involved in business execution of a corporation that is an important shareholder of the listed company)
- h. Person involved in business execution of a trading partner of the listed company other than those under d, e, and f (the individual in question only)
- i. Person involved in business execution of an organization that exchanges outside Directors with the listed company (the individual in question only)
- j. Person involved in business execution of a recipient of donations from the listed company (the individual in question only)
- k. Other

Name	Independent officer	Supplemental explanation of applicable items	Reasons for appointment
Keiichiro Maruyama	○	<p>Deputy Managing Partner, Nagawa-Okamura Law Firm</p> <p>While the Company has concluded an advisory agreement with the Nagawa-Okamura Law Firm, the total compensation paid by the Company in the year ended March 2023 was less than 1% of the law Firm's net sales and less than 1% of the Company's consolidated net sales.</p>	<p>Mr. Maruyama possesses a wealth of legal experience and strong discernment as an attorney at law. His experience and discernment contribute to Company management.</p> <p>His relationship to the Company is as described under "Supplemental explanation of applicable items."</p> <p>He has been named an independent officer as he does not meet any of the descriptions under III 5 (3) 2 of the Tokyo Stock Exchange Guidelines for Management of Listing, etc. and because it has been determined that the appointment poses no risk of conflicts of interest between him and ordinary shareholders.</p>
Kunihiro Todokoro	○	<p>Director, Chairperson, FUJI WAREHOUSE & TRANSPORTATION CO., LTD.</p> <p>Former Representative Director and Vice-President, Saitama Resona Bank, Ltd.</p> <p>While the Company trades with FUJI WAREHOUSE & TRANSPORTATION CO., LTD. in various activities, including handling and storage of freight, the amount of such transactions in the year ended March 2023 was less than 1% of FUJI WAREHOUSE & TRANSPORTATION's net sales and less than 1% of the Company's consolidated net sales.</p> <p>While the Company borrows funds from Saitama Resona Bank, Ltd., more than 10 years have passed since Kunihiro Todokoro was involved in business execution of the Bank.</p>	<p>Mr. Todokoro possesses a wealth of experience and strong discernment from a career in management of a financial institution and multiple operating companies. His experience and discernment contribute to Company management.</p> <p>His relationship to the Company is as described under "Supplemental explanation of applicable items."</p> <p>He has been named an independent officer as he does not meet any of the descriptions under III 5 (3) 2 of the Tokyo Stock Exchange Guidelines for Management of Listing, etc. and because it has been determined that the appointment poses no risk of conflicts of interest between him and ordinary shareholders.</p>
Sawako Yamamoto	○	-	<p>Ms. Yamamoto possesses a wealth of experience and strong discernment from a career in key positions with the Japan Fair Trade Commission. Her experience and discernment contribute to Company management.</p> <p>She has been named an independent officer as she does not meet any of the descriptions under III 5 (3) 2 of the Tokyo Stock Exchange Guidelines for Management of Listing, etc. and because it has been determined that the appointment poses no risk of conflicts of interest between her and ordinary shareholders.</p>

Optional committee established corresponding to a nomination committee or a remuneration committee?

Yes

State of Establishment of Optional Committees and Attributes of Their Membership and Chairpersons

	Name of committee	Total membership	Full-time member(s)	Inside Director(s)	Outside Director(s)	Outside expert(s)	Other	Chairperson
Optional committee corresponding to a nomination committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Outside Director
Optional committee corresponding to a remuneration committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Outside Director

Supplemental Explanation

Updated

The Company has established the Nomination and Remuneration Committee as optional committee to discuss matters such as the nomination, appointment, dismissal, and remuneration of Directors. Chaired by independent outside Director Kunihiro Todokoro, this Committee consists of two inside Directors (Atsushi Kaneda and Kiyofumi Ota) and three outside Directors (Keiichiro Maruyama, Kunihiro Todokoro, and Sawako Yamamoto). It met five times during the year ended March 2023.

A majority of the membership of the Nomination and Remuneration Committee consists of independent outside Directors. This is intended to secure transparency and objectivity in the process of making decisions on matters such as the nomination, appointment, dismissal, and remuneration of Directors, through the involvement of multiple outside Directors independent of the Board of Directors. The involvement of these three independent outside Directors enables the Committee to perform its functions and roles independently of the Board of Directors through means such as provision of appropriate advice on matters such as the nomination, appointment, dismissal, and remuneration of Directors from diverse points of view grounded in their legal, business administration, and public administration experience as well as a gender perspective provided by the one female member.

[Audit & Supervisory Board Members]

Audit & Supervisory Board established?	Yes
Maximum number of Audit & Supervisory Board Members according to articles of incorporation	5
Number of Audit & Supervisory Board Members	3

Cooperation Among the Audit & Supervisory Board Members, Accounting Auditor, and Internal Audits Section

Updated

The (six-person) Audit Operations, an independent business audit section under the direct supervision of the President, is in charge of internal audits.

The Audit & Supervisory Board, which conducts auditing, consists of three Audit & Supervisory Board Members including two outside Audit & Supervisory Board Members.

Outside Audit & Supervisory Board Member Hiroyuki Kawai is a certified public accountant and a licensed tax accountant and is knowledgeable in finance and accounting.

Outside Audit & Supervisory Board Member Hiroki Murakami is a licensed attorney at law and possesses a wealth of experience and strong discernment concerning legal affairs.

The Audit & Supervisory Board Members and the Audit Operations cooperate through means including periodic reporting meetings, carry out internal audits yearlong on subjects such as internal controls under the Companies Act, internal controls related to financial reporting, and the state of business execution by each division, and also conduct internal audits of subsidiaries and affiliates. In addition, twice a year the Audit Operations reports to the Board of Directors and the Audit & Supervisory Board on the details of internal audits in each half, to enhance cooperation with Directors and Audit & Supervisory Board Members.

Audit & Supervisory Board Members receive reports and explanations on the results of review by the accounting auditor of quarterly financial results pursuant to the Financial Instruments and Exchange Act at the end of each quarterly period and, at the end of the fiscal year, on the results of auditing by the accounting auditor based on the Companies Act and the Financial Instruments and Exchange Act. The Audit Operations regularly shares information with the accounting auditor on matters such as assessment of internal controls related to financial reporting, seeking to cooperate with the accounting auditor in auditing of internal controls. Other efforts to enhance cooperation among the Audit & Supervisory Board Members, the Audit Operations, and the accounting auditor include exchange of information and meetings held as necessary.

Outside Audit & Supervisory Board Member(s) appointed?	Yes
Number of outside Audit & Supervisory Board Members	2
Number of outside Audit & Supervisory Board Members designated as independent officers	2

Relationship to the Company (1)

Name	Attribute	Relationship to Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Hiroyuki Kawai	Certified public accountant													
Hiroki Murakami	Attorney-at-law													

- * **Categories of relationships to the Company**
- * **A white circle indicates that the individual currently has or recently had such a relationship. A white triangle indicates that the individual had such a relationship in the past.**
- * **A black circle indicates that a close relative of the individual currently has or recently had such a relationship. A black triangle indicates that a close relative of the individual had such a relationship in the past.**
- a. Person involved in business execution of the listed company or subsidiary thereof
- b. Non-executive Director or person involved in accounting at the listed company or subsidiary thereof
- c. Person involved in business execution or non-executive Director of a parent company of the listed company
- d. Audit & Supervisory Board Member of a parent company of the listed company
- e. Person involved in business execution of a sister company of the listed company
- f. Party for which the listed company is an important trading partner or person involved in the business execution thereof
- g. Important trading partner of the listed company or person involved in the business execution thereof
- h. Consultant, accounting specialist, or legal specialist receiving monetary compensation or other assets in a large amount from the listed company, other than executive compensation
- i. Important shareholder of the listed company (or person involved in business execution of a corporation that is an important shareholder of the listed company)
- j. Person involved in business execution of a trading partner of the listed company other than those under f, g, and h (the individual in question only)
- k. Person involved in business execution of an organization that exchanges outside Directors with the listed company (the individual in question only)
- l. Person involved in business execution of a recipient of donations from the listed company (the individual in question only)
- m. Other

Relationship to the Company (2)

Name	Independent officer	Supplemental explanation of applicable items	Reasons for appointment
Hiroyuki Kawai	○	—	Mr. Kawai possesses a wealth of experience and strong discernment as a specialist in finance and accounting. His experience and discernment contribute to the Company audit structure. He has been named an independent officer as he does not meet any of the descriptions under III 5 (3) 2 of the Tokyo Stock Exchange Guidelines for Management of Listing, etc. and because it has been determined that the appointment poses no risk of conflicts of interest between him and ordinary shareholders.
Hiroki Murakami	○	—	Mr. Murakami possesses a wealth of legal experience and strong discernment as an attorney at law. His experience and discernment contribute to the Company audit structure. He has been named an independent officer as he does not meet any of the descriptions under III 5 (3) 2 of the Tokyo Stock Exchange Guidelines for Management of Listing, etc. and because it has been determined that the appointment poses no risk of conflicts of interest between him and ordinary shareholders.

[Independent Officers]

Number of independent officers

5

Other Matters Concerning Independent Officers

The Company designates as independent officers all outside Directors who qualify as such.

[Incentives]

Status of implementation of measures related to incentives for Directors

Adoption of performance-linked remuneration plan and other measures

Supplemental Explanation of Applicable Items

The Company has adopted a performance-linked remuneration plan (monetary remuneration) and a medium-/long-term incentive-based remuneration (share-based remuneration) plan. See “II.1. Director Remuneration: Details of Disclosure of Policies for Determining Remuneration Amounts and Calculation Methods” in this Report concerning the specifics of remuneration amounts and calculation methods, including the performance-linked remuneration plan and the medium-/long-term incentive-based remuneration plan.

Persons eligible to receive stock options

Supplemental Explanation of Applicable Items

[Director Remuneration]

Status of disclosure (of remuneration of individual Directors)

Individual remuneration is not disclosed.

Supplemental Explanation of Applicable Items Updated

Individual remuneration is not disclosed because no officer is granted total consolidated remuneration of JPY100 million or more. The amount of officer remuneration in the year ended March 2023 was JPY109 million.

Policies for determining remuneration amounts and calculation methods

Yes

Details of Disclosure of Policies for Determining Remuneration Amounts and Calculation Methods

(Methods for determining the specifics of remuneration for individual Directors, etc.)

Matters related to officer remuneration, including policies on deciding on the specifics of remuneration, etc. for individual Directors, are subject to resolution by the Board of Directors following review by the Nomination and Remuneration Committee. In addition, changes in the policies for determining remuneration calculation methods are also subject to resolution by the Board of Directors following review by the Nomination and Compensation Committee.

The Company's remuneration structure for Directors and Audit & Supervisory Board Members, based on this policy, is outlined below.

Types of remuneration:	(1) Base remuneration (monetary remuneration) (2) Performance-linked remuneration (monetary remuneration)
Payees:	(1) Inside Directors, outside Directors, Audit & Supervisory Board Members (2) Inside Directors
Maximum amounts, etc.:	Directors: Up to JPY200 million/year Audit & Supervisory Board Members: Up to JPY40 million/year
Remuneration details:	Specific allocation is calculated based on the officer remuneration rules and determined by the Nomination and Remuneration Committee, not to exceed the upper limit determined at the Ordinary General Meeting of Shareholders. Cases handled differently than as described in the officer remuneration rules on an extraordinary basis are discussed by the Nomination and Compensation Committee and decided on by the Board of Directors.
Types of remuneration:	(3) Medium-/long-term incentive-based remuneration (share-based remuneration)
Payees:	Inside Directors
Maximum amounts, etc.:	Directors: Up to JPY300 million (up to 350,400 shares)/three business years
Remuneration details:	Points are allocated to payees in accordance with officer remuneration rules. Following their resignation as Directors, payees who satisfy the requirements of beneficiaries under the officer remuneration rules are issued shares of Company stock in accordance with the points allocated.

The system is designed so that the above three types of remuneration as a percentage of the annual remuneration for inside Directors are specified for each position, with a higher percentage of performance-linked remuneration for those in higher positions.

(Reasons for the Board of Directors' judgment that decisions regarding remuneration, etc. for the business year in question comply with the above policy)

The Board of Directors has confirmed that the method applied to arrive at the decision and the details and amounts determined for officer remuneration, etc. for the business year in question are consistent with the above policy and that the deliberations of the Nomination and Remuneration Committee have been respected.

The composition of the Nomination and Remuneration Committee is described under “d. Matters Concerning Delegation of Decisions on Individual Remuneration, etc. for Directors,” below.

a. Matters concerning performance-linked remuneration, etc.

(Methods of calculating the actual performance-linked remuneration, business performance indicators chosen as the basis of calculation, etc.)

The Company’s performance-linked remuneration is calculated by multiplying the base amount of performance-linked remuneration for each post by a business-performance coefficient.

Performance-linked remuneration (monetary remuneration) = base amount of performance-linked remuneration for the post in question × business-performance coefficient

- The base amount of performance-linked remuneration for the post in question is uniform for each post, based on the remuneration tables in the officer remuneration rules.
- The business-performance coefficient is determined using the following four factors based on business performance and other results in the previous business year.

Business-performance coefficient = (i) Company performance coefficient +/- (ii) YoY adjustments +/- (iii) capital efficiency adjustments +/- (iv) individual evaluation adjustments

Base indicators: (i) (ii) consolidated profit before tax, (iii) consolidated ROE

Evaluation perspectives: (i) profitability, (ii) growth, (iii) capital efficiency, (iv) fulfillment of job responsibilities

- The Company performance coefficient (i) is determined based on the extent to which a target figure (i.e., figure at which the coefficient would have a value of 1.00) is achieved, using as this target the value of the full-year forecast of the amount of consolidated profit before tax announced externally at the start of the business year.
- YoY adjustments (ii) are used to adjust the coefficient in accordance with the increase or decrease in the amount of consolidated profit before tax compared to the previous period.
- Capital efficiency adjustments (iii) are used to adjust the coefficient in accordance with the level of consolidated return on equity (ROE).
- Individual evaluation adjustments (iv) are used to adjust the coefficient based on the results of evaluation by the Nomination and Remuneration Committee of the degree of achievement of the job responsibilities entrusted to each officer.
- If it is not possible to apply the above calculation method—for example, if no full-year forecast of consolidated profit before tax was announced externally at the start of the business year—the actual performance-linked remuneration is determined by the Board of Directors following discussions by the Nomination and Remuneration Committee.

(Reasons for selection of the performance indicators)

The Company believes that the choice of consolidated profit before tax, an indicator of profitability, as an evaluation indicator for performance-linked remuneration and adjusting this figure based on the increase or decrease in the amount of consolidated profit before tax compared to the previous period and on consolidated ROE serves as an effective incentive for management from the perspectives of growth and capital efficiency.

We also believe that use of evaluations of the performance of each individual officer as an adjustment parameter for performance-linked remuneration makes it possible to reflect the performance of each officer in his or her remuneration.

b. Specifics of non-monetary remuneration

We have adopted share-based remuneration through a board benefit trust (BBT) program as medium-/long-term incentive-based remuneration. Under this system of share-based remuneration, Company stock and other benefits are awarded through a trust in accordance with officer share-based benefits rules established by the Board of Directors. In principle, payees receive their shares upon their resignation.

c. Matters related to decisions by the general meeting of shareholders on remuneration, etc. for Directors and Audit & Supervisory Board Members

The dates and specifics of resolutions by the general meeting of shareholders on remuneration, etc. for Directors and Audit & Supervisory Board Members, and numbers of individuals affected at the time, are shown below:

[Directors]

Type of remuneration: monetary remuneration

Date of resolution of general meeting of shareholders: June 26, 1991

Specifics of resolutions: up to JPY200 million/year, excluding portions paid as employee remuneration

Number of individuals affected upon resolution: nine Directors

Type of remuneration: share-based remuneration

Date of resolution of general meeting of shareholders: June 23, 2021

Specifics of resolution: trust contributions of up to JPY300 million (including JPY100 million for Directors) for the three-year period from the business year ended March 2017 through that ended March 2019 and each three-year period starting after this

period (this three-year period and each three-year period starting after this period is hereinafter, referred to as the “period in question”)

The maximum number of shares of Company stock that may be acquired by the trust using these funds is 350,400 shares. Based on the Company’s officer share-based benefits rules, the total number of points allocated to Directors and others in a single business year is 116,800 points (including 38,900 points for Directors).

Number of individuals affected upon resolution: seven Directors (including three outside Directors)

[Audit & Supervisory Board Members]

Type of remuneration: monetary remuneration

Date of resolution of general meeting of shareholders: June 26, 1991

Specifics of resolution: up to JPY40 million/year

Number of individuals affected upon resolution: one Audit & Supervisory Board Member

d. Matters related to delegation of decisions on remuneration, etc. for individual Directors

The Board of Directors delegates decisions on remuneration, etc. for individual Directors to the Nomination and Remuneration Committee.

This delegation is intended to ensure the transparency and objectivity of the remuneration decision-making process through the involvement of multiple outside Directors independent of the Board of Directors.

To ensure that the Nomination and Remuneration Committee can exercise this authority appropriately, the Company has established remuneration standards in officer remuneration rules and the Nomination and Remuneration Committee rules. In addition, the Board of Directors decides, in consultation with the Nomination and Remuneration Committee, on handling that departs from that in officer remuneration rules on an extraordinary basis.

The membership of the Nomination and Compensation Committee consists of Representative Director, President & CEO Atsushi Kaneda, Director and Senior Managing Officer Kiyofumi Ota, and outside Directors Keiichiro Maruyama, Kunihiro Todokoro, and Sawako Yamamoto.

[Support Structure for Outside Directors (Outside Audit & Supervisory Board Members)]

Outside Directors and outside Audit & Supervisory Board Members are provided documents related to Board of Directors meetings and prior briefings.

The Audit Operations also supports the duties of Audit & Supervisory Board Members as necessary.

[Status of Representative Directors and Presidents, Etc. Who Have Resigned]

Names of Advisors, Councilors, and Others Who Are Former Representative Directors and Presidents, Etc.

Name	Post, position	Duties	Form and conditions of employment (e.g., full-/part-time, paid/unpaid)	Date of resignation as president, etc.	Term in office
_____	_____	_____		_____	

Total number of advisors, councilors, and others who are former Representative Directors and Presidents, etc.

None

Other Matters

While the Company has established a system of corporate advisors, no such individuals are currently appointed.

Company rules prescribe that a former President & CEO may serve as a corporate advisor for no longer than one year.

2. Matters Related to Functions Such as Business Execution, Audits and Supervision, Nomination, Remuneration Decisions, Etc. (Overview of the Current Corporate Governance System)

Updated

The Company's corporate governance structure is that of a company with an Audit & Supervisory Board. Following enhancement of the Operating Officer system, the Company delegated business execution to Operating Officers as part of efforts to enhance Board of Director functions for timely decision-making and oversight of business execution.

The Board of Directors consists of six Directors (Atsushi Kaneda, Kiyofumi Ota, Hiroyuki Watanabe, and Outside Directors Keiichiro Maruyama, Kunihiro Todokoro, and Sawako Yamamoto). It deliberates and makes decisions on important topics and statutory items concerning business administration. The chairman of the Board is Representative Director, President & CEO Atsushi Kaneda. The Board met 12 times during the year ended March 2023.

The Management Committee consists mainly of the Representative Director and general managers or chief operating officers of the seven operations, and three overseas regional business divisions. (Its members are Representative Director, President & CEO Atsushi Kaneda, Director and Senior Managing Officer Kiyofumi Ota, Director and Managing Officer Hiroyuki Watanabe, Managing Officers Hiroshi Yada and Yosuke Suwa, Senior Operating Officers Yoshiaki Iwata, Tatsuya Kawaguchi, Hajime Sawaki, Masayuki Tanabe, Seiki Mayumi, Hiroshi Inawashiro, and Yoji Saito, Full-time Audit & Supervisory Board Member Kazuo Yamashita, and Operating Officers Minoru Fujii and Masamichi Okuda.) This Committee reviews important matters related to business execution in advance and submits them to the Board of Directors or makes related decisions within the scope of its authority, among other tasks intended to contribute to more efficient and timely decision-making by the Board of Directors. Operating Officer Hiroyuki Takebe chairs the Management Committee, which met 12 times during the year ended March 2023.

The Audit & Supervisory Board consists of three members (Kazuo Yamashita, and Outside Audit & Supervisory Board Members Hiroyuki Kawai and Hiroki Murakami). In addition to requesting reports as appropriate regarding the progress and results of business audits and audits of internal controls conducted by the Audit Operations, an independent section of the Company, the Audit & Supervisory Board attends meetings of the Board of Directors and other important meetings and inspects the status of business and finances as part of the process of neutral and objective audits of the performance of duties of Directors and decision-making by the Board of Directors. It met 13 times during the year ended March 2023.

The Audit Operations, which serves as the business audit section, has six staff members who carry out internal audits of the status of business execution by each division and audits of the status of the maintenance and operation of internal controls, based on audit plans and in accordance with established procedures. It also conducts internal audits of subsidiaries and affiliates. In addition, twice a year, the Audit Operations reports to the Board of Directors and to the Audit & Supervisory Board on the specifics of internal audits in each half-year period.

The Company has chosen Ernst & Young ShinNihon LLC as its accounting auditor for accounting audits under the Financial Instruments and Exchange Act and the Companies Act. These audits are conducted systematically throughout the year for important domestic business sites and overseas consolidated subsidiaries. The accounting auditor ensures that the same managing partners will not be involved in accounting audits of the Company for longer than a specified period of time.

The Company has established the Nomination and Remuneration Committee as an optional committee to discuss matters such as nomination, appointment, dismissal, and remuneration for officers (Directors, Senior Managing Officers, and other higher-rank Operating Officers). Chaired by independent outside Director Kunihiro Todokoro, this Committee consists of two inside Directors (Atsushi Kaneda and Kiyofumi Ota) and three outside Directors (Keiichiro Maruyama, Kunihiro Todokoro, and Sawako Yamamoto). It met five times during the year ended March 2023.

3. Reasons for Selecting the Current Corporate Governance System

Recognizing improving corporate governance as one of the most important matters concerning management, the Company has established the business execution, oversight, and audit functions described under 2 above.

It also strives to enhance the functions of the Board of Directors by adding three outside Directors who possess advanced, broad-ranging perspectives, independence, and strong discernment.

In consideration of the Company's size, its lines of business, and other factors, we have adopted the current corporate governance system as we believe it provides an adequate range of management oversight functions.

III. Status of Implementing Measures Related to Shareholders and Other Stakeholders

1. Status of Efforts to Stimulate the General Meeting of Shareholders and Facilitate Exercise of Voting Rights Updated

	Supplementary explanation
Early issuance of notices of convocation of general meetings of shareholders	Notices of convocation are posted on the Company website before being sent to shareholders.
Avoidance of the busiest periods for general meetings of shareholders	We strive to avoid scheduling our general meetings of shareholders during the busiest periods, with consideration for administrative schedules.
Exercise of voting rights using electromagnetic methods	We have made it possible for shareholders to exercise voting rights via the Internet since the Ordinary General Meeting of Shareholders held in 2019.
Participation in platform for electronic exercise of voting rights and other initiatives aimed at improving the environment for exercise of voting rights by institutional investors	We have participated in a platform for electronic exercise of voting rights operated by ICJ, Inc. since the Ordinary General Meeting of Shareholders held in 2019.
Provision of notices of convocation (summaries) in the English language	We disclose notices of convocation of general meetings of shareholders, reference materials, and other documents on our website and via the TDnet database service. We release notices of convocation and reference materials in the English language at the same time. We post notices of convocation and reference materials in the English language soon after the posting of the Japanese notices of convocation.
Other	Matters are explained in the general meetings of shareholders using easily understandable slide presentations.

2. Status of Activities Related to IR Updated

	Supplementary explanation	Explanation by representatives themselves
Preparation and publication of a disclosure policy	We post our disclosure policy on our website.	
Holding regular briefings for analysts and institutional investors	We hold financial results briefings twice a year: at the end of the year and the end of the first half. The most recent financial results briefings are summarized below: November 14, 2022: financial results briefing for the first half (presenter: Representative Director, President & CEO Atsushi Kaneda) May 29, 2023: financial results briefing for the full year (presenter: Representative Director, President & CEO Atsushi Kaneda)	Y
Posting of IR materials on website	IR materials posted on website: Materials from financial results briefings, financial reports/quarterly reports, summaries of financial results/quarterly summaries of financial results, English translations of summaries of financial results, shareholder bulletins, news releases, etc. IR URL: https://www.h1-co.jp/eng/ir/	
Establishment of section (posting of personnel) related to IR	IR Section: Sustainability Promotion Division	

3. Status of Initiatives Pertaining to Due Regard for the Positions of Stakeholders

	Supplementary explanation
Provisions on due regard for the positions of stakeholders in internal rules, etc.	<p>We have established the H-one Group Code of Conduct as standards for the behavior for all members of the organization with regard to appropriate cooperation with stakeholders, respect for their interests, and sound business ethics.</p> <p>We strive to raise awareness of this Code of Conduct, divisional codes of conduct, and important laws and regulations by distributing handbooks and holding study meetings.</p>
Implementation of environmental protection activities, CSR activities, etc.	<p>Our basic policy on sustainability and details of specific initiatives are disclosed on our website. https://www.h1-co.jp/eng/sustainability/</p> <p>Our positions on diversity and details of diversity initiatives are disclosed on our website. https://www.h1-co.jp/eng/sustainability/employee.html</p> <p>We analyze the risks and opportunities posed by climate change in accordance with the framework recommended by the TCFD and disclose details of analysis on our website. https://www.h1-co.jp/sustainability/environment/tcfd/ (Japanese only)</p> <p>We strive continually to improve our environmental management system and its environmental performance in line with our environmental policy. We also have earned ISO 14001 certification.</p> <p>As part of our social contribution activities, we have set up H-one Forests at five sites in Japan, where employees engage in forest conservation activities, including tree thinning and pruning.</p>
Formulation of a policy on providing information to stakeholders	<p>Our policy on providing information is described under Disclosure Based on Various Principles of the Corporate Governance Code above (Principle 5.1).</p>

IV. Matters Concerning the Internal Control System, Etc.

1. Basic Thinking on the Internal Control System and State of its Maintenance Updated

<Systems for ensuring appropriate business operations>

1. Framework for ensuring that the performance of the duties of Directors and employees complies with laws, regulations, and the articles of incorporation
 - (1) The Company has established a Code of Conduct to ensure compliance, and each production, engineering, and head-office division formulates its own divisional code of conduct in line with the actual state of its duties. We strive to ensure legal and regulatory compliance in accordance with these codes and periodically verify the state of their implementation.
 - (2) Contact points and rules are established for receipt of whistleblowing reports and proposals from employees and business partners regarding business ethics, compliance, and other matters, and appropriate measures are taken.
 - (3) The Governance Committee, chaired by the Chief Compliance Officer, continually implements various compliance initiatives
 - (4) The General Affairs Division develops and maintains internal systems to exclude ties to antisocial forces and cooperates with external specialized agencies, including law enforcement.
 - (5) To ensure the reliability of financial reporting, we maintain and operate internal controls on financial reporting in accordance with the Financial Instruments and Exchange Act and other applicable laws and regulations.
2. Framework to preserve and manage information about Directors' performance of duties
 - (1) Documents such as minutes of Board of Directors meetings, minutes of Management Committee meetings, and applications for approval are retained for the periods stipulated in laws, regulations, and internal rules by Administration Operations and Corporate Management Planning Operations.
 - (2) Directors and Audit & Supervisory Board Members may view retained documents at any time.
 - (3) Rules are maintained concerning protection of personal information and management of trade secrets, and such information is retained and managed properly.

3. Rules regarding loss risk controls and other frameworks
 - (1) Each division identifies, analyzes, and takes measures to address and prevent various risks involved in its business operations, as well as verifies the state of their implementation periodically.
 - (2) We have established crisis management rules under which we respond promptly and appropriately to emergencies.
4. Framework to secure efficient execution of Directors' duties
 - (1) Personnel assigned as heads of the seven operations at the top level of the Company organization consist chiefly of Operating Officers of the rank of Senior Managing Officer or higher. Decision-making is accelerated through such delegation of decision-making authority.
 - (2) Chiefly it is Operating Officers who are assigned responsibility for domestic and overseas production facilities. Overseas production facilities are grouped into three regions. Operating Officers of the rank of Senior Managing Officer or higher are assigned as heads of the three regional business divisions. The global business execution system is strengthened and decision-making in overseas business activities is accelerated through such delegation of decision-making authority.
 - (3) To promote systematic and effective business operations, we formulate medium-term business plans and annual business plans and assess and manage the performance of the entire Company and individual divisions based on these, through the Board of Directors, the Management Committee, and interviews with top management.
 - (4) Company decision-making is documented in the Board of Directors rules, the Board Agenda Standards, and the Management Body Agenda Standards and implemented in accordance with priorities.
5. Framework to secure the propriety of operations of the corporate group consisting of the Company and its parent companies and subsidiaries
 - (1) A Company Director serves as Group Compliance Officer, to promote the operation and strengthening of corporate governance at the Company and its subsidiaries.
 - (2) Related divisions and offices manage subsidiaries based on the affiliate management rules and other related rules.
 - (3) Regional management committees are established to assess and manage matters such as the state of execution of duties and business conditions at subsidiaries.
 - (4) Business execution by the Company and subsidiaries complies with the internal rules of each company. These internal rules are revised from time to time.
 - (5) The Company Audit Operations conducts business audits of the Company and its subsidiaries and engages in other activities including verification and advising.
6. Items concerning employees Audit & Supervisory Board Members request to appoint to assist in their duties and items concerning the independence of such employees from Directors and the efficacy of instructions issued to them
The Audit Operations, which conducts business audits, assists in the duties of Audit & Supervisory Board Members as necessary. In addition, the independence of the Audit Operations is ensured by respecting the views of Audit & Supervisory Board Members with regard to personnel matters, transfers, and discipline in the Audit Operations.
7. Framework for reporting by Directors and employees to Audit & Supervisory Board Members, other framework for reporting to Audit & Supervisory Board Members, and framework for ensuring that persons who submit reports to Audit & Supervisory Board Members will not be treated at a disadvantageous for reason of having made such report
 - (1) Group Directors and employees make timely reports to the Audit & Supervisory Board Members, through appropriate methods, regarding any matters that could have major impacts on Group management or business performance, serious violations of laws, regulations, or the articles of incorporation, or similar matters of which they have become aware.
 - (2) The Group does not treat persons who made reports to the Audit & Supervisory Board Members at a disadvantageous for reason of having made such reports.
8. Items concerning processing of advance payment or reimbursement of expenses or payment of expenses or debts incurred in connection with the execution of duties of Audit & Supervisory Board Members
When the Company receives a request for advance payment or reimbursement of expenses or payment of expenses or debts incurred in connection with the execution of duties of Audit & Supervisory Board Members, it promptly pays the expenses or debts, unless the fact that they did not arise from the performance of the duties of Audit & Supervisory Board Members can be proven.
9. Other frameworks to ensure effective auditing by Audit & Supervisory Board Members
 - (1) Audit & Supervisory Board Members engage in regular exchange of opinions with the Representative Director and other Directors.
 - (2) Audit & Supervisory Board Members attend meetings of the Board of Directors and the Management Committee as well as other important meetings.
 - (3) Audit & Supervisory Board Members engage in regular cooperation and exchange of opinions with the accounting auditor.

2. Basic Outlook on Eliminating Association with Anti-social Forces and the Status of Related Measures Updated

The Company has established the H-one Group Code of Conduct, based on the Management Philosophy, to be implemented by all employees. All those working at the Company conduct business in accordance with this code.

The Code of Conduct calls for elimination of ties to antisocial forces as a basic policy, and we carry out efforts to eliminate ties with such forces in accordance with this basic policy.

Our structure for elimination of ties to antisocial forces includes the rules on responding to antisocial forces and the guidelines for investigation of exclusion of antisocial forces. The General Affairs Division carries out related activities as the section responsible. We also conclude separate memoranda of understanding specifying that any regular business partners with whom we conclude basic transaction agreements may be subject to cancellation of transactions if they are found to qualify as antisocial forces.

As part of efforts in cooperation with external related agencies, we are a member of the Saitama Corporate Antisocial Forces Prevention/Defense Council and we strive to collect information on antisocial forces.

We also appoint and assign persons responsible for preventing improper demands at the head office (General Affairs Department Manager) and major business sites (General Affairs and Accounting Department Managers at the Koriyama Plant, the Maebashi Plant, and the Kameyama Plant), to prevent damage caused by antisocial forces and enhance ties to local law enforcement bureaus and the Center for Drug Abuse and Violence Prevention.

V. Other

1. Takeover Defense Measures

Takeover defense measures	None
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Supplementary Explanation of Applicable Matters

2. Other Matters Related to the Corporate Governance Structure, Etc.

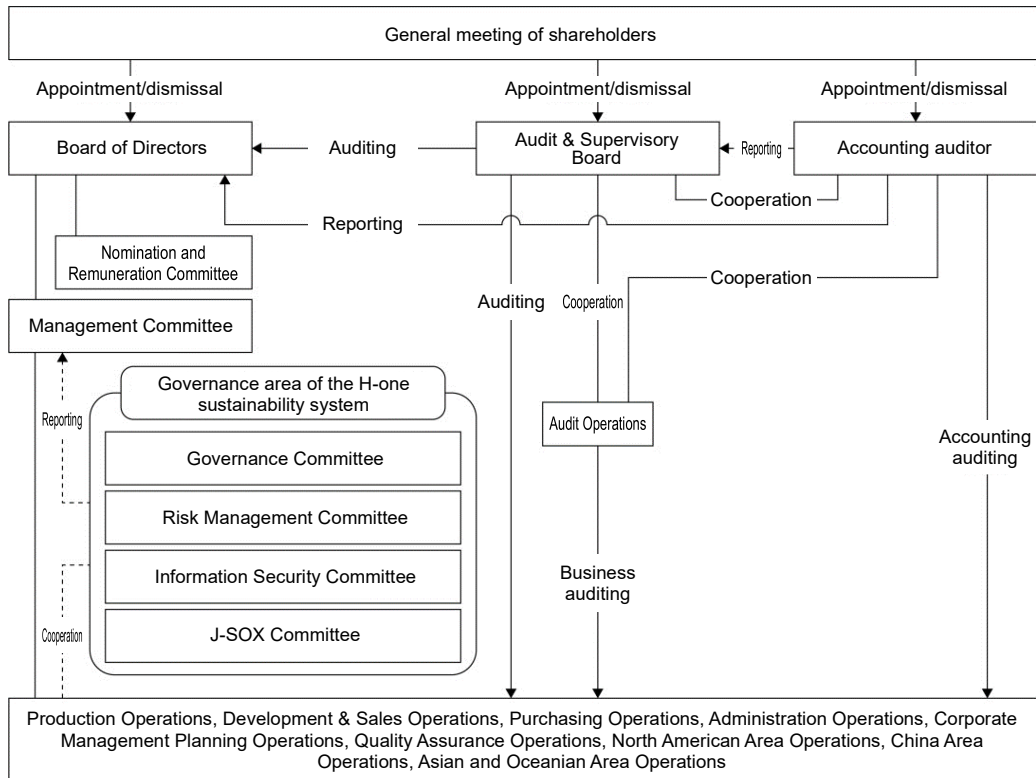
(Internal systems related to timely disclosure)

As for the materiality of information and whether information should be subject to timely disclosure, the responsible person for disclosure (Chief Operating Officer, Administration Operations) and the Sustainability Promotion Division consider information based on timely disclosure rules and other applicable laws and regulations, submit issues to the Board of Directors for disclosure decision or reporting, and report to, consult with, and obtain approval from the Representative Director, President & CEO as for the fact such incidents have occurred before promptly disclosing it through the information disclosure section (Sustainability Promotion Division) after the end of the relevant board meeting.

We post disclosure information to TDnet and our website, to ensure fair, accurate, and timely disclosure.

Even information not subject to disclosure obligations is announced through procedures similar to those above if we judge that such information may affect investment decisions by investors.

■ Schematic Diagram of the Corporate Governance System



Note: Dotted lines above indicate lines of activities in the governance area included in the Company's sustainability system.

■ Schematic Diagram of the Timely Disclosure System

