

Corporate Governance Report

CORPORATE GOVERNANCE

Chordia Therapeutics Inc

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Chordia Therapeutics Inc

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Securities code: 190A

<https://www.chorditherapeutics.com/en/>

The corporate governance of Chordia Therapeutics, Inc (the “Company”) is described below.

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

1. Basic Views

Our company places great importance on the interests of various stakeholders who support our corporate activities. To meet these expectations, we regard the enhancement of corporate governance as a critical management priority, aiming to conduct fair and transparent business operations. We recognize it as our mission to maximize shareholder value by pursuing management efficiency and ensuring soundness. Furthermore, we fully acknowledge the significance of corporate governance and will continue to implement measures and strengthen organizational frameworks to maintain and improve management transparency, fairness, and prompt decision-making.

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

The Company implements all the basic principles of the Corporate Governance Code.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Takeda Pharmaceutical Company Limited	10,760,500	15.59
New Life Science I Investment Limited Partnership	7,252,100	10.51
Growth Capital of Japan, INC.	4,810,500	6.97
Innovation Kyoto 2016 Investment Limited Liability Partnership	4,657,700	6.75
MEDIPAL Innovation Fund	4,210,800	6.10
Mitsubishi UFJ Life Science I, Limited Partnership	2,971,700	4.30
Kyoto University Venture NVCC2 Investment Limited Partnership	2,570,900	3.72
Rakuten Securities, Inc.	1,830,400	2.65
MEDIPAL HOLDINGS CORPORATION	1,307,100	1.89
Individual investor	1,070,700	1.55

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	None
Name of Parent Company, if applicable	None

Supplementary Explanation

There is currently no controlling shareholder. If we were to consider any transaction, the decision would be made after thorough deliberation at a board of directors meeting, with careful consideration given to the purpose of the transaction, its necessity, the appropriateness of the terms, and the method for determining them, to ensure the interests of minority shareholders are not harmed. We will also strive to safeguard their interests by ensuring that the execution of such matters is carried out under proper authority and judgment through the Audit and Supervisory Committee.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Growth Market
Fiscal Year-End	August
Business Sector	Pharmaceuticals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	Fewer than 100
Net Sales (Consolidated) for the Previous Fiscal Year	Less than ¥10 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

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

Not applicable.

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	Up to 10 directors (excluding directors who are Audit and Supervisory Committee members) Up to 3 directors who are Audit and Supervisory Committee members
Directors' Term of Office Stipulated in Articles of Incorporation	1 year (excluding directors who are Audit and Supervisory Committee members) 2 years (for directors who are Audit and Supervisory Committee members)
Chairperson of the Board	Representative Director
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	6
Number of Independent Directors	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
Manabu Nakamura	From another company							○				
Kosuke Ishii	CPA								△			
Yukari Nishikata	From another company							△				
Ayuko Hashimoto	Lawyer											
Yutaka Tsuchiya	From another company											
Seiji Hirasaki	From another company											

*Categories for "Relationship with the Company".

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

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)

- i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Manabu Nakamura	—	—	—	Mr. Nakamura possesses extensive experience and knowledge in both financial and investment firms, with a strong track record as an investor specializing in biotech companies. To enhance our financial strategy and strengthen corporate governance, we have elected Mr. Nakamura to the Board. Mr. Nakamura has no special interest in the Company. However, Mr. Nakamura is the CEO of Shinsei Capital Partners, Ltd. and New Life Science 1 Investment Limited Partnership, which includes Mr. Nakamura and the company as general partners, owns 7,252,100 shares of our common stock. There are no transactional relationships or other special interests with the Company.
Kosuke Ishii	○	○	In the past, the Company has had accounting advisory transactions with BioAid, Inc., of which Mr. Ishii serves as representative director. However, considering the size and nature of the	Mr. Ishii is a certified public accountant with considerable management and accounting knowledge. He is appointed as an outside director and a member of the Audit and Supervisory

			transactions, there is no risk of influencing the judgment of shareholders and investors, and therefore, the Company has determined that Mr. Ishii is sufficiently independent.	Committee, with the expectation that he will perform highly effective supervisory and auditing functions, contribute to strengthening the Company's governance, and further promote its business development. Mr. Ishii holds 450 stock acquisition rights (90,000 shares of common stock) of the Company, but other than that, he has no special interest in the Company. He is designated as an independent director based on the judgment that there is no risk of conflict of interest with general shareholders.
Yukari Nishikata	○	○	Ms. Nishikata has been involved in the business execution of Takeda Pharmaceutical Company Limited which is one of our major shareholders, in the past. Still, she has never been directly involved with our company and has already retired from it. Therefore, there is no risk of influencing the judgment of the Company's shareholders and investors, and the Company believes that she has sufficient independence.	Due to her broad experience and track record in drug development in Japan and the U.S., we expect that Ms. Nishikata will perform highly effective supervisory and auditing functions. Therefore, we have elected her as an outside director and a member of the Audit and Supervisory Committee. Ms. Nishikata holds 250 stock acquisition rights (50,000 shares of common stock) in the Company, but other than that, she has no special interest in it and is designated as an independent director because there is no risk of conflict of interest with general shareholders.
Ayuko Hashimoto	○	○	—	Ms. Hashimoto is a licensed attorney and has considerable

				knowledge of legal affairs. She is appointed as an outside director and a member of the Audit and Supervisory Committee with the expectation that she will perform highly effective supervisory and auditing functions. Ms. Hashimoto holds 350 stock acquisition rights (70,000 shares of common stock), but has no other special interest in the Company and is designated as an independent director because there is no risk of conflict of interest with general shareholders.
Yutaka Tsuchiya	—	○	—	The individual possesses extensive practical experience and a proven track record in the pharmaceutical industry, including drug research and development, quality assurance and reliability, business launch for sales operations, healthcare policy, and industry activities in a global environment. Leveraging this expertise, we expect the individual to contribute to our overall management, particularly in formulating global strategies and maximizing the value of our pipeline, and have therefore appointed him as an Outside Director. Furthermore, as there are no special interests between the individual and the Company, and no risk of conflict with the interests of general shareholders,

				we have designated the individual as an Independent Director.
Seiji Hirasaki	—	○	—	The individual has been involved in business development and product strategy planning and execution at a listed biotech venture. Additionally, they founded a university-based biotech venture and successfully led the business as Representative Director, culminating in a successful sale of the business to a U.S. company. Having experienced the entire process from start-up to exit, the individual brings broad management knowledge, experience, and business networks that we expect will benefit our management. Accordingly, we have appointed him as an Outside Director. Furthermore, as there are no special interests between the individual and the Company, and no risk of conflict with the interests of general shareholders, we have designated the individual as an Independent Director.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	2	0	3	Outside Director

Appointment of Directors and/or Staff to Support the	Appointed
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Supervisory Committee

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

The Company has no directors or dedicated employees to assist with the duties of the Supervisory Committee. However, the Corporate Management Department takes charge of such duties concurrently as needed. To ensure independence, the executive directors do not have the right to direct or order these employees to assist the duties of the Audit and Supervisory Committee, and the employees are to follow the instructions of the Audit and Supervisory Committee with respect to their assistance duties.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit and Supervisory Committee members, internal audit staff, and accounting auditors each hold regular meetings to exchange opinions and share information among the three parties to ensure mutual cooperation. In addition, the Audit and Supervisory Committee members and internal audit staff actively exchange opinions on the status of internal audits from time to time, and seek opinions from the accounting auditors as necessary, in order to enhance the appropriateness and efficiency of operations in cooperation with them.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Not Established
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Matters Concerning Independent Directors

Number of Independent Directors	5
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Other Matters Concerning Independent Directors

The Company designates all outside directors and auditors who meet the qualifications for independent directors and auditors as independent directors and auditors.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Stock Options Scheme

Supplementary Explanation for Applicable Items

The Company grants stock options to its directors, outside directors, outside scientific advisors, and employees to secure excellent human resources and enhance corporate value by stimulating their awareness and morale toward improving business performance. The number of stock options allocated to each grantee is determined by the General Meeting of Shareholders or by the Board of Directors entrusted by the General Meeting of Shareholders, taking into consideration factors such as job responsibilities and contribution levels.

Persons Eligible for Stock Options

Inside Directors, Outside Directors, Employees, Others

Supplementary Explanation for Applicable Items

The Company grants stock options to internal directors, outside directors, employees, and advisors to increase its corporate value and motivate employees to contribute to improving the Company's performance.

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

There are no individuals whose total remuneration exceeds 100 million yen; therefore, individual remuneration is not disclosed. Remuneration for directors and corporate auditors are disclosed in total amount, respectively.

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 on Determination of Individual Directors' Remuneration" and sets remuneration amounts or calculation methods based on position and responsibilities, taking into account the management environment and market standards.

While the Company maintains a policy that allows for the introduction of performance-linked remuneration calculated using indicators such as market share price and corporate performance, this has not been implemented at present.

The remuneration amount for each Director is determined by resolution of the Board of Directors within the limit approved by the General Meeting of Shareholders, considering factors such as management conditions, financial status, and economic circumstances. The allocation of stock options is also decided by the Board of Directors after discussion, based on each Director's responsibilities.

For Directors who serve as Audit and Supervisory Committee Members, remuneration amounts are determined by the Audit and Supervisory Committee within the limit approved by the General Meeting of Shareholders, taking into account management conditions, financial status, and economic circumstances.

Support System for Outside Directors

Support for outside directors and outside directors and audit committee members is provided by the Corporate Management Department, which serves as the point of contact. Materials for Board of Directors meetings are distributed to ensure that outside directors have sufficient time to review them, and explanations are provided in advance as necessary to support them in executing their duties.

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

(1) Board of Directors

The Company's Board of Directors consists of 4 Directors (excluding Audit and Supervisory Committee Members) and 3 Audit and Supervisory Committee Members who are Outside Directors. The Company's Articles of Incorporation stipulate that the Company shall have no more than 10 Directors (excluding Audit and Supervisory Committee Members) with a term of one year, and that the number of Outside Directors and Audit and Supervisory Committee Members shall be no more than three with a term of two years. In principle, the Board of Directors meets once a month. The Board of Directors also meets as necessary to make prompt management decisions. The Board of Directors resolves basic policies, management strategies, business plans, essential matters on the execution of business operations, matters authorized by resolution of the General Meeting of Shareholders, and other matters stipulated by law and the Articles of Incorporation and receives reports on issues stipulated by law and the status of execution of essential operations. As 6 of the 7 directors are outside directors and 5 are designated as independent directors, they monitor management from an independent perspective.

(2) Audit Committee

The Audit and Supervisory Committee of the Company consists of two full-time Audit and Supervisory Committee members and one part-time Audit Committee member, all three of whom are outside Audit Committee members. In principle, the Audit and Supervisory Committee holds a regular meeting once a month, and extraordinary Audit Committee meetings are held as necessary to share information necessary for audits, including the formulation of audit plans and the status of audit implementation. In addition, the Audit and Supervisory Committee members attend Board of Directors meetings to provide objective and fair opinions on overall management or individual issues, and audit the legality of the directors' execution of duties in accordance with the audit policy formulated by the Audit and Supervisory Committee. In addition, the Audit and Supervisory Committee members, internal audit staff, and accounting auditors work together to improve audit functions by exchanging information and opinions.

(3) Management Committee

The Company's Management Committee consists of the Representative Director & CEO and six division heads. In principle, the committee meets at least once a month. In addition to its members, Outside Directors, Full-time Outside Directors serving as Audit and Supervisory Committee Members, and Outside Directors serving as Audit and Supervisory Committee Members attend as observers. The committee reviews the status of business execution and deliberates on matters related to business operations.

(4) Internal Audits

The Company does not have an independent internal audit department due to its small size, but employees in charge of internal audits belonging to the Corporate Management Department conduct audits of all divisions of the Company, excluding their own divisions, in accordance with the annual internal audit plan. The internal auditors report audit results and matters to be improved to the Representative Director and Audit and Supervisory Committee members, and each department is notified of matters to be improved and follows up on the status of improvement. The General Manager of the Finance Department mutually audits internal audits of the Corporate Management Department.

(5) Accounting Auditor

The Company has entered into an audit contract with KPMG AZSA LLC as its accounting auditor, and receives independent accounting audits. In conducting accounting audits, the Company provides management information. It maintains an environment in which audits are performed from a fair and unbiased standpoint, and works in cooperation with full-time Audit and Supervisory Committee members and the Internal Audit Department to enhance the effectiveness of accounting audits.

(6) Risk Management and Compliance

To ensure that risk management and compliance with laws, regulations, and the Articles of Incorporation are thoroughly implemented throughout the Company, risk management and compliance are discussed at least once every three months in the Management Committee. Information is also shared at meetings of the Board of Directors as necessary.

(7) Limitation of Liability Agreements

In accordance with Article 427, Paragraph 1 of the Companies Act and the provisions of our Articles of Incorporation, the Company has entered into agreements with Outside Directors (including former Directors, excluding Executive Directors) to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability under such agreements is set at the statutory minimum limit prescribed by law. The purpose of these agreements is to establish an environment in which Outside Directors can fully exercise their abilities and fulfill their expected roles in the performance of their duties.

It should be noted that such limitation of liability applies only when the relevant Non-Executive Director has acted in good faith and without gross negligence in performing the duties that caused the liability.

(8) The Company has entered into a Directors and Officers (D&O) liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. The insured under this policy are Directors and Directors who serve as Audit and Supervisory Committee Members, and the insured do not bear the insurance premiums. Under this policy, if a claim for damages is made against an insured during the insurance period arising from acts performed in their capacity as such, the policy covers indemnification for damages, including compensation for damages and litigation costs to be borne by the insured. However, certain exclusions apply, such as damages arising from acts committed with knowledge of being in violation of laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted a Board of Directors and Audit and Supervisory Committee structure in order to strengthen the supervisory function of the Board of Directors by granting voting rights to Audit and Supervisory Committee members, who are also directors, and to further enhance corporate governance by having the Audit and Supervisory Committee, mainly consisting of outside directors, monitor management, thereby realizing highly transparent management and improving management mobility. The Company has adopted a Board of Directors and Audit and Supervisory Committee structure with the aim of achieving more transparent management and enhancing management agility.

We have adopted the company-with-audit-committee system because we believe that a system in which the Board of Directors,

consisting of directors who are well versed in our business, decides basic management policies and execution of important operations, and audit committee members, who have strong legal authority, audit the duties of directors from an independent standpoint is an effective system to ensure sound management. In addition, the Company has an internal audit staff that monitors the Company's operations on a daily basis. Through the mutual cooperation of these various organizations, the Company has established a system to ensure sound, efficient, and transparent management and to ensure appropriate management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	We will make every effort to send out the voting materials as soon as possible so that shareholders can fully examine the contents of the voting materials.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	To allow as many shareholders as possible to attend the meeting, we will hold it at an easily accessible location, avoiding a concentrated date as much as possible. Since the Company's fiscal year ends in August and the annual general meeting of shareholders is held around the end of November each year, we believe that the schedule avoids the concentration of the meeting dates.
Electronic Exercise of Voting Rights	Effective from the Ordinary General Meeting of Shareholders to be held in November 2024, the Company adopted the electronic exercise of voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	If the ratio of institutional investors exceeds a certain percentage, we expect to participate as soon as possible.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	An English translation of the convocation notice is posted on the Company's IR website and provided.
Other	Not applicable.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The disclosure policy was posted on the Company's IR website.	
Regular Investor Briefings held for Individual Investors	In addition to holding seminars for individual investors, we provide explanations for individual investors through the Sapporo Securities Exchange-sponsored individual investor briefings and Nikkei individual investor seminars.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds two meetings to present its full and interim financial results. In addition, we hold individual dialogues with institutional investors and analysts at their request.	Held
Regular Investor Briefings held for Overseas Investors	We strive to ensure simultaneous disclosure in both Japanese and English on our corporate website. We continuously hold individual dialogues	Held

	with foreign investors who have expressed interest through securities firms.	
Online Disclosure of IR Information	The disclosure materials posted on the Company's IR website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Finance Department is the department in charge.	
Other	—	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Although the Company has no specific provisions in its internal rules and regulations, it recognizes the importance of respecting the position of all stakeholders, including shareholders, investors, and business partners, and of conducting sound and transparent management. In addition, the Company stipulates fair disclosure in accordance with the “Basic Policies on Internal Control” and “Basic Policies on Financial Reporting,” and it is our policy to contribute to the enhancement of corporate value to meet the expectations of our stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	As for the implementation of environmental preservation and CSR activities, we promoted remote work in consideration of the environment. And we have made efforts to educate the next generation as a CSR activity.
Formulation of Policies, etc. on Provision of Information to Stakeholders	We recognize that it is essential for our shareholders and all other stakeholders to widely disclose appropriate corporate information on time. Therefore, our policy is to proactively disclose information to our stakeholders through our website, financial results briefings, and other means.
Other	—

IV. Matters Concerning the Internal Control System

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

The Company has established the following “Basic Policies for Internal Control” as a system to ensure the appropriateness of business operations by the Companies Act, and is developing and operating an internal control system by these basic policies.

1. System to ensure that the execution of duties by directors and employees complies with laws, regulations, and the Articles of Incorporation

(1) Corporate Governance

(i) The Board of Directors shall make decisions on basic management policies and other essential matters in accordance with laws, regulations, and the Articles of Incorporation and shall supervise the execution of duties by directors. To strengthen the supervisory function of the Board of Directors, the majority of the Board of Directors shall consist of outside directors.

(ii) Executive Directors shall execute business operations following the roles determined by the Board of Directors and in accordance with laws and regulations, the Articles of Incorporation, resolutions of the Board of Directors, and internal rules, and shall report at least once every three months at a meeting of the Board of Directors.

(iii) Audit Committee members shall audit the appropriateness of the execution of duties by Directors following the “Audit Committee Regulations.

(2) Compliance System

(i) Directors and employees shall act in accordance with the company's mission and vision.

(ii) The Representative Director, as the person in charge of overall compliance, shall position the practice of compliance as one of the most critical issues in the company's management. To maintain and improve the effectiveness of compliance efforts, he/she shall designate a department in charge of compliance, establish internal regulations and manuals, implement various training programs, etc., to improve the compliance system.

(iii) An internal reporting system shall be established for early identification and resolution of any violation of laws and regulations and any matter requiring attention from the viewpoint of compliance with laws and regulations. Furthermore, it shall be ensured that no whistleblower shall be subject to any disadvantageous treatment based on such whistleblowing.

(iv) The Company shall sever all relationships, including business transactions, with antisocial forces and reject any unreasonable demands, and shall establish a system for this purpose.

(3) Financial Reporting

The Company shall establish internal rules for preparing financial statements in conformity with laws, regulations, and accounting standards and a system to ensure the appropriateness of financial information.

(4) Internal Audit

In accordance with the “Internal Audit Regulations,” the Corporate Management Department shall periodically conduct internal audits of the status of compliance with laws, regulations, and the Articles of Incorporation and establish a system to ensure such compliance. However, to ensure the independence of the Business Management Department, the Finance Department shall conduct internal audits of its operations.

2. System for the storage and management of information related to the execution of duties by directors

In addition to laws and regulations, following the “Document Management Regulations” and other internal regulations, the Company shall appropriately store and manage minutes of the General Meeting of Shareholders, minutes of the Board of Directors meetings, and other documents about important information related to the execution of business operations, and make them available for appropriate inspection by directors, Audit and Supervisory Committee members, etc.

3. Regulations and other systems for managing risk of loss

In order to ensure sound management, the Company shall appropriately manage risks by identifying, evaluating, and monitoring risks according to the characteristics of the various risks that arise in the execution of its business operations.

(1) Risk Management

In order to deal with market risk, credit risk, investment risk, environmental and social risk, and various other risks, the Representative Director, as the person in charge of risk management, designates the Corporate Administration Department as the department in charge of risk management, and establishes a system to appropriately manage and respond to all risks related to business operations. The Representative Director or the Corporate Management Department shall report the status of risk management to the Executive Committee on a regular and ad-hoc basis, and shall report to the Board of Directors and the Audit Supervisory Committee when it becomes aware of important matters.

(2) Crisis Management

The Corporate Management Department shall formulate a plan to prepare for the occurrence of a disaster or other major incident, and in the event of a major incident, promptly determine and implement specific measures to minimize damage, loss, etc., based on said plan.

(3) Principle of Authority of Duties

Directors and employees in their respective positions shall be granted the authority necessary to perform their duties in accordance with the Rules on Administrative Authority, and shall manage risks associated with the execution of their duties within the scope of such authority, and shall bear responsibility for the results of their actions. The execution of each duty is properly controlled by internal audit.

(4) Approval System

In accordance with the Rules on Administrative Authority and the Rules on Approval System, important individual matters shall

be approved by the Board of Directors after prior consultation at the Management Committee.

4. System to ensure the efficient execution of duties by directors

(1) Management policy and management plan

To ensure the efficient execution of duties by directors, the Company shall establish a management policy and a specific annual management plan that each director and employee will implement to achieve the goals.

(2) Management Committee

A management committee shall be established to deliberate on management policies and important company-wide matters to ensure the efficient execution of duties.

(3) Clarification of authority and responsibility

To ensure proper and efficient execution of duties, internal rules shall be established to clarify the authority and responsibilities of each officer and employee.

5. Matters concerning employees to assist the Audit and Supervisory Committee in the event that the Audit and Supervisory Committee requests the appointment of such employees to assist the Committee in the performance of its duties

If the Audit and Supervisory Committee requests the appointment of employees to assist the Audit and Supervisory Committee in its duties, discussions shall be held in consideration of the internal personnel structure at the time. If the Internal Audit Department or auditors are able to assist the Audit and Supervisory Committee in its duties, independent assistants shall not be appointed. However, the Audit and Supervisory Committee's intentions shall be respected concerning matters concerning the independence of such employees and securing the effectiveness of instructions to such employees, including the personnel matters of such employees.

6. System for reporting to the Audit Committee by Directors and employees and other systems related to the Audit and Supervisory Committee

(1) Attendance by the Audit and Supervisor Committee Members at Important Meetings

Audit and Supervisor Committee members attend meetings of the Board of Directors, receive reports from directors on the status of business execution and other important matters, and may attend management meetings and other important meetings to express their opinions.

(2) Reporting to the Audit and Supervisory Committee

Representative Directors shall hold regular meetings with the Audit and Supervisory Committee members to report on the status of business execution and exchange opinions. In addition, the Finance Department and the Business Management Department shall report to the Audit and Supervisory Committee (or an appointed Audit and Supervisory Committee member selected by the Audit Committee) on the financial status and the operation of the internal control system and exchange opinions with them. A system shall allow directors or employees to report to the Audit & Supervisor Committee when they become aware of violations of laws and regulations or the possibility of material losses, and to request reports from directors or employees when deemed

necessary by the Audit and Supervisory Committee. In addition, the Company shall ensure that no person who reports to the Audit and Supervisory Committee shall be treated disadvantageously because of such report.

7. Matters Concerning Policy for the Treatment of Expenses or Liabilities incurred in the Execution of Duties by Audit and Supervisory Committee Members

When an Audit and Supervisory Committee member requests advance payment of expenses, etc. in connection with the execution of his/her duties, the Company shall promptly pay such expenses, etc., unless such payment is deemed unnecessary for the execution of his/her duties.

8. Other systems to ensure that the audits of Audit and Supervisory Board Members are conducted effectively

(1) Internal Audit Department

The Internal Audit Division shall prepare an internal audit plan in consultation with the Audit and Supervisory Committee. The Audit and Supervisory Committee shall receive internal audit results and reports from the Internal Audit Division, and may instruct the Internal Audit Division (Business Management Department and Finance Department) to conduct audits when deemed necessary.

(2) Accounting Auditors

The Audit and Supervisory Committee shall work closely with the accounting auditors, including exchanging information and opinions, to enhance the quality and efficiency of audit work.

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

The Company's policy is to take resolute action against antisocial forces and reject any relationship with antisocial forces in cooperation with the Anti-Social Forces Center. The Company's basic policy against antisocial forces, management system to eliminate any relationship with antisocial forces, and investigation procedures are stipulated in the "Antisocial Forces Countermeasure Regulations," "Antisocial Forces Response Manual," and "Antisocial Forces Investigation Manual," and are thoroughly communicated to all directors, audit committee members, and employees. The Company has a system in place to deal with unjust demands, organized violence, and criminal acts by antisocial forces, in cooperation with outside professional organizations such as legal counsel and the police, in order to resolve such issues.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

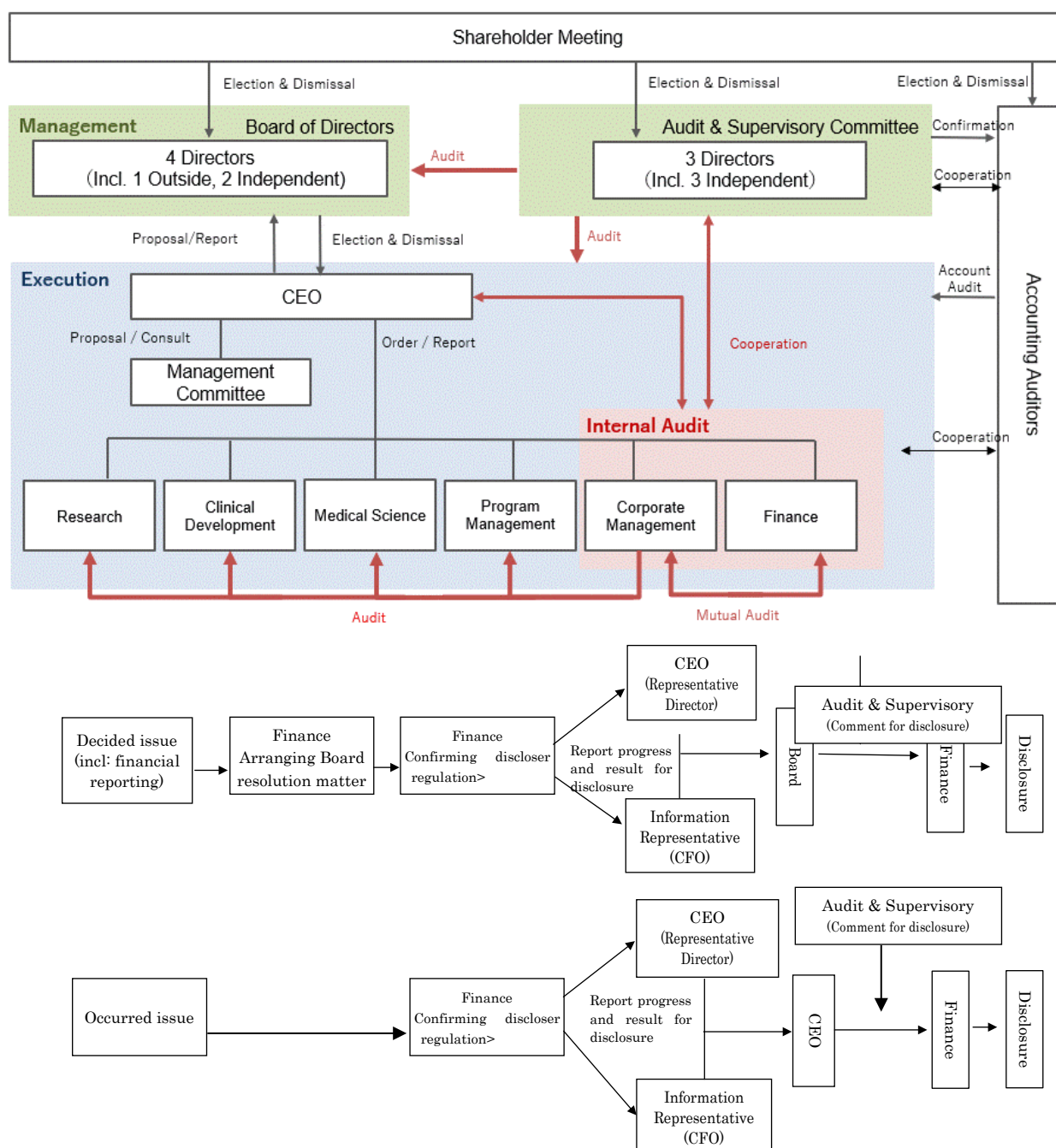
Not Adopted

Supplementary Explanation for Applicable Items

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2. Other Matters Concerning the Corporate Governance System

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