

## CORPORATE GOVERNANCE

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of SECOM CO., LTD., which is reported to the Tokyo Stock Exchange. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Last Update: March 11, 2025

SECOM CO., LTD.

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

The corporate governance of SECOM CO., LTD. (the “Company”) is described below.

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

#### 1. Basic Views

With the aim of earning the support of our customers, shareholders, suppliers, employees, local communities and other stakeholders as a company with value that is worthy of trust, we strive to maximize corporate and shareholder value over the medium to long term and recognize the importance of fulfilling our responsibilities as a corporate citizen and achieving sustainable growth and development.

On the basis of the belief that establishing corporate governance is vital for materializing the aforementioned, in line with Japan’s Corporate Governance Code and at the direction of top management, outside members of the Board of Directors and Audit & Supervisory Board provide independent oversight of the management team’s performance in a manner that takes into account the interest of stakeholders and ensures the appropriate execution of business activities. We also work actively to disclose information to shareholders and other stakeholders and strengthen our compliance framework.

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

The information is based on the Corporate Governance Code as revised in June 2021.

The Company is in compliance with all the Principles of the Corporate Governance Code.

#### Disclosure Based on the Principles of the Corporate Governance Code **Updated**

[Principle 1.3 Basic Strategy for Capital Policy]

The Company’s basic capital policy is to maintain its shareholders’ equity at the necessary and sufficient level for flexibly capturing the opportunities for expanding its business and investing for future growth, including investments for research and development, as well as in strategic businesses, with a view to sustainably enhancing its corporate value.

Such growth investing shall basically be funded by operating cash flows derived from business operations and cash reserves, while securing a sufficient level of shareholders’ equity that warrants high credit ratings to ensure flexible financing in the event where the Company is in need of a higher level of funding than available through the aforementioned operating cash flows plus cash reserves.

On the basis of the recognition of shareholder return as a management priority, the Company shall also strive to ensure a stable and sustainable distribution of profit to shareholders while making an overall evaluation on the trend of consolidated operating performance.

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### [Principle 1.4 Cross-Shareholdings<sup>1</sup>]

- (1) Policy on cross-shareholdings, method for verifying the rationality of holdings, and the content of verification of the suitability of each holding at the Board of Directors and other relevant bodies

The Company may acquire and hold stocks on the basis of a comprehensive consideration of factors including, collaboration, capital or business tie-ups, business participation and maintenance and expansion of transactions of its products and services. However, under its cross-shareholding policy, the Company shall strive to reduce investment shares held for the purpose of cross-shareholding by selling such shares, where the holdings are no longer deemed justifiable as a result of the verification as described below.

As for the verification method of cross-shareholdings, the Board of Directors of the Company shall annually assess benefits and risks from each holding. Specifically, the Board of Directors examines the status of the Company's transactions with the investee and its growth as well as profitability based on its financial position and the results of its operation, and comprehensively reviews the holding's suitability, including the quantitative cost-benefit analysis between investment returns and capital cost associated with the holding, the market environment and share-price trend, and a verification of whether the holding's purpose is in line with the Company's policy on cross-shareholdings, thereby evaluating whether or not to continue the holding.

- (2) Policy on exercising voting rights

The Company considers the exercise of its voting rights as an important means for influencing the management of the investee, thus enhancing its corporate value. The Company accordingly exercises voting rights in the investee from the following perspectives that principally focus on whether the proposal contributes to enhancing its corporate value over the medium to long term and increasing shareholder returns:

- a. Voting rights shall be exercised with a view to increasing economic benefits.
- b. The investee shall be managed with a view to maximizing shareholders' interests.
- c. The investee shall strive to give appropriate and timely information disclosure regarding its corporate activities.

### [Principle 1.7 Related Party Transactions]

When the Company is to be engaged in a transaction of certain significance with its related parties such as Directors, Audit & Supervisory Board Members, or major shareholders of the Company, the transaction shall be subject to review and resolution by the Board of Directors pursuant to the Rules of the Board of Directors.

### [Supplementary Principle 2.4.1 Ensuring Diversity]

- (1) The Company's views on ensuring diversity

As the needs for peace of mind have become increasingly diverse in recent years, we recognize the importance to be an organization that welcomes and acknowledges a broad spectrum of individuals and allows all employees to demonstrate their capabilities. To this end, we established the Declaration of Promoting Diversity & Inclusion in 2017 and have been working on various measures.

Declaration of Promoting Diversity & Inclusion (released on October 1, 2017 in the name of the President and Representative Director)

- Guided by a disciplined corporate culture rooted in SECOM's Philosophy, we respect differences and prioritize diversity in our human resources.
- We aim to be an organization in which all employees can work with drive, vitality, confidence, and pride.
- We consistently pursue the creation of innovative value by supporting employee growth and enhancing synergies among the various strengths of individual employees.

- (2) Voluntary and measurable goals for ensuring diversity and the progress

<Promotion of women to management positions>

In the "Action Plan for Fostering Career Opportunities for Female Employees", we have set a target of increasing the number of female employees at manager level to at least 200 and at supervisor level to at least 400 by the end of March 2026. At supervisor level, we have achieved the target in the fiscal year ended 31 March 2024. At manager level, the number is steadily approaching to the target. In addition to promoting

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<sup>1</sup> Cross-shareholdings: Cross-shareholdings defined in Japan's Corporate Governance Code include not only mutual shareholdings but also unilateral ones.

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female employees to responsible posts in sales departments for the residential market and administrative sections at security offices, in April 2023, we appointed female employees to the post of the security office managers. Currently 7 female staffs are in the post of the security office managers. As a result of efforts to expand the scope of jobs available to female employees and actively fostering female leaders, the number of female employees in responsible post have steadily increased, and candidates following have also expanded. We will continue to promote further development for female employees, foster an awareness of self-motivated challenge and strive to create a positive working environments for women.

### <Promotion of foreign nationals to management positions>

We recognize that the promotion of foreign nationals to management positions is our issue that needs to be addressed in the years ahead. On the other hand, we provide security services in various countries and regions, and approximately 40% of the executive positions are held by foreign national personnel. To incorporate diverse values in order to cope with the global society, we will promote foreign nationals to management positions in Japan and overseas.

### <Promotion of midcareer hires to management positions>

The percentage of midcareer hires has been 50-70% every year and we constantly hire human resources with diverse career. The percentage of midcareer hires in the management positions is approximately 60%, and approximately 30% of Executive Officers were hired as midcareer. We will continue to promote midcareer hires to management positions proactively to secure further diversity.

### (3) Policies for human resource development and internal environment improvement to ensure diversity and the status of their implementation

The Company is committed to creating an environment in which diverse human resources with various backgrounds can maximize their capabilities. For example, at SECOM, childcare leave is available until a child reaches three years of age and nursing care leave is available up to 186 days. Both leave systems exceed legal requirement.

In terms of human resource development, in addition to focusing on trainings for security services, we will make efforts to cultivate awareness of diversity among employees to develop human resources capable of responding to a rapidly changing environment such as digitalization, carbon neutrality and depopulation. Other initiatives are disclosed on our website and in the Sustainability Report.

Other initiatives related to human resources development policy, etc.

<https://www.secom.co.jp/corporate/sustainability /infra/employee/> (Japanese text only)

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

On the basis of the understanding that the persons in charge of the corporate pension fund are required to have the following expertise, the Company is engaged in systematic human-resources development to secure such talents by providing career paths to people with relevant potential.

- i) Basic knowledge in the areas such as accounting, financial affairs and corporate finance for asset management
- ii) Knowledge of corporate pension plans and relevant taxation
- iii) Skills for negotiating and coordinating with external parties such as asset management companies

### [Principle 3.1 Full Disclosure]

- (1) Vision of the Company (including management philosophy), management strategies and management plans  
Vision of the Company (including management philosophy), management strategies and management plans (earnings estimates for the fiscal year under review) are found on the Company's website and in SECOM Report (integrated report) and financial reports.

The Company established the SECOM Group's Vision for 2030 in May 2017 as its long-term corporate vision and formulated the SECOM Group Road Map 2027 in May 2023, with a view to further clarifying the direction of aiming for the attainment of Vision for 2030 and further solidifying the growth toward 2030.

The SECOM Group's Vision for 2030: [https://www.secom.co.jp/english/ir/mi06\\_vis.html](https://www.secom.co.jp/english/ir/mi06_vis.html)

The SECOM Group Road Map 2022: <https://www.secom.co.jp/english/ir/lib/Roadmap2027e.pdf>

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- (2) Basic views and basic policy on corporate governance  
As stated in I. 1. Basic Views
- (3) Remuneration for Directors  
As stated in II. 1. Remuneration for Directors, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
- (4) Appointment and dismissal of management team members and nomination of candidates for Director and Audit & Supervisory Board Member  
In accordance with the policy for appointment set forth by the Board of Directors, candidates for appointment to the Board of Directors and the Audit & Supervisory Board are decided through deliberation by the Board of Directors.  
Candidates for the Board of Directors are nominated from among candidates determined by the Board of Directors after discussion by the Nomination and Compensation Committee, the majority of whom are Outside Directors.  
Candidates for the Audit & Supervisory Board Members are nominated with the agreement of the Audit & Supervisory Board.  
If the Board of Directors determines that a Director's ability to engage in corporate management is questionable, on the basis of the facts including conduct significantly compromising the Company's corporate value, the matter shall first be reviewed by the Nomination and Compensation Committee and, by a resolution at the Board of Directors, be referred for a resolution for dismissal at the Ordinary General Meeting of Shareholders.
- (5) Explanation about the appointment and dismissal of management team members and nomination of candidates for Director and Audit & Supervisory Board Member  
Reasons for election of individual candidates are stated in the Notice of Convocation of the Ordinary General Meeting of Shareholders.  
For each case of a Director's dismissal, an explanation shall be given at the Ordinary General Meeting of Shareholders.

### [Supplementary Principle 3.1.3 Initiatives on Sustainability]

The SECOM Group considers contributing to society through its business activities as its basic management policy. By providing services that contribute to people's safety and peace of mind, we strive to resolve global social issues and realize sustainable growth with society.

For details about sustainability initiatives, investment in human capital and intellectual property, and the impact of climate change on the Company, please refer to our website, Securities Report, Sustainability Report, and the SECOM Group Road Map 2027.

Initiatives and basic policy on sustainability:

<https://www.secom.co.jp/corporate/sustainability/> (Japanese text only)

<https://www.secom.co.jp/corporate/sustainability/management/sustainability.html> (Japanese text only)

Investment in human capital and intellectual property, etc.:

<https://www.secom.co.jp/english/ir/lib/Roadmap2027e.pdf>

<https://www.secom.co.jp/corporate/sustainability/infra/employee/> (Japanese text only)

<https://www.secom.co.jp/corporate/sustainability/infra/governance/risk.html> (Japanese text only)

Impacts of climate change on the Company:

<https://www.secom.co.jp/corporate/sustainability/infra/environment/management.html> (Japanese text only)

### [Supplementary Principle 4.1.1 Scope of Delegation of Authority to the Management Team and Its Summary]

The Board of Directors of the Company has formulated the Rules of the Board of Directors, whereby resolution of the Board of Directors is required for the following matters.

- a. Matters concerning the Ordinary General Meeting of Shareholders
- b. Matters concerning the personnel affairs of Directors and employees
- c. Matters concerning organization and rules

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- d. Matters concerning shares
- e. Matters concerning funding
- f. Other important business executions

For matters other than the aforementioned, authority is delegated to the President and Representative Director.

### [Principle 4.9 Independence Standards for Independent Directors]

The Company appoints Independent Outside Directors on the basis of the requirements for outside directors pursuant to the Companies Act of Japan as well as the independence standards set out by financial instruments exchanges.

### [Supplementary Principle 4.10.1 The Company's Views on Independence of Committee Composition, its Authority and Role, etc. ]

The Company's view on the independence of the composition of the Nomination and Compensation Committee, its authority and role are described in the annual securities report and business reports.

### [Supplementary Principle 4.11.1 The Company's Views on the Diversity and Size of the Board of Directors]

The Board of Directors of the Company shall comprise inside Directors with familiarity with the Company's business operations along with various expertise, and multiple Outside Directors with abundant insight into corporate management, ensuring gender diversity, international perspective, etc., while maintaining an appropriate Board size that ensures substantial and fruitful deliberations and resolutions. Continuous review will be made with a view to further promoting diversity while maintaining an appropriate Board size in order to enhance the effectiveness of the Board of Directors.

For more details about the knowledge, experiences, skills, etc. of Directors and Audit & Supervisory Board Members, please refer to the Skills Matrix stated in the Notice of Convocation of the Ordinary General Meeting of Shareholders.

### [Supplementary Principle 4.11.2 Disclosure of the Status of Concurrent Service of Directors and Audit & Supervisory Board Members]

The Status of concurrent service of Directors and Audit & Supervisory Board Members are stated in the Notice of Convocation of the Ordinary General Meeting of Shareholders.

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

The Company conducted an evaluation of the Board of Directors' effectiveness for enhancing its effectiveness. A summary of the results of the analysis and evaluation by the Company is as follows:

#### (Evaluation process)

A questionnaire survey was conducted at the Board of Directors meeting held in January 2025. Its results were summarized by the Board's secretariat in mid-February 2025 and reviewed by the Board of Directors.

#### (Summary of findings)

##### [Composition of the Board of Directors]

With respect to the composition of the Board of Directors, the survey recognized opinions that the level of diversity is ensured through the increase of the number of female directors and outside directors and other measures as well as the balance between management oversight and business execution remained adequate, and that the Board's size was also appropriate for active discussion and prompt decision-making. Constructive opinions were made for further diversifying the Board composition, including the promotion of female directors from within the company and the appointment of directors with diverse backgrounds.

##### [Administration of Board of Directors' Meetings]

The Board of Directors meeting is held once every month in principle to ensure swift deliberation and resolution on the important proposals. To allow Directors and Audit & Supervisory Board Members to make appropriate judgments, matters of particular importance are discussed in advance at the Board of Directors prior to resolution, while a follow-up report on the progress of those matters is made at the Board of Directors subsequent to the resolution. There were opinions saying that Outside Directors and Outside Audit &



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Supervisory Board Members were actively expressing their opinions and the atmosphere was appropriate for free and open discussion. There were also comments saying that the explanations and reports of various matters, including explanations prior to the Board of Directors, advance discussions at the Board of Directors, and continuous progress reports have improved based on the evaluation results of the previous fiscal year. Furthermore, there were voices requesting time outside of The Board of Directors meeting for exchanging views for more in-depth discussion (e.g. an opportunity to have better communication with outside members of the Board of Directors and Audit & Supervisory Board).

[Oversight function of the Board of Directors]

There were opinions saying that matters discussed at the Board of Directors were adequately selected pursuant to the Rules of the Board of Directors, while ample debate was being held over issues such as management policy and corporate philosophy. Meanwhile, there were constructive suggestions prompting further development of debate from a medium- to long-term perspective on subjects including specific discussion on major direction of business strategy in consideration of changes in the social environment, governance and risks.

(Future initiatives)

To further enhance corporate value and realize an even more effective Board of Directors, we will continue to promote efforts to improve the Board's functions based on evaluations and opinions expressed.

[Supplementary Principle 4.14.2 Policies on the Training for Directors and Audit & Supervisory Board Members]

The Company provides its Directors and Audit & Supervisory Board Members with opportunities as appropriate to acquire information about the business, finance and organization of the Company, as well as knowledge generally required for them to fulfill their roles, including knowledge about the Companies Act. Furthermore, the Company will provide opportunities to continuously renew such information as appropriate.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

Policies on developing the framework for constructive dialogue with shareholders and on engaging in the initiatives for such dialogue are as follows:

- The President and Representative Director is responsible for IR activities.
- Department responsible for IR (IR Department) obtains necessary information from other relevant departments and is engaged in IR activities in coordination with the departments, such as jointly organizing financial results briefings.
- Financial results briefings are hosted by the President and Representative Director at the time of publishing full-year results as well as interim results, and IR briefings are held at any other time as appropriate, as opportunities for communicating with investors on matters including the Company's policies. Meanwhile, the IR manager individually organizes small meetings, etc. with investors. The Company issues voluntary disclosure documents (SECOM Report (integrated report), etc.), apart from the statutory disclosure documents (annual securities reports, business reports, financial statements, etc.), in an effort to present investors with the Company's basic policies, future direction, business condition, financial statements with analysis thereof and other relevant materials.
- Opinions obtained from shareholders through the dialogue are used for the purpose of reporting at various meetings as well as feedback to each Director, the management team and departments concerned, for better information sharing and utilization.
- As part of information management, Rules for Preventing Insider Trading have been formulated to ensure appropriate control of information by thorough compliance therewith.

[Action Aimed at Realizing Management with an Awareness of Cost of Capital and Share Price]

[Updated date: December 5, 2024]

With the objective of further clarifying our future direction and ensuring future growth, we have formulated the SECOM Group Road Map 2027, in which we identified investing in growth while remaining aware of the cost of capital as a key financial strategy. Specifically, the road map outlines core strategies that emphasize investing in growth to provide new services and solutions with the goal of expanding profitability, promoting continuous investments to secure and foster human resources, and improving productivity by maximizing service value and

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bolstering operational efficiency. We also set a financial target, namely, return on equity of 10% by the fiscal year ending March 31, 2028, and are promoting various initiatives to ensure its achievement. We continue to discuss capital policy, etc. at the Board of Directors meetings and disclose the progress of our efforts to enhance capital efficiency in our integrated report and various other materials.

SECOM Group Road Map 2027

<https://www.secom.co.jp/english/ir/lib/Roadmap2027e.pdf>

Integrated report “SECOM Report 2024”

[https://www.secom.co.jp/english/ir/lib/AR/2024e\\_full.pdf](https://www.secom.co.jp/english/ir/lib/AR/2024e_full.pdf)

## 2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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### Status of Major Shareholders

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,065,800	22.35
Custody Bank of Japan, Ltd. (Trust Account)	18,763,527	8.91
JP MORGAN CHASE BANK 380055	9,591,199	4.55
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079272)	6,740,500	3.20
STATE STREET BANK WEST CLIENT-TREATY 505234	5,463,857	2.59
Secom Science and Technology Foundation	4,025,400	1.91
JP MORGAN CHASE BANK 385781	2,819,971	1.33
STATE STREET BANK AND TRUST COMPANY 505103	2,733,517	1.29
STATE STREET BANK AND TRUST COMPANY 505225	2,580,558	1.22
JP MORGAN CHASE BANK 385632	2,498,961	1.18

Controlling Shareholder (Except for Parent Company)	_____
Parent Company	None

Supplementary Explanation

## 3. Corporate Profile

Listed Stock Market and Market Section	Prime Market, Tokyo Stock Exchange
Fiscal Year-end	March
Type of Business	Services
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 to less than 300

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

#### **5. Other Special Circumstances Which May Have Material Impact on Corporate Governance**

1. The Group has been working to realize “SECOM Group’s Vision for 2030” with the aim of establishing a Social System Industry that achieves a society that enjoys “safety, peace of mind, comfort and convenience,” by providing primarily security services and other various services in a combined and integrated manner. In a corporate framework to realize that objective, the Company owns a listed subsidiary, Nohmi Bosai Ltd. Nohmi Bosai Ltd. is a subsidiary, which covers the Group’s fire protection services segment, with its primary business domain comprising the provision of various fire protection systems such as automatic fire alarm systems and fire extinguishing systems. Nohmi Bosai’s current status as a listed subsidiary is recognized as most desirable, as that status, along with the company’s established history and brand value, can contribute to maximizing the Group’s corporate value through ensuring confidence from business partners, while securing superior talents with expertise in fire protection and other areas.  
In order to ensure the appropriateness of operations in consolidated management, the Group has established the “Basic Rules for SECOM Group Corporate Management” to clarify the standards for items requiring prior approval and reporting to the Company when the subsidiaries make important decisions. However, to respect the independence of the listed subsidiary, these rules do not extend to it.  
In addition, when exercising voting rights regarding the appointment and dismissal of Directors and Audit & Supervisory Board members of the listed subsidiary, the Company fully respects the decisions of the Nomination and Compensation Committee and the Board of Directors established by the listed subsidiary. The Company appropriately reviews the composition of its group portfolio and will continue to consider it, taking into account the business characteristics and others of each subsidiary.
2. System under which the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business
  - (1) Abiding by the Constitution of SECOM’s Business and Operation, each of the subsidiaries shares the SECOM Group Code of Employee Conduct, which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
  - (2) The Company establishes and implements the “Basic Rules for SECOM Group Corporate Management,” which clarify the guidelines for items to be approved by the Company in advance and the items to be reported to the Company.
  - (3) Each of the subsidiaries carries out IT controls in conformance with the SECOM Group Information Security Basic Policy. The Company’s ICT Executive Officers conduct timely inspections covering the IT management of major subsidiaries.
  - (4) The SECOM Group Management Committee, which is chaired by the Company’s President and Representative Director and whose members are composed of the presidents of major subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the internal controls in an effort to share Group information and operating philosophy.  
Where necessary, the President and Representative Director reports the results to the Board of Directors and the Audit & Supervisory Board.
  - (5) The President and Representative Director of the Company issues orders to the internal audit departments (Internal Audit and Compliance Department and Group Governance Department) to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, and at the same time promote the understanding and improvement of compliance-related issues by exchanging information with the



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Company. Furthermore, the Company establishes the whistle-blowing system “Group Head Office Helpline” which enables executives and employees of subsidiaries to directly report to the Company’s Group Governance Department, whenever they become aware of any non-compliance. Pursuant to the “Basic Policy of the SECOM Group for Compliance” and the “Internal Reporting Rules”, the Company will keep the reported matters confidential, and take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.

- (6) The Audit & Supervisory Board Members of the Company visit major subsidiaries and conduct audits regarding internal controls.
- (7) The Company establishes a liaison meeting with Group Audit & Supervisory Board Members after discussion with its Audit & Supervisory Board in an attempt to share information.

## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Structure of Organization	Company with Audit & Supervisory Board Members
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#### Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	13
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors Designated as Independent Officers	5

#### Outside Directors’ Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takaharu Hirose	From Other Company											
Hajime Watanabe	From Other Company											
Miri Hara	From Other Company											
Kosuke Matsuzaki	From Other Company											
Yukari Suzuki	From Other Company											

\* Categories for “Relationship with the Company”

\* “○” when the relationship is/was applicable to himself/herself presently or lately. “△” if it was applicable in the past.

\* “●” when the relationship is/was applicable to his/her close relative presently or lately. “▲” if it was applicable in the past.

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive 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 other than compensation as a director

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- g. Major shareholder of the Company (or an executive of 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 and the Company's outside directors/outside audit & supervisory board members are mutually appointed (the director himself/herself only)
- j. Executive of a company or an organization that receives a donation from the Company (the director himself/herself only)
- k. Others

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## Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takaharu Hirose	○	—	<p>After launching a venture business dealing in drink vending machines while a student, Mr. Takaharu Hirose contributed to the development of the industry as well as his own business through the establishment and operation of related industry groups. Since 2003, he has been active in the internet research business, helping companies to expand their business opportunities by utilizing internet research. The Company elected him as Outside Director, as it believes that he is capable of contributing to strengthening management of the Company and improving its corporate governance by capitalizing on his wealth of experience and deep insight into corporate management gained through his career as described above.</p> <p>Mr. Hirose currently serves as Chairman and Representative Director of Monitas, Inc., which, however, has no special interest in the Company except for transactions involving ordinary services provided by the Company. Thus, he is expected neither to be questioned about his independence between Monitas and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that he is independent enough to express his opinions from an objective and neutral perspective.</p> <p>As aforementioned, Mr. Hirose is independent in appearance with capabilities to fulfill his role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated him as independent officer.</p>

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Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hajime Watanabe	○	—	<p>The Company elected Mr. Hajime Watanabe as Outside Director, as it believes that he is capable of contributing to strengthening management of the Company and improving its corporate governance by capitalizing on his wealth of experience and deep insight gained through his career spanning many years in management at Watanabe Pipe Co., Ltd.</p> <p>Mr. Watanabe currently serves as Chairman and Representative Director of Watanabe Pipe Co., Ltd., which, however, has no special interest in the Company except for transactions involving ordinary services provided by the Company. Thus, he is expected neither to be questioned about his independence between Watanabe Pipe and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that he is independent enough to express his opinions from an objective and neutral perspective.</p> <p>As aforementioned, Mr. Watanabe is independent in appearance with capabilities to fulfill his role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated him as independent officer.</p>

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Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Miri Hara	○	—	<p>The Company elected Ms. Miri Hara as Outside Director, as it believes that she is capable of contributing to strengthening management of the Company and improving its corporate governance by capitalizing on her wealth of experience and broad-based insight gained through her career of many years as director of a real estate management company, and as a tax accountant at a tax accountant corporation engaged in tax affairs, corporate accounting, etc. Ms. Hara currently serves as Representative Certified Public Tax Accountant of Tax Corporation Yokohama Benten Accounting, Inc. and Outside Director of Nippon Sanso Holdings Corporation. Neither firms, however, have any special interest in the Company except for transactions involving ordinary services provided by the Company. Thus, she is expected neither to be questioned about her independence between these companies and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that she is independent enough to express her opinions from an objective and neutral perspective.</p> <p>As aforementioned, Ms. Hara is independent in appearance with capabilities to fulfill her role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated her as independent officer.</p>

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Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kosuke Matsuzaki	○	—	<p>The Company elected Mr. Kosuke Matsuzaki as Outside Director, as it believes that he is capable of contributing to strengthening management of the Company and improving its corporate governance by capitalizing on his wealth of experience and deep insight gained through his career as important positions and management at major global and domestic Japanese companies. Mr. Matsuzaki currently serves as Representative Director, President and CEO of MAFTEC Group Co., Ltd., which, however, have no special interest in the Company except for transactions involving ordinary services provided by the Company. Thus, he is expected neither to be questioned about his independence between MAFTEC Group and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that he is independent enough to express his opinions from an objective and neutral perspective. Mr. Matsuzaki served as director in a number of companies in the past, none of which, however, has special interest in the Company at present.</p> <p>As aforementioned, Mr. Matsuzaki is independent in appearance with capabilities to fulfill his role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated him as independent officer.</p>



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Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukari Suzuki	○	—	<p>The Company elected Ms. Yukari Suzuki as Outside Director, as it believes that she is capable of contributing to strengthening management of the Company and improving its corporate governance by capitalizing on her wealth of experience and deep insight on corporate management, marketing, and diversity and inclusion gained through her career as Director of a global listed company.</p> <p>Ms. Suzuki currently serves as Outside Director of Tokyo Electron Ltd., which, however, have no special interest in the Company except for transactions involving ordinary services provided by the Company. Thus, she is expected neither to be questioned about her independence between Tokyo Electron Ltd. and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that she is independent enough to express her opinions from an objective and neutral perspective.</p> <p>As aforementioned, Ms. Suzuki is independent in appearance with capabilities to fulfill her role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated her as independent officer.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

## CORPORATE GOVERNANCE

## Supplementary Explanation

## Audit &amp; Supervisory Board Members

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

## Cooperation Among Audit &amp; Supervisory Board Members, Accounting Auditors, and Internal Audit Departments

Audit & Supervisory Board Members receive explanations from Accounting Auditors on matters such as audit plans, key audit matters at year-end audits and audit results, while exchanging opinions with the Accounting Auditors about their own audit methods and views. In the meantime, Audit & Supervisory Board Members attend inspections conducted by Accounting Auditors at branch premises and major subsidiaries, providing support from the standpoint of Audit & Supervisory Board Members, while using the results as a reference for implementing more effective audits by Audit & Supervisory Board Members in the future.

Audit & Supervisory Board Members organize liaison meetings with the internal audit departments (Internal Audit and Compliance Department and Group Governance Department) on a regular basis or as appropriate to receive explanations on the progress of internal audits of the Company and its subsidiaries, while providing advice and requesting audits, as necessary.

The results of those activities are reflected in the planning of audits by Audit & Supervisory Board Members.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members Designated as Independent Officers	3

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hideki Kato	Other													
Makoto Yasuda	From Other Company													
Setsuo Tanaka	Other												○	

\* Categories for "Relationship with the Company"

\* "○" when the relationship is/was applicable to himself/herself presently or lately. "△" if it was applicable in the past.

\* "●" when the relationship is/was applicable to his/her close relative presently or lately. "▲" if it was applicable in the past.

a. Executive of the Company or its subsidiary

CORPORATE GOVERNANCE

- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & supervisory board member of a parent company 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 consideration or other property from the Company other than compensation as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of 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 & supervisory board member himself/herself only)
- k. Executive of a company, between which and the Company's outside directors/outside audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a company or an organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

## CORPORATE GOVERNANCE

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

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hideki Kato	○	—	<p>The Company elected Mr. Hideki Kato as Outside Audit &amp; Supervisory Board Member, as it believes that he is capable of contributing to strengthening the audit framework of the Company by capitalizing on his experience and knowledge of engaging in the execution of government policies at agencies, including the Ministry of Finance and the Secretariat of the Fair Trade Commission, as well as implementing numerous policy projects at Japan Initiative, a policy think tank.</p> <p>Mr. Kato serves as the Representative of Japan Initiative (an independent non-profit policy think tank). While the Company is paying membership fees amounting to less than 10 million yen for the forum and other events organized by Japan Initiative, the Company has no special interest in Japan Initiative except for being one of its numerous members. In light of the independent and non-profit nature of Japan Initiative being a pure policy-recommending body, Mr. Kato is expected neither to be questioned about his independence between Japan Initiative and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that he is independent enough to express his opinions from an objective and neutral perspective.</p> <p>As aforementioned, Mr. Kato is independent in appearance with capabilities to fulfill his role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated him as independent officer.</p>

CORPORATE GOVERNANCE

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Makoto Yasuda	○	—	<p>The Company elected Mr. Makoto Yasuda as Outside Audit &amp; Supervisory Board Member, as it believes that he is capable of contributing to strengthening the audit framework of the Company by capitalizing on his wealth of experience and broad-based insight as senior management member of global companies.</p> <p>Mr. Yasuda currently serves as President and Representative Director of Yasuda Makoto &amp; Co., Ltd., which, however, has no special interest in the Company except for transactions involving ordinary services provided by the Company. Thus, he is expected neither to be questioned about his independence between Yasuda Makoto &amp; Co., Ltd. and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that he is independent enough to express his opinions from an objective and neutral perspective. Mr. Yasuda served as audit &amp; supervisory board member and director in a number of companies in the past, none of which, however, has special interest in the Company at present.</p> <p>As aforementioned, Mr. Yasuda is independent in appearance with capabilities to fulfill his role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated him as independent officer.</p>

CORPORATE GOVERNANCE

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Setsuo Tanaka	○	The Company has made donations (each amounting to less than ¥10 million) to two public interest incorporated foundations: Japan Police Scholarship Association and Japan Police Support Association. Mr. Setsuo Tanaka serves as President and Representative Director at both foundations.	<p>The Company elected Mr. Setsuo Tanaka as Outside Audit &amp; Supervisory Board Member, as it believes that he is capable of contributing to strengthening the audit framework of the Company by capitalizing on his wealth of experience and broad-based insight gained through his career in the senior positions at the National Police Agency, as audit &amp; supervisory board member at a number of companies, and as Representative Director at general/public interest incorporated associations.</p> <p>Mr. Tanaka currently serves as President and Representative Director of two public interest incorporated foundations, Japan Police Scholarship Association and Japan Police Support Association. While the Company is paying membership fees amounting to less than ¥10 million for the two foundations, respectively, both are recognized as specified public service promotion corporations significantly contributing to the promotion of the public interest. Thus, he is expected neither to be questioned about his independence between these foundations and the Company, nor to give rise to conflicts of interest with general shareholders of the Company, allowing us to safely declare that he is independent enough to express his opinions from an objective and neutral perspective.</p> <p>As aforementioned, Mr. Tanaka is independent in appearance with capabilities to fulfill his role of effective management oversight while paying attention to the interests of general shareholders. Hence, the Company has designated him as independent officer.</p>

**Independent Officers**

Number of Independent Officers	8
Matters Relating to Independent Officers	

All Outside Directors and Outside Audit & Supervisory Board Members who meet requirements to be an independent officer have been designated as independent officers.

**Incentives**

Status of Implementation of Measures to Grant Incentives to Directors	Performance-linked Remuneration/Other
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## CORPORATE GOVERNANCE

## Supplementary Explanation

As stated in II. 1. Remuneration for Directors, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

## Recipients of Stock Options

## Supplementary Explanation

## Remuneration for Directors

## Disclosure of individual Director's Remuneration

No Individual Disclosure

## Supplementary Explanation

Total amount of remuneration, etc., breakdown of total remuneration amount, etc., and other information

Total amount of remuneration, etc. of Directors: ¥309 million for 9 Directors  
(including ¥30 million for three Outside Directors)

Breakdown of total amount of remuneration, etc.

- (1) Basic remuneration: ¥255 million  
(including ¥ 30 million for Outside Directors)
- (2) Bonus: ¥40 million  
(including ¥0 for Outside Directors)
- (3) Restricted stock: ¥13 million  
(including ¥0 for Outside Directors)

As no Director receives consolidated remuneration amounting to ¥100 million or more, there is no specific reference to the Directors' remuneration in the annual securities report.

## Policy on Determining Remuneration Amounts and Calculation Methods

Established

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

The Company has established a policy for determining the contents of remuneration of individual Directors (hereinafter referred to as the "Determination Policy"), and its outline is as follows:

The remuneration of Directors shall consist of pecuniary remuneration (fixed monthly remuneration and bonus) and share-based remuneration. Outside Directors shall be entitled only to fixed monthly remuneration. In the case of a death of an incumbent Director of the Company excluding Outside Directors (hereinafter, "Subject Directors"), officer condolence money shall be paid to the bereaved family of the deceased Director in accordance with the Regulations on the Provision of Officer Condolence Money established by the resolution of the Board of Directors subject to the approval of the General Meeting of Shareholders.

Regarding pecuniary remuneration (fixed monthly remuneration and bonus), it was resolved at the 44th Ordinary General Meeting of Shareholders held on June 29, 2005 that the total amount shall not exceed 600 million yen per year (the number of Directors pertaining to the resolution was eleven (11)). Additionally, with regard to the share-based remuneration to be paid to Subject Directors, it was resolved at the 60th Ordinary General Meeting of Shareholders held on June 25, 2021 that (a) the total amount of monetary claims to be provided to grant restricted stock shall not exceed 100 million yen per year, which is separate from pecuniary remuneration, and that the number of common stock shares to be issued or disposed as restricted stock shall not exceed 20,000 shares per year (the number of Subject Directors pertaining to this resolution was seven (7)); (b) the Non-transferable period shall be the period from the date on which the Subject Director receives the issuance or disposition of the common stock shares of the Company (hereinafter the "Grant Date") until the day on which

## CORPORATE GOVERNANCE

the Subject Director resigns or retires from the office and ceases to be any of Director, Executive Officer, Audit & Supervisory Board Member, and employee of the Company (hereinafter the “Directors, etc.”) (including resignation or retirement due to death, hereinafter the “Retirement, etc.”); (c) upon the expiration of the Non-transferable Period, the Company shall acquire all such common stock shares held by such Subject Director free of charge as a matter of course unless the Retirement, etc. of a Subject Director from the office of Director, etc. is determined by the Board of Directors of the Company to be due to a reasonable cause, such as expiration of the term of office, mandatory retirement due to age, or death; and (d) upon the expiration of the Non-transferable Period, notwithstanding the determination by the Board of Directors that the Retirement, etc. of a Subject Director from the office of Director, etc. is due to a reasonable cause, such as expiration of the term of office, mandatory retirement due to age, or death, if the Retirement, etc. occurs before the close of the first Ordinary General Meeting of Shareholders held after the Grant Date, except for a certain number of such common stock shares determined in accordance with the reasonable standard set out in advance by the Board of Directors of the Company among such common stock shares held by such a Subject Director, the Company shall acquire the rest of such common stock shares held by such Subject Director free of charge as a matter of course. Based on this resolution of the general meeting of shareholders, the Board of Directors, based on the result of deliberation by the Nomination and Compensation Committee, shall determine the share-based remuneration of each director within the limit of the maximum amount and number mentioned in (a) above.

The amount of fixed monthly remuneration (pecuniary remuneration) of each Director and the amount of share-based remuneration (the amount of monetary claims provided to grant restricted stock) of each Subject Director shall be determined in comprehensive consideration of the job responsibility and the number of years of office of each Director as well as the financial performance of the Company. The amount of bonus of each Subject Director shall be made with comprehensive consideration given to degree of achievement of targets including consolidated operating profit, earning per share, and employee engagement (employee satisfaction), which are the key management targets of the Company.

The relative proportion of fixed monthly remuneration, bonus, and share-based remuneration in the total amount of remuneration of each Subject Director shall be roughly 65:15:20. Fixed monthly remuneration is paid every month. Bonus for each fiscal year is paid in July of the following fiscal year. Share-based remuneration for each fiscal year is paid in July of the same year subject to the Non-transferable Period above.

As the remuneration of each Director for the current fiscal year has been determined in accordance with the procedure outlined above, the Board of Directors has determined that the contents of the remuneration are in line with the Determination Policy.

To strengthen the independence and objectivity of the functions and the accountability of the Board of Directors concerning the nomination and remuneration of Directors, the Company has established a Nomination and Compensation Committee. The Committee formulates a draft and submits a proposal on the election and removal of Directors to the Board of Directors, determines individual pecuniary remuneration of Directors, and discusses share-based remuneration and advises it to the Board of Directors. The Nomination and Compensation Committee consists of the following five members in total (including three Outside Directors): Takaharu Hirose (Chairperson, Outside Director), Yasuyuki Yoshida (President and Representative Director), Tatsuro Fuse (Senior Executive Director), Hajime Watanabe (Outside Director), and Miri Hara (Outside Director).

### **Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members**

With regard to the important matters in the proposals to be submitted to the Board of Directors meeting, Outside Directors and Outside Audit & Supervisory Board Members are presented in advance with materials and explanation.

Meanwhile, the Office of Audit & Supervisory Board has been established under the Audit & Supervisory Board, with three dedicated employees engaged in assisting audit work independently of Directors.

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## Information about Retired President and Representative Directors, Etc.

Information about *Sodanyaku* or *Komon*, Etc. (Advisory Positions) Who Were Formerly President and Representative Directors, Etc.

Name	Job Title(s)/Position(s)	Responsibilities	Employment Terms	Date When Former Role as President and Representative Directors, Etc. Ended	Term
Yasuo Nakayama	Executive Advisor	Business community-related activities, social contribution activities, etc.	Part time with remuneration	June 25, 2024	2 years
Ichiro Ozeki	Advisor	Business community-related activities, social contribution activities, etc.	Part time without remuneration	March 31, 2024	1 year

Total Number of *Sodanyaku* or *Komon*, Etc. (Advisory Positions) Who Were Formerly President and Representative Directors, Etc.

2

Others

Nomination and remuneration etc., of Executive Advisor and Advisor shall be resolved by the Board of Directors. Executive Advisor and Advisor shall not involve any execution and decision-making of the Company.

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

The Board of Directors makes decisions pertaining to business execution and other corporate matters. Executive Officers, led by the President and Representative Director, are responsible for business execution. We have adopted an Audit & Supervisory Board System, whereby the Audit & Supervisory Board—which includes three outside members—and the Board of Directors coordinate with the internal audit departments to audit and supervise Directors' and Executive Officers' discharge of their duties. Furthermore, under this system, five Outside Directors have been appointed for adopting external viewpoints in decision-making, while ensuring legitimacy and objectivity in management. Details of the system are as follows:

### 1. Organs and organizational units within the Company concerning its business execution, audit and oversight

#### (1) Board of Directors

The Board of Directors comprises 11 Directors (including five Outside Directors), in principle a meeting of which is held monthly with five members of the Audit & Supervisory Board (including three Outside Audit & Supervisory Board Members) also in attendance.

The Board of Directors is responsible for deciding overall management policies and business execution policies, as well as for monitoring the performance of duties by Directors, and strives to promote the active exchange of opinions with the aim of ensuring effective and swift decision making.

Six out of 11 Directors are engaged in business execution. Five (Five Outside Directors) are not.

The Company has, pursuant to Article 427, Paragraph 1 of the Companies Act, concluded a liability limit agreement with five Outside Directors, which limits their liability for damages as prescribed in Article 423, Paragraph 1 of the Companies Act. The outline of the agreement is: a. In the event an Outside Director becomes liable to the Company for damages arising out of his/her negligence in the performance of duty, such liability shall not exceed the minimum liability limit set out under Article 425, Paragraph 1

## CORPORATE GOVERNANCE

of the Companies Act; and b. The aforementioned limitation of liability is allowed, insofar as the Outside Director was performing his/her duty that gave rise to such liability in good faith without involving gross negligence.

(2) Executive Officers

We have adopted an executive officers system, whereby the Board of Directors is responsible for decision making and the Executive Officers are responsible for business execution. This is intended to strengthen field divisions while enhancing customer service systems by expediting business execution and clarifying associated responsibilities and authority.

We currently have 32 Executive Officers, six of whom are also Directors.

(3) Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, two of whom are full-time and three of whom are outside. In principle, a meeting of the Audit & Supervisory Board is held monthly.

Individuals well-versed in our businesses and internal affairs, one of whom has considerable knowledge in finance and accounting, are appointed to serve as full-time members, while individuals who are independent of the management team, have extensive knowledge of corporate management, legal, financial and other matters and are capable of providing effective oversight and monitoring of the management team, are appointed to serve as outside members.

Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings to exchange opinions regarding matters related to overall corporate management and receive reports on the status of execution of duty by Directors, while conducting audits focusing on discovering, if any, violations of laws and regulations, or the Articles of Incorporation, or the facts that compromise shareholders' interest. Furthermore, the Audit & Supervisory Board Members conduct audits based on audit plans across overall operations of the Company as well as its subsidiaries and affiliates.

Principal activities of the Audit & Supervisory Board in the fiscal year ended March 31, 2024

Participation in meetings of the Board of Directors: 98.3%

Participation in meetings of the Audit & Supervisory Board: 98.5%

Information sessions with Directors and other executives of the parent company, subsidiaries and affiliated companies: 62 times

Audits conducted by Audit & Supervisory Board members at remote locations: 87 locations

The Company has, pursuant to Article 427, Paragraph 1 of the Companies Act, concluded a liability limit agreement with five Audit & Supervisory Board Members, which limits their liability for damages as prescribed in Article 423, Paragraph 1 of the Companies Act. The outline of the agreement is: a. In the event an Audit & Supervisory Board Member becomes liable to the Company for damages arising out of his/her negligence in the performance of duty, such liability shall not exceed the minimum liability limit set out under Article 425, Paragraph 1 of the Companies Act; and b. The aforementioned limitation of liability is allowed, insofar as the Audit & Supervisory Board Member was performing his/her duty that gave rise to such liability in good faith without involving gross negligence.

(4) Accounting Auditors

The Company has concluded an audit agreement with KPMG AZSA LLC for accounting audits pursuant to the Companies Act, as well as accounting audits pursuant to the Financial Instruments and Exchange Act, while, however, neither KPMG AZSA LLC nor its designated engagement partners who engage in Company audits has any specific interest in the Company.

Names of certified public accountants engaged in the audits and the composition of the audit engagement assistants in the fiscal year ended March 31, 2024 are as follows:

- Names of certified public accountants engaged in the audits

Michitaka Shishido (engaged in audits of the Company in the last four consecutive years), Takashi Hasumi (engaged in audits of the Company in the last three consecutive years), and Shuji Ezawa (engaged in audits of the Company in the last six consecutive years)

- Composition of assistants engaged in the audits: 21 certified public accountants and 48 others

(Note) Others include associate members of the Japanese Institute of Certified Public Accountants and staff engaged in system audits.

(5) Office of Audit & Supervisory Board

The Office of Audit & Supervisory Board has been established under the Audit & Supervisory Board, with two or more permanent and dedicated employees familiar with business operations as well as the

## CORPORATE GOVERNANCE

internal circumstances of the Company.

Such dedicated employees assist the audit work independently of Directors, outside the normal chain of command through the line of Directors, Executive Officers and employees.

Personnel change and evaluation of the dedicated employees shall be carried out, subject to the approval of the Audit & Supervisory Board.

(6) Internal audit departments

The Company's internal audit departments comprise the Internal Audit and Compliance Department and Group Governance Department. The Internal Audit and Compliance Department engages in cross-departmental inspections of the status of management and operation primarily within the Company, checking whether business operations are properly carried out, from a viewpoint outside the line of daily operation, while also functioning as a contact point for compliance-related consultation and communication from the employees. The Group Governance Department, on the other hand, conducts inspections at, provides guidance to, and exchanges information with subsidiaries, in an effort to identify and overcome compliance-related challenges at the SECOM Group.

(7) Organizational Culture Committee

The Company has established the Organizational Culture Committee chaired by the President and Representative Director as a permanent conference body, which reviews important matters concerning organizational culture (including compliance-related matters), while making decisions on important commendations and punishments.

### 2. Coordination between organs and organizational units

(1) Regular meetings between the President and Representative Director and Audit & Supervisory Board Members

Audit & Supervisory Board Members hold regular (monthly) meetings with the President and Representative Director, during which they exchange opinions on important management-related issues, including the results of audits, to ensure common understanding.

(2) Meetings between Audit & Supervisory Board Members and Accounting Auditors

Audit & Supervisory Board Members meet regularly (six times annually) with the Accounting Auditors, as well as additional meetings as necessary, for the purpose of exchanging opinions and information.

Audit & Supervisory Board Members receive explanations from the Accounting Auditors and exchange opinions regarding annual audit plans and audit results\*. If necessary, Audit & Supervisory Board Members also act as witnesses during audits conducted by the Accounting Auditors at remote locations and during audit reviews (15 times in the fiscal year ended March 31, 2024).

\*Quarterly review reports and audit reports pursuant to the Companies Act, etc.

(3) Collaboration with internal audit and other departments

Audit & Supervisory Board Members hold regular (monthly) liaison meetings with the Internal Audit and Compliance Department for receiving reports and exchanging opinions regarding the results of internal audits. Meetings are also held as appropriate with the Group Governance Department for receiving reports and exchanging opinions and information on the results of inspections at subsidiaries. If necessary, to ensure the efficiency of audits, Audit & Supervisory Board Members ask the internal audit departments to conduct investigations.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company has appointed Outside Directors with a wealth of insights into corporate management and other matters and established a framework that enables the Board of Directors to adopt their externally oriented and broad-based viewpoints free from dwelling excessively on the internal circumstances of the Company and to ensure management transparency and objectivity. Under the framework, the Company is believed to have established an independent management-oversight function as well as a function to maintain appropriateness in business execution.

In the meantime, the Company has appointed Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members for ensuring effective independence) with insights that cover management, financial and legal matters, and established an organizational structure (including establishment of the Office of

## CORPORATE GOVERNANCE

Audit & Supervisory Board) outside the operational line of command that supports the Audit & Supervisory Board Members, along with a framework (including regular meetings between the President and Representative Director and the Audit & Supervisory Board Members) for promptly reflecting objective and neutral recommendations by Audit & Supervisory Board Members on the business operation of the Company. The Company believes that under the aforementioned regime, audits by Audit & Supervisory Board Members are fulfilling the independent management oversight function based on consideration for all stakeholders.



## CORPORATE GOVERNANCE

## III. Implementation of Measures for Shareholders and Other Stakeholders

## 1. Measures to Revitalize the General Shareholder Meeting and Facilitate the Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholder Meeting	We make it a rule to send the convocation notice around three weeks prior to the date of the General Meeting of Shareholders.
Scheduling Annual General Meeting to Avoid the Peak Time	We intend to keep our current policy to hold our General Meeting of Shareholders at a date earlier than those of the vast majority of the Japanese companies.
Allowing the Electronic Exercise of Voting Rights	This method has been in practice since the General Meeting held in June 2003.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Environment for the Exercise of Voting Rights by Institutional Investors	We have participated in the electronic voting rights exercising platform for institutional investors run by ICJ, Inc. since the General Meeting held in June 2009.
Providing Convocation Notice in English	An English version of the convocation notice is posted on the Company's website, as well as the relevant website of the Tokyo Stock Exchange and ICJ, Inc.

## 2. IR Activities

	Supplementary Explanation	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	The President and Representative Director holds financial results briefings at the time of publishing full-year results as well as interim results, and IR briefings at any other time as necessary, providing opportunities for communicating with investors on matters including the Company's policies on various subjects. Meanwhile, the IR manager individually organizes small meetings, etc.	Yes
Posting of IR Materials on Website	With a view to giving prompt, accurate and impartial disclosure of Company information in consideration of investors' viewpoints, a website dedicated to the release of IR information has been created for the purpose of posting SECOM Report (integrated report), annual and semiannual securities reports, financial reports, financial results briefing material, etc. ( <a href="https://www.secom.co.jp/english/ir/">https://www.secom.co.jp/english/ir/</a> ) Furthermore, in the event of material facts, relevant information is immediately posted on the website, apart from public announcements.	
Establishment of Department and/or Appointment of Manager in Charge of IR	The IR Department has been established.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>To ensure trust in SECOM from customers and other stakeholders, we have formulated the SECOM Group Code of Employee Conduct, the basic principles and behavioral standards expected of SECOM employees. The code requires not only compliance with laws and the spirit of the law, but even more rigorous discipline than other statutory codes of this nature.</p> <p>The SECOM Group Code of Employee Conduct defines the ideal attitude of all SECOM Group employees, while prescribing our philosophy with respect to compliance that serves as the basis of all SECOM business operations. Specifically, this code of conduct clearly sets out principles and specific behavioral standards to be followed in dealing with society, customers and suppliers, which are thoroughly ingrained into each and every Group employee through education and training at every opportunity.</p> <p>◆SECOM's Philosophy  <a href="https://www.secom.co.jp/english/sustainability/management/philosophy.html">https://www.secom.co.jp/english/sustainability/management/philosophy.html</a></p>
Undertaking Environmental Activities, CSR Activities, etc.	<p>SECOM is fulfilling CSR (corporate social responsibility) through its operations, under the corporate philosophy of “contributing to society through our business activities.” We believe that protecting the environment is essential to our ability to attain our goal of delivering security and supporting comfortable lifestyles. We thus conduct our business activities with consideration to environment.</p> <p>As part of our effort to help stakeholders to better understand SECOM, we have prepared a Sustainability section on the Company's website, as well as a PDF form of the Sustainability Report (Japanese text only) as an annual report on this topic, in an effort to give appropriate information disclosure.</p> <p>Furthermore, as popularity is gaining momentum in ESG investment, based on consideration for environment, society and governance, disclosure of non-financial information is becoming increasingly important. To meet this demand, we are posting information such as detailed ESG data as part of active transmission of information.</p> <p>◆Sustainability section in the Company's website:  <a href="https://www.secom.co.jp/english/sustainability/">https://www.secom.co.jp/english/sustainability/</a></p> <p>◆Sustainability report, ESG data  <a href="https://www.secom.co.jp/corporate/sustainability/download/">https://www.secom.co.jp/corporate/sustainability/download/</a> (Japanese text only)</p> <p>This report is prepared in reference to international guidelines (GRI Standards, TCFD, ISO26000), along with comparison tables with reference to 17 SDGs (sustainable development goals) as well as each guideline, for the purpose of facilitating information retrieval and comparisons.</p>

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Development of Policies on Information Provision to Stakeholders	<p>With respect to the Company information, a policy for accurate, impartial and prompt disclosure has been set out and published in the form of the basic policy for the timely disclosure and the disclosure policy.</p> <p>◆Disclosure policy</p> <p><a href="https://www.secom.co.jp/english/ir/disclosure.html">https://www.secom.co.jp/english/ir/disclosure.html</a></p> <p>Furthermore, we have established a framework for fulfilling our social accountability to all stakeholders including customers, shareholders/institutional investors, suppliers, employees, local communities and the media, in an effort to achieve comprehensible and timely information disclosure and transmission.</p>
Other	<p>&lt;Employee-centered initiatives&gt;</p> <p>Co-creation of value with diverse stakeholders is essential in our corporate management. In our “Multi-Stakeholder Policy” released in April 2024, we highlighted our commitment to returns to our employees, who are among our most important stakeholders.</p> <p>The Company bases its human resource management on the belief that the growth of our employees is inextricably linked to our prosperity, and promotes comprehensive improvement of employee treatment through ongoing dialogues between labor and management throughout the year. In recent years, in addition to actively working to raise wages while considering social conditions, we have introduced a benefit plan that utilizes restricted stock, expanded support systems to help employees balance work with childcare and caregiving responsibilities, broadened job opportunities for women across various fields and developed female leaders, and enhanced training and educational opportunities both inside and outside the Company. These initiatives aim to create a supportive work environment and foster forward-thinking human resources.</p> <p>Looking ahead, we will continue to promote employee-centered initiatives through active investments in human resources such as enhancing employee engagement, promoting work-life balance, and fostering diversity.</p>

## IV. Matters Related to the Internal Control System

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

Outline of the “system under which the execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation, and the system under which the Company’s business and the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business” (so-called the basic policy regarding the internal control system) of the Company, which the Board of Directors’ Meeting resolved, is as follows. (The latest revision was made on February 8, 2024.)

#### 1. General

This resolution manifests the basic policy regarding the internal control system of the Company resolved by the Board of Directors based on Article 362, Paragraph 5 of the Companies Act, and the policy shall be constantly reviewed and improved.

#### 2. System under which the execution of duties by Directors and employees is ensured to comply with laws and regulations and the Articles of Incorporation

##### [Basic Policy]

From the start, compliance with laws and regulations and the Articles of Incorporation has been an indispensable requirement of our business, and we have always sought to operate in strict adherence to this spirit. Compliance is a part of the Company’s daily routines, and the Company places emphasis on the system that each executive and employee maintains a high level of awareness of compliance and promotes that.

- (1) Executives and employees act in accordance with the “SECOM Group Code of Employee Conduct,” which sets behavioral standards for the execution of duties, including compliance with laws and regulations, and the Article of Incorporation. They also conduct business operations based on the “Constitution of SECOM’s Business and Operation.”
- (2) The Executive Officers in charge of each area are responsible for having thorough knowledge of regulations related to their duties and the relationships of such regulations with their own operations. They are responsible for proposing responses to any revisions of laws to the President and Representative Director. They are also responsible for responding appropriately to issues and problems. The Legal Department and other relevant departments and sections support them, providing cross-organization coordination. President and Representative Director reports them to the Board of Directors as necessary.
- (3) Following the orders of the President and Representative Director, the Internal Audit and Compliance Department provides cross-organizational inspection in a timely manner over the execution of duties, praises the observance of laws and regulations and the Company’s rules, and at the same time points out matters that need correction. The Internal Audit and Compliance Department reports the findings of the inspection to the President and Representative Director and the Audit & Supervisory Board Members.
- (4) When executives and employees of the Company become aware of unethical actions, they have the obligation to report such actions to the superior. A “Hot Helpline” is established to facilitate direct contact with the Internal Audit and Compliance Department or the outside law firm if corrective actions are not taken even after reporting to superiors or it is difficult to report. Pursuant to the “Basic Policy of the SECOM Group for Compliance” and the “Internal Reporting Rules,” the Company will keep the reported matters confidential, and take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
- (5) The Company establishes a standing Organizational Culture Committee, chaired by the President and Representative Director. The Organizational Culture Committee determines important official commendations and dispositions as well as measures to foster the open organizational culture. Revisions of the “SECOM Group Code of Employee Conduct” and/or critical compliance-related matters are undertaken after discussion with the Organizational Culture Committee and subject to the approval of the Board of Directors after obtaining the opinions of the Audit & Supervisory Board Members.

##### [Status of Operation]

The Company promotes to instill and entrench the “SECOM Group Code of Employee Conduct” and the “SECOM’s Philosophy” via trainings, inhouse activities, e-learning among others.

With regard to compliance-related problems, the Company has developed a system with which each executive and employee can respond appropriately. Important issues of them are handled by each regional Control

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Center and such information is brought together to the Central Control Center of the Headquarters. The Central Control Center communicates that to the relevant departments and reports to the President and Representative Director when necessary.

The Internal Audit and Compliance Department conducts operational audits based on the audit plan, reports the audit results to the President and Representative Director and the Audit & Supervisory Board Members on a monthly basis, and makes proposals to departments in charge to take corrective measures necessary to solve any issues identified. The President and Representative Director instructs departments in charge to correct such issues when necessary.

There were 96 reports made through “Hot Helpline” and the Organizational Culture Committee meetings were held for 6 times for the current fiscal year.

3. System under which information regarding execution of business by Directors shall be maintained and controlled

[Basic Policy]

Information regarding the execution of duties of Directors shall be properly maintained and administered pursuant to the rules of the Company, which will be amended upon reviewing the operating conditions when necessary.

[Status of Operation]

Information regarding the execution of duties of Directors such as minutes of the meetings of the Board of Directors and decision-making documents are stored and managed in a proper manner in conformance with the “Basic Policy of the SECOM Group for Information Security.”

4. System regarding control of risk of loss and other system

[Basic Policy]

(1) The Company’s overall risk management is, with acknowledgement that risk management itself is the Company’s business, supervised by the President and Representative Director. Executive Officers in charge and department managers analyze and assess business risk and fraud risk in the operational areas for which they are responsible. On this basis, the system is reviewed to respond to changes in business environment and important issues are reported to the Board of Directors and the Audit & Supervisory Board.

(2) In order to grasp company-wide risks and consider necessary measures, a Risk Committee, which is chaired by the Director responsible for risk management, shall be convened and report as necessary to the President and Representative Director and the Board of Directors.

(3) Any important changes of the Company’s risk control system shall be subject to the approval of the Board of Directors after obtaining the opinions of the Audit & Supervisory Board Members.

[Status of Operation]

Each Executive Officer and department manager properly analyzes and assesses risks in the operational areas for which he/she is responsible and reports the results to the President and Representative Director. They also respond appropriately to the revealed risks. The Risk Committee meetings were held for 6 times for the current fiscal year. The Risk Committee grasps company-wide risk and considers necessary measures.

The analysis and assessment is conducted under the classification of risks as below.

- |   |                           |
|---|---------------------------|
| ① Large-scale calamity risk               | ② Compliance risk         |
| ③ System risk                             | ④ Service providing risk  |
| ⑤ Administrative work and accounting risk | ⑥ Supply chain risk       |
| ⑦ Infection risk                          | ⑧ SDGs related risk, etc. |

5. System by which efficient execution of duties of Directors shall be ensured

[Basic Policy]

(1) The Board of Directors consists of Directors including Outside Directors in an independent position. Based on the “Rules of the Board of Directors,” the Board determines important matters stipulated in the relevant laws and regulations and makes decisions on corporate management. The Board also oversees appropriate executions of the duties by Directors.

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- (2) The Company introduces the system of Executive Officers aiming to implement the execution of Directors' duties efficiently.
- (3) The Company utilizes the information systems and secures its business expansion and stable and efficient operations.
- (4) The Company will share the medium and long-term business vision, and for the purpose of the accomplishment thereof, the Board of Directors will design an annual business plan and deliberate the progress of the plan.

### [Status of Operation]

The Board of Directors consists of 7 Directors including 3 Outside Directors. As a general rule, a meeting of the Board of Directors is held once a month with the attendance of Directors as well as 5 Audit & Supervisory Board Members including 3 Outside Audit & Supervisory Board Members. At a meeting of the Board of Directors, important management matters are deliberated and the status of execution of duties by Directors is reported, based on the "Business Vision" of the Company, and the Board of Directors strives for accurate and prompt decision-making. 32 Executive Officers including 4 Directors are making efforts to make decisions and to execute their duties in a more expeditious manner. (The above officer structure is as of March 31, 2024.)

The Company conducts measures against cyberattacks, monitoring, regular inspections and reviews for stable operations of the information systems.

- 6. System under which the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business

- 6-1. System under which the execution of duties by Directors, etc. and employees of subsidiaries is ensured to comply with laws and regulations and the Articles of Incorporation

### [Basic Policy]

- (1) Abiding by the "Constitution of SECOM's Business and Operation," each of the subsidiaries shares the "SECOM Group Code of Employee Conduct," which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
  - (2) Each of the subsidiaries carries out IT controls in conformance with the "Basic Policy of the SECOM Group for Information Security." The Company's ICT Executive Officers conduct timely inspections covering the IT management of major subsidiaries.
  - (3) The "SECOM Group Management Committee", which is chaired by the Company's President and Representative Director and whose members are composed of the presidents of major subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the internal controls in an effort to share Group information and operating philosophy. Where necessary, the President and Representative Director reports the results to the Board of Directors and the Audit & Supervisory Board.
  - (4) The President and Representative Director of the Company issues orders to the internal audit departments (Internal Audit and Compliance Department and Group Governance Department) to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, and at the same time promote the understanding and improvement of compliance-related issues by exchanging information with the Company. Furthermore, the Company establishes the whistle-blowing system "Group Head Office Helpline" which enables executives and employees of subsidiaries to directly report to the Company's Group Governance Department, whenever they become aware of any non-compliance. Pursuant to the "Basic Policy of the SECOM Group for Compliance" and the "Internal Reporting Rules," the Company will keep the reported matters confidential, and take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
  - (5) The Audit & Supervisory Board Members of the Company visit major subsidiaries and conduct audits regarding internal controls.
  - (6) The Company establishes a liaison meeting with Group Audit & Supervisory Board Members after discussion with its Audit & Supervisory Board in an attempt to share information.
- 6-2. System under which the matters related to the execution of duties by Directors, etc., of subsidiaries are reported to the Company

### [Basic Policy]



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The Company establishes and implements the “Basic Rules for SECOM Group Corporate Management,” which clarify the guidelines for the items to be approved by the Company in advance and the items to be reported to the Company.

### 6-3. Rules and other systems for controlling risks of loss of subsidiaries

[Basic Policy]

Pursuant to the “Meaning of the Risk Control and Risk Control Basic Policy for SECOM and SECOM Group”, the subsidiaries develop risk control systems. Furthermore, upon the occurrence of important events, the subsidiaries will take appropriate measures under the Company’s control.

### 6-4. System which ensures that Directors, etc., of the subsidiaries execute their duties efficiently

[Basic Policy]

(1) All Directors of the subsidiaries will efficiently carry out the operation and execution of business on the basis of the “Constitution of SECOM’s Business and Operation.”

(2) The Company and the subsidiaries will formulate the annual business plans based on the business vision by the entire SECOM Group, and confirm the progress of the plans.

[Status of Operation]

Information on important compliance-related issues is brought together to the Central Control Center of the Company. The Central Control Center communicates that to the relevant departments and reports to the President and Representative Director when necessary.

The President and Representative Director of the Company convened the “SECOM Group Management Committee Meetings” twice for the current fiscal year and confirmed the progress of the business plans of the subsidiaries. To enhance the subsidiaries’ corporate governance, Audit & Supervisory Board Members visited and interviewed the Group subsidiaries. Also, to enhance the integration with the Group Audit & Supervisory Board Members, etc., they held the “Liaison Meetings with Group Audit & Supervisory Board Members and the Internal Audit Departments of SECOM Group” and the “Information Exchange Meetings.” Internal audit departments inspect the subsidiaries as needed, and take appropriate steps in collaboration with relevant sections and the subsidiaries in response to any internal reports made through the “Group Head Office Helpline.”

### 7. Matters related to employees to assist duties of Audit & Supervisory Board Members when Audit & Supervisory Board Members requests to do so and matters related to the independence of such employees from Directors and ensuring the effectiveness of the instructions of the Audit & Supervisory Board Members.

[Basic Policy]

(1) The Company establishes the system to assist audit duties, by establishing the Office of Audit & Supervisory Board staffed by at least two employees with the exclusive duties.

(2) The assistants for the Audit & Supervisory Board Members may conduct investigations necessary for the audit by the Audit & Supervisory Board Members, following the instructions of the Audit & Supervisory Board Members.

(3) Transfer and evaluation of the assistants for the Audit & Supervisory Board Members shall be determined upon the approval of the Audit & Supervisory Board. The assistants who received necessary instruction on audit duties by Audit & Supervisory Board Members shall not be subject to any instruction or order from Directors and Executive Officers and employees with respect to the subject audit duties, nor be obligated to report to them.

[Status of Operation]

The Company has established the Office of Audit & Supervisory Board staffed by three designated employees who are familiar with the Company’s internal affairs. The assistants for the Audit & Supervisory Board Members carry out their duties following the instructions of the Audit & Supervisory Board Members, and transfer and evaluation of the assistants shall be determined upon the approval of the Audit & Supervisory Board.

### 8. System under which any report is made to Audit & Supervisory Board Members and system which ensures that persons who made the reports will not be treated disadvantageously on the grounds of such reports

#### 8-1. System under which Directors and Accounting Advisors and employees make any reports to the Audit & Supervisory Board Members

[Basic Policy]

CORPORATE GOVERNANCE

- (1) Upon discussion with the Audit & Supervisory Board, the following matters shall be considered as the matters to be reported by Directors to the Audit & Supervisory Board Members.
    - (a) matters resolved by the Organization Culture Committee and other committees;
    - (b) matters likely to be materially harming the Company;
    - (c) important matters relating to monthly business conditions;
    - (d) important matters relating to internal audit and risk management;
    - (e) material violation of laws and regulations or the Articles of Incorporation; and
    - (f) important matters from viewpoint of compliance.
  - (2) Notwithstanding (1) above, the Audit & Supervisory Board Members may, where necessary and in a timely manner, request that Directors and employees make a report.
  - (3) The matters reported to the “Hot Helpline” will be reported to the Audit & Supervisory Board Members from the Internal Audit and Compliance Department.
- 8-2. System under which persons executing duties as the subsidiary’s Directors, Accounting Advisors, Audit & Supervisory Board Members, Executive Officers, members who execute the business, etc., other persons equivalent to such persons, and employees, or any persons receiving reports from these persons, make reports to the Audit & Supervisory Board Members
- [Basic Policy]
- The matters reported to the “Group Head Office Helpline” will be reported to the Audit & Supervisory Board Members from the Group Governance Department.
- 8-3. System which ensures that the persons who made the reports to Audit & Supervisory Board Members will not be treated disadvantageously on the grounds of such reports.
- [Basic Policy]
- Pursuant to the “Basic Policy of the SECOM Group for Compliance” and the “Internal Reporting Rules,” the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures, while the reporter will suffer no disadvantage on the grounds of such report.
- [Status of Operation]
- Audit & Supervisory Board Members receive from the internal audit departments, in addition to the matters to be reported by Directors to Audit & Supervisory Board Members pursuant to the basic policies of internal control system, any matter internally reported through the whistle-blowing system, namely, “Hot Helpline” and “Group Head Office Helpline,” etc., appropriately. A system under which a person who made a report is not treated disadvantageously has been complied with during the current fiscal year.
9. Matters regarding the policies for the procedures of the advance payment or reimbursement of expenses incurred for the execution of duties by the Audit & Supervisory Board Members and other processing of expenses or debts incurred for the execution of such duties.
- [Basic Policy]
- The Company bears the expenses incurred for the execution of duties by the Audit & Supervisory Board Members.
- [Status of Operation]
- Budget for expenses that will arise in relation to the execution of duties by Audit & Supervisory Board Members are determined by resolution of the Audit & Supervisory Board and reported to the Board of Directors. These expenses are paid by the Company.
10. System under which audit by Audit & Supervisory Board Members is ensured to be performed efficiently
- [Basic Policy]
- (1) The Company establishes the system under which the Audit & Supervisory Board shall regularly hold meetings with the President and Representative Director and the Accounting Auditor, to exchange opinions so that audits shall be performed efficiently.
  - (2) The Audit & Supervisory Board Members attend the meetings of the Board of Directors, attend important meetings to exchange opinions regarding overall management-related matters, if necessary, and conduct periodical interviews with Directors and employees of the Company and the subsidiaries.
  - (3) The Company ensures that the Audit & Supervisory Board may retain attorneys-at-law at its discretion and, if necessary, have opportunities to retain and consult professional accountants with respect to their audit duties.
- [Status of Operation]

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During the current fiscal year, Audit & Supervisory Board Members held 11 meetings with the President and Representative Director and 13 meetings with Accounting Auditors to exchange opinions. In addition, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings to exchange opinions, and conduct interviews with Directors and employees of the Company and its subsidiaries on a regular basis.

### **2. Basic Views on Eliminating Anti-social Forces and the Status of Development of the Framework**

#### **1. Basic views on eliminating anti-social forces**

Under the philosophy of SECOM developed over the years since its foundation, the Company has formulated the SECOM Group Code of Employee Conduct, which prescribes ideals covering the official and private affairs of all executives and employees and action standards to be followed in the execution of specific daily duties. As such, these guidelines provide the basis of all actions. The SECOM Group Code of Employee Conduct clearly excludes any relationship with, or provision of goods and services to, anti-social forces. Meanwhile, a manual has been prepared and presented to executives and employees, providing measures for the elimination of and guidelines on dealing with anti-social forces.

#### **2. Status of development of the framework for eliminating anti-social forces**

We thoroughly enforce compliance with the SECOM Group Code of Employee Conduct through measures such as employee training, while incorporating into the basic contract form a provision allowing termination of contract in the event a customer is proved to be connected to anti-social forces. Moreover, an arrangement is in place whereby all information about the unlawful claim from, or any other contact with anti-social forces is concentrated to head office, and acted upon as appropriate by closely communicating with the Metropolitan Police Department and other prefectural police departments.

SECOM is a member of security service associations in each prefecture as well as the All Japan Security Service Association, and is cooperating with all of these associations in an effort to exclude anti-social forces.

## CORPORATE GOVERNANCE

### V. Other

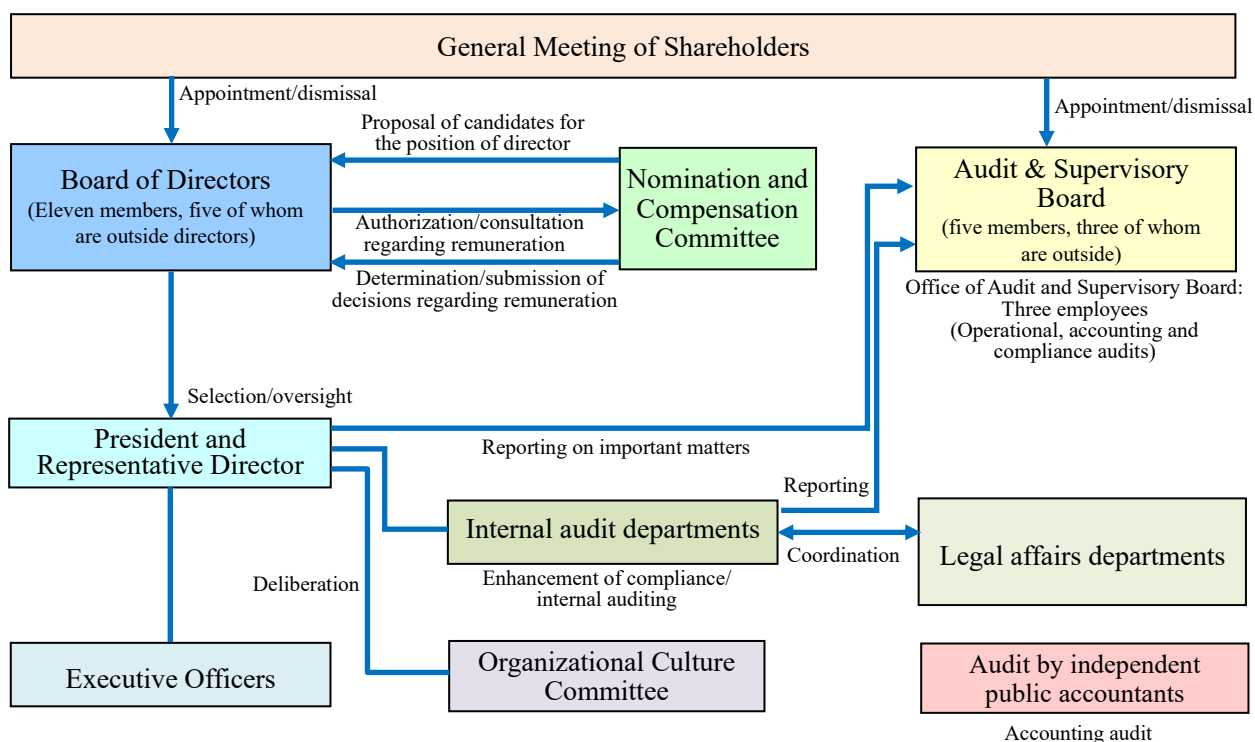
#### 1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not Adopted
Supplementary Explanation	

#### 2. Other Matters Concerning Corporate Governance System

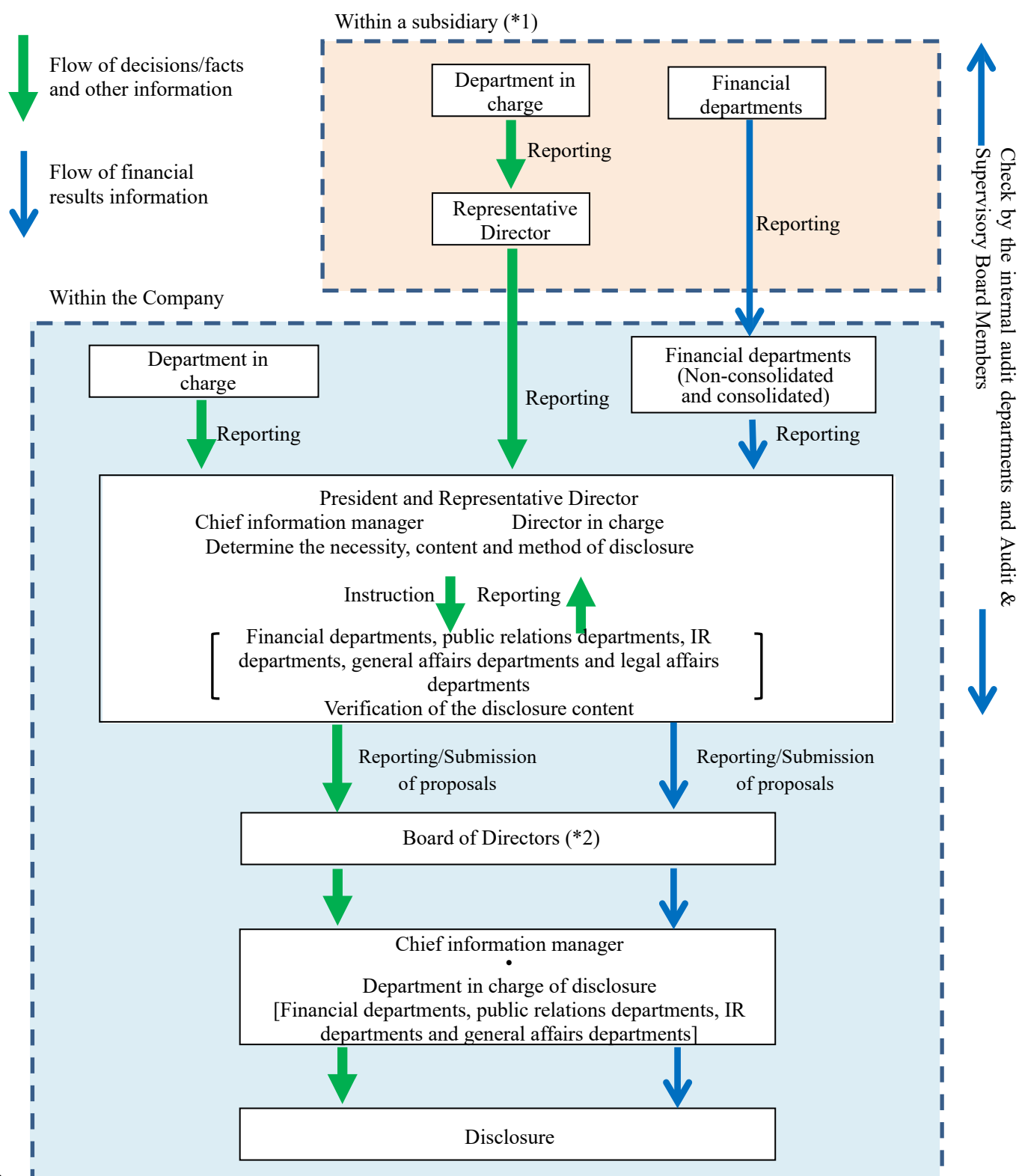
1. The corporate governance system including the outline of the internal control system  
Specific measures are implemented as scheduled in accordance with the basic policies of the internal control system.  
The corporate governance system including the outline of the internal control system is illustrated in the attached.
2. Outline of the timely disclosure system
  - (1) Basic policy on timely disclosure  
The Company makes it a basic policy to give accurate, impartial and prompt disclosure of Company information, which may have significant impact on investors' investment decisions, based on objective facts following the timely disclosure process, without giving rise to misunderstanding among investors. In the meantime, in compliance with laws and regulations related to securities transactions and rules of stock exchanges, the Company not only gives prompt disclosure of the matters applicable under the timely disclosure rules, but also actively provides information on matters not applicable under the timely disclosure rules, with a view to encouraging investors to have a better understanding of the Company.
  - (2) System for reporting and disclosure of the important Company information
    - a. Collection of information  
Having a grasp of important Company information essentially requires accurate, prompt and exhaustive collection of information in any business. At SECOM, which engages primarily in security services operations thus involving the necessity of quick responses to any kind of emergencies, information is collected under an internal framework that ensures prompt concentration/aggregation of critical Company information to the President and Representative Director, whereby information is duly collected and dealt with in a prompt and flexible manner.  
With respect to internal controls, the internal audit departments carry out internal audits in terms of the aspects such as compliance with regulations and legitimacy of business operations, and report and give recommendations for improvements to the President and Representative Director as appropriate.
    - b. Verification of the necessity of disclosure and the disclosure content  
Once important Company information is accurately and promptly grasped, verification shall be done to determine whether the information is applicable under the timely disclosure rules, or it should be disclosed voluntarily outside the rules by the responsible department under the instruction of the President and Representative Director. Detailed disclosure content shall be thoroughly crosschecked by financial departments, public relations departments, general affairs departments and legal affairs departments, subject to supervision by the chief information manager, so that the disclosure can be made with adequate wording and in an appropriate manner without delay.
    - c. Review of the disclosure system  
The aforementioned timely disclosure system shall be reviewed as appropriate, if necessary.
  - (3) The timely disclosure system is illustrated in the attached.

【Corporate governance organization】



## CORPORATE GOVERNANCE

### 【Timely disclosure system】



\*  
(\*1) Regarding the disclosure information of a listed subsidiary, a prior or subsequent report on results is submitted as appropriate by the subsidiary's Representative Director or the chief information manager to the Company's President and Representative Director or the chief information manager.

(\*2) Company information that the President and Representative Director determines to require urgent disclosure may be reported to or reviewed by the Board of Directors after the disclosure (pursuant to the Rules of the Board of Directors).