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The corporate governance of [SAN-AI OBBLI CO., LTD.] (the “Company”) is described below.

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

### 1. Basic Views

The Company and group will establish a framework for transparent, fair, and prompt, decisive decision-making by promoting the following matters, and we will strive for stable growth and enhancement of our management foundation and ensure thorough compliance management.

- (1) Securing the rights and Equality of shareholders
- (2) Appropriate cooperation with stakeholders other than shareholders
- (3) Appropriate information disclosure and Securing transparency
- (4) Appropriate fulfillment of responsibilities of Board of Directors, etc.
- (5) Constructive dialogue with shareholders

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

The Company complies with all principles set forth in the Japan’s Corporate Governance Code.

### [Disclosure Based on each Principle of the Corporate Governance Code]

#### [Principle 1-4: Cross-Shareholdings]

The Company holds shares of the companies that contribute to the sustainable growth of our group and the enhancement of our corporate value over the medium-to-the-long term. The Board of Directors verifies the economic rationality of the shares each year, taking into account the profits actually earned from business relations and other factors. The Company shall verify the validity of holding the shares and reduce as appropriate. When exercising voting rights, the Company scrutinize the content of the proposal and make a decision as to whether it will contribute to enhancing shareholder value and its impact on us.

#### [Principle 1-7: Related Party Transactions]

The Company established a Charter of Ethical Conduct as the policy that Directors and Executive Officers and employees act in an ethical manner at all times. Director and Executive Officer are required to obtain pre-approval from the Board of Directors and report the results of their business activities if they arise from conflicts of interest. In addition, the Company seeks approval of the transactions with related parties such as major shareholders in accordance with the prescribed approval procedures, as in the case of general transactions. And the details of such transactions are disclosed in accordance with laws and regulations. The Ethical Conduct Charter is disclosed on the following URL.

<https://www.san-ai-obbli.com/csr/values/en/>

#### [Supplementary Principle 2-4-1: Ensuring Diversity, Including Active Participation of Women]

##### Approach to Securing Diversity and Policies for Human Resource Development and Internal Environmental Improvement

The management philosophy of the Company is "Love people, Love your country, Love your work", and the Company believes that respect for the diversity of human resources and the integration of individual strengths will lead to corporate growth. For this reason, in order to ensure the diversity of human resources, the Company is increasing the proportion of women hired, promoting the employment of people with disabilities, and promoting career hiring.

In addition, the attributes, values, and working styles of employees are diversifying, and the Company recognizes differences in values among each other. The Company strives to develop human resources and improves the internal environment to fully demonstrate their abilities.

#### [Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]

The Company pension fund is managed by SAN-AI OBBLI Corporate Pension Fund. To enhance the expertise of corporate pension investment, The Company dispatches employees with financial and human resource expertise to the fund. Investment in reserves is entrusted to multiple financial institutions, and the status of investment is monitored at quarterly investment report meetings.

#### [Principle 3-1: Full Disclosure]

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

The Company and Group will provide comprehensive solutions to people and become a partner that supports people's lifestyles and industrial based on SAN-AI Spirits ("Love People, Love your country, Love your work") as the philosophy of the Company, and corporate brand “OBBLI”.

From FY 2024 to FY 2026, based on this policy, as the second stage of our medium-term management plan, "Challenge for the Transforming Future 2030," the Company will actively promote "Strategic implementation and growth-oriented investments" to build the business portfolio we aim for in FY 2030. For more information, please refer to the following URL.: <https://www.san-ai-obbli.com/en/ir/>

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code  
Please refer to the above, which are described in "I.1. Basic Approach" in this report.

(iii) Board policies and procedures in determining the remuneration of the senior management and directors  
Please refer to the section of this report entitled "Business Management Organization and Other Corporate Governance Systems regarding Decision-making Execution of Business, and Oversight" [Director Compensation Related].

(iv) Board policies and procedures in the appointment/dismissal of the senior managements and the nomination of directors and auditors candidates  
The Company appoints Executive Officers, Directors and Audit & Supervisory Board Members who have superior character, insight and ability, as well as extensive experience in their respective areas, and to be the best for our medium-to long-term performance and enhancement of corporate value. Outside Directors and Outside Audit & Supervisory Board Members are also highly independent, and in accordance with the "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members" described in [Related to Independent Directors and Outside Audits] under "1. Matters Related to Organizational Structure and Organizational Operations" in the "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making Execution of Business, and Oversight". Management Decision-making, Execution and Supervisory Board Members" section, we judge independence from the Company and group. A minimum of one of the Audit & Supervisory Board Members are appointed to be a person with knowledge of finance and accounting.  
In accordance with this policy and the procedures stipulated by law, the Board of Directors carefully deliberates and decides on the appointment and dismissal of Executive Officers and the nomination of the Director candidates after discussions and reports from the Nomination and Compensation Advisory committee.

(v) Explanations with respect to the individual appointments/dismissals and nominations based on iv)  
The selection and dismissal of Executive Officers and the nomination of Director candidates are carefully deliberated and decided by The Board of Directors based on the deliberations and reports of the Nomination and Compensation Advisory committee. In addition, the Company discloses the reasons for nominating all candidates of Directors and Audit & Supervisory Board Members in the Notice of the Annual General Meeting of Shareholders.

[Supplementary Principles 3-1-3: Full Disclosure]

<Initiatives for sustainability>

Recognizing that sustainability is an important issue, the Company established Sustainability Promotion Department as a dedicated department in April 2022. At the same time, the SAN-AI Oil Group CSR committee was changed to the SAN-AI OBBLI Group Sustainability committee and the subordinate

committee was reorganized to strengthen the sustainability promotion system.

The Company Group's sustainability initiatives are disclosed in the SAN-AI OBBLI Group Sustainability Report 2023. For more information, please refer to the following URL: <https://www.san-ai-obbli.com/en/csr/report/>

In addition, the Company group recognizes that climate change is an urgent issue as a responsibility of concerns that handle energy. The Company analyzes the impact of climate change on business activities, and discloses it in four categories: governance, strategy, risk management, indicators and targets, which are recommended items for disclosure by TCFD (Task Force on Climate-related Financial Disclosures).

<Investment in human capital and intellectual property, etc.>

The Company discloses policy investments in human capital and intellectual property in "Basic Approach to Human Capital Management.

[Supplementary Principles 4-1-1: Roles and Responsibilities of the Board (1)]

The Board of Directors complies the Articles of Incorporation and relevant laws, and resolves the matters set out in the Board of Directors Regulations. The Board delegates the other matters to the Management Committee and the management based on internal regulations.

[Principle 4-8: Effective Use of independent Directors]

In accordance with the Company independence standards, the Company has appointed three independent outside Director who have ability and experienced contributing to the sustained growth of the Company and the enhancement of corporate value over the medium to long term.

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

In addition to the requirements under the Companies Act, the Company has established its own "Independence Standards for Outside Directors and Audit & Supervisory Board Members. Please refer to "Directors" under "1 Organizational Composition and Operation" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making Executive of Business, and Oversight".

[Supplementary Principle 4-10-1: Use of Optional Approach]

Please refer to the "Supplementary Explanation" under "Status of Voluntarily Established Committee(s), Attributes of Members Constituting and the Committee Chairperson" in the "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making Executive of Business and Oversight" [Directors] in this report.

[Supplementary Principles 4-11-1: Preconditions for Board and Audit Board Effectiveness]

The Board of Directors is composed of up to 10 Directors as defined in the Articles of Incorporation, taking into account the balanced knowledge/experience/ability for business strategy of the Company. The Skills Matrix, which lists the knowledge/experience/ability of each Director and each Audit & Supervisory Board Member, is disclosed in the Notice of the General Annual Meeting of Shareholders.

[Supplementary Principles 4-11-2: Preconditions for Board and Audit Board Effectiveness]

The Company discloses the status of concurrent positions of Directors and Audit & Supervisory Board Members in the Notice of the Annual General Meeting of Shareholders and the Securities Reports. In addition, attendance of outside Directors and outside Audit & Supervisory Board Members is disclosed in the Notice of the Annual General Meeting of Shareholders.

[Supplementary Principles 4-11-3: Preconditions for Board and Audit Board Effectiveness]

The Company analyzes and evaluates Board effectiveness with the aim of improving the functions of board of director and increasing corporate value. Regarding Board effectiveness in fiscal 2023, the Company conducted a survey of all Directors and Audit & Supervisory Board Members on the structure, operation, discussion, and monitoring functions of the Board. Based on the survey results, the Board of Directors analyzed and evaluated the results. The Company used an external organization for the questionnaire, and an external organization directly collects the questionnaire from the targeted persons and collects the questionnaire data to ensure anonymity and transparency. Based on the analyses and assessments, the Board of Directors is generally operating properly, and we evaluated that Board effectiveness is sufficiently assured. On the other hand, there was an opinion that it was necessary to enhance discussions on management with an awareness of capital costs and sustainability, and the Board Members shared this opinion as a future issue. The Board will endeavor to resolve issues that we are aware of and to further improve the Board effectiveness.

[Supplementary Principles 4-14-2 Training of Director and Corporate Auditors]

The Company provides opportunities for Directors and Audit & Supervisory Board Members to acquire the knowledge needed to adequately fulfill their roles and responsibilities, as well as for appropriate updating. Outside Directors and Outside Audit & Supervisory Board Members are provided with explanations of the business of the Company at the time of their appointment. After the Outside Directors and Outside Audit & Supervisory Board Members appointment, they visit the Company business and hold regular meetings with the Representative Director to provide information on the business of the Company, management strategies, and other matters as appropriate. For full-time Director and Audit & Supervisory Board Members, training sessions are held at the time of appointment on corporate governance and legal responsibilities. After the appointment, lectures by experts and e-learning courses are held with the aim of updating and improving their knowledge.

[Principle 5-1: Policy for constructive Dialogue with shareholders]

The General Affairs Department is the department in charge of IR and works with related departments to respond appropriately to requests for interviews from institutional investors and inquiries from individual shareholders. Senior management will also respond to interviews and other events as necessary. When communicating with shareholders/investors, insider information is appropriately managed in accordance with the Internal Rules for Control of Insider Transactions and IR Disclosure Policy, which are internal rules.

For more information, please refer to the following URL.: [IR Documents | SAN-AIOBBLI CO.,LTD.](#)

[Measures for realizing management that is conscious of the cost of capital and stock price]

The Company discloses measures for realizing management that is conscious of the capital costs and stock prices in the Medium-Term Management Plan, “Challenge for the Transforming Future 2030”.

[Status of Dialogue with Shareholders]

Based on our policy of Principle 5-1, the Company engages in ongoing dialogue with shareholders and investors, and Members of the Board share material information from time to time. For FY 2023, shareholders held a total of 33 meetings with shareholders, investors, fund managers, and analysts to explain the Group's business activities, performance trends, full-year performance, and medium-to long-term outlook.

## 2.Capital structure

|                            |                      |
|----------------------------|----------------------|
| Foreign shareholding ratio | 20% to less than 30% |
|----------------------------|----------------------|

### [Status of Major Shareholders]

| Name   | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| Ichimura Foundation for New Technology   | 8,282,346              | 13.08          |
| The Master Trust Bank of Japan, Ltd. (trust account)   | 6,894,700              | 10.89          |
| Custody Bank of Japan, Ltd. (Master trust for the Sumitomo Mitsui Trust Bank and trust account for retirement benefits for Ricoh Company, Ltd) | 5,800,000              | 9.16           |
| NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS  | 3,638,872              | 5.75           |
| JP MORGAN CHASE BANK 385632  | 2,208,119              | 3.49           |
| ENEOS Holdings, Inc.   | 1,967,037              | 3.11           |
| HIKARI TSUSHIN, INC.   | 1,785,300              | 2.82           |
| Custody Bank of Japan, Ltd. (trust account)  | 1,711,300              | 2.70           |
| STATE STREET BANK AND TRUST COMPANY 505001   | 1,230,912              | 1.94           |
| Ricoh Company, Ltd   | 1,113,320              | 1.76           |

|   |       |
|---|-------|
| Name of Controlling Shareholder, if applicable (excluding Parent Companies) | — — — |
| Name of Parent Company, if applicable                                       | No    |

Supplementary Explanation

### 3. Corporate Attributes

|   |   |
|---|---|
| Listed Stock Exchange and Market Segment                                      | Tokyo Stock Exchange Prime Market                     |
| Fiscal Year-End   | March   |
| Type of Business  | Wholesale trade                                       |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year  | More than 1,000                                       |
| Net Sales (Consolidated) for the Previous Fiscal Year                         | 100 billion yen or more, but less than 1 trillion yen |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 10 companies to less than 50 companies           |

### 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

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## 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 Audit & Supervisory Board |
|-----------------------------|--|

#### [Directors]

|   |   |
|---|---|
| Number of Directors Stipulated in Articles of Incorporation       | 10  |
| Directors' Term of Office Stipulated in Articles of Incorporation | 2 Years   |
| Chairperson of the Board  | Chairman of the Board (Excluding concurrent posts as President) |
| Number of Directors   | 8   |
| Election of Outside Directors                                     | Elected   |
| Number of Outside Directors                                       | 3   |
| Number of Independent Directors                                   | 3   |

# Outside Directors' Relationship with the Company (1)

| Name            | Attribute            | Relationship with the Company(*) |   |   |   |   |   |   |   |   |   |   |
|-----------------|----------------------|----------------------------------|---|---|---|---|---|---|---|---|---|---|
|                 |                      | a                                | b | c | d | e | f | g | h | i | j | k |
| Keiko Unotoro   | Other                |                                  |   |   |   |   |   |   |   |   |   |   |
| Yoji Ninomiya   | From another company |                                  |   |   |   |   |   |   | ○ |   |   |   |
| Hisayasu Suzuki | 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 or 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/Audit and Supervisory Board Member
- 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)
- Person who executes business for another company that holds cross-directorships/cross-auditor ships with the Company (the Director himself/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

# Outside Relationship with the Company (2)

| Name            | Designation as Independent Director | Supplementary Explanation of the Relationship   | Reason for Appointment  |
|-----------------|-------------------------------------|---|---|
| Keiko Unotoro   | ○                                   | ---   | Ms. Keiko Unotoro has been involved in the economic and legal fields for many years at the Japan Fair Trade Commission, and has subsequently accumulated high-level insight and a wealth of experience cultivated in these positions. The Company judges that she will use her high-level insight and wealth of experience to appropriately supervise the decision-making of the Company's Board of Directors and the execution of duties by Directors. In addition, she has satisfied the Independence Standards established by the Company and has been designated as an independent officer since there is no risk of a conflict of interest with general shareholders.  |
| Yoji Ninomiya   | ○                                   | Yoji Ninomiya is Representative Director and President of THE SAGA KYOEI BANK, LTD. There are borrowing transactions between SAGA GAS CO., LTD., a subsidiary of the Company, and the Bank. The amount borrowed from the Bank was less than 0.2% of the Company's total consolidated assets in each of the past three business years, and is not deemed to affect the independence of the outside Director.   | Mr. Ninomiya Yoji has high-level insight and wealth of experience cultivated through many years of working in the field of finance, including at the Ministry of Finance, and his current position as Representative Director and President of THE SAGA KYOEI BANK, LTD. The Company judges that he will use his high-level insight and wealth of experience to appropriately supervise the decision-making of the Company's Board of Directors and the execution of duties by Directors. In addition, he has satisfied the Independence Standards established by the Company and has been designated as an independent officer since there is no risk of a conflict of interest with general shareholders.   |
| Hisayasu Suzuki | ○                                   | Hisayasu Suzuki is Representative Director and Executive Vice President of Japan Airport Terminal Co., Ltd., and there are transactions related mostly to office rental between the Company and the Japan Airport Terminal group. The amount of the transactions with the Japan Airport Terminal group was less than 0.2% of the consolidated net sales of the Company and Japan Airport Terminal in each of the past three business years. In addition, there is a shareholding relationship between the Company and Japan Airport Terminal. However, the shareholding of Japan Airport Terminal in the Company and the shareholding of the Company in Japan Airport Terminal are both minimal at less than 1%, and these shareholdings are not deemed to affect the independence of the outside Director. | Mr. Hisayasu Suzuki has high-level insight and wealth of experience cultivated through key positions such as Director General of the Civil Aviation Bureau and Director-General of Japan Coast Guard at the Ministry of Land, Infrastructure, Transport and Tourism in addition to serving as Representative Director and Executive Vice President of Japan Airport Terminal Co., Ltd. The Company judges that he will use his high-level insight and wealth of experience to appropriately supervise the decision-making of the Company's Board of Directors and the execution of duties by Directors. In addition, he has satisfied the Independence Standards established by the Company and has been designated as an independent officer since there is no risk of a conflict of interest with general shareholders. |

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

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

|  | Committee's Name                               | All Members | Full-time Members | Inside Director | Outside Director | Outside Experts | Other | Chairperson     |
|--|--|-------------|-------------------|-----------------|------------------|-----------------|-------|-----------------|
| Voluntarily Established Committee Equivalent to Nomination Committee   | Nomination and Compensation Advisory Committee | 5           | 0                 | 2               | 3                | 0               | 0     | Inside Director |
| Voluntarily Established Committee Equivalent to Remuneration Committee | Nomination and Remuneration Advisory Committee | 5           | 0                 | 2               | 3                | 0               | 0     | Inside Director |

#### Supplementary Explanation

On April 1, 2020, the Company established the Nomination and Remuneration Advisory Committee, which is composed of Outside Director and outside Audit & Supervisory Board Members as a majority of the committee members, with the purpose of enhancing the objectivity and transparency of the process of Director and Executive Officer nominations and compensation, and strengthening corporate governance. The committee deliberates and resolves matters related to the election and dismissal of Directors and Executive Officers and the determination of remuneration, and reports to Director Board. The members of the board are as follows.

Chairman Jun Kanada (Representative Director, Chairman of the Board), Member Hiroshi Hayata (Representative Director, President), Member Keiko Untoro (Outside Director), Member Yoji Ninomiya (Outside Director), Member Hisayasu Suzuki (Outside Director)

[Audit and Supervisory Board Members]

|   |             |
|---|-------------|
| Establishment of Audit and Supervisory Board  | Established |
| Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation | 5           |
| Number of Audit and Supervisory Board Members   | 5           |

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

Audit and Supervisory Board Members accompany the accounting Auditors. Audit and Supervisory Board Members monitor the status and outcome of the audits of the Independent Auditors not only at the head office but also at Department and Branch Office offices and subsidiaries. Audit and Supervisory Board Members also exchange important information and opinions with the accounting Auditors as needed. Audit and Supervisory Board Members also attend audits by the Internal Audit Department as needed to confirm the current status of the audited sites and the items pointed out by the internal audits, and also attend reviews of the results after the completion of the audits to make recommendations for improvement of the issues. Audit and Supervisory Board Members and the Internal Audit Division hold regular monthly meetings on audit plans and status of audits, and hold regular meetings on important information and issues.

|  |           |
|--|-----------|
| Appointment of Outside Audit and Supervisory Board Members | Appointed |
| Number of Outside Audit and Supervisory Board Members      | 3         |
| Number of Independent Audit and Supervisory Board Members  | 3         |

# Outside Audit and Supervisory Board Member's Relationship with the Company (1)

| Name               | Attributes | Relationship with the Company(*) |   |   |   |   |   |   |   |   |   |   |   |   |
|--------------------|------------|----------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                    |            | a                                | b | c | d | e | f | g | h | i | j | k | l | m |
| Hidetoshi Watanabe | CPA        |                                  |   |   |   |   |   |   |   |   |   |   |   |   |
| Fumihiko Kato      | Other      |                                  |   |   |   |   |   |   |   |   |   |   |   |   |
| Hieda Sayaka       | Attorney   |                                  |   |   |   |   |   |   |   |   |   |   |   |   |

\*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
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An Audit and Supervisory Board Member of a parent company of the 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/ Audit and Supervisory Board Member
- 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 f, g, or h above) (applies to the auditor him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)
- Other

# Outside Audit and Supervisory Board Member's Relationship with the Company (2)

| Name               | Designation as Independent Audit and Supervisory Board Member | Supplementary Explanation of the Relationship | Reasons for Appointment  |
|--------------------|---|---|--|
| Hidetoshi Watanabe | ○   | ----  | Mr. Hidetoshi Watanabe has sufficient insight from his abundant experience as a certified public accountant. The company judges that he is appointed as an Outside Audit and Supervisory Board Members.. Because he appropriately perform his duties from his position as a specialist in corporate finance and accounting. In addition, he was designated as an independent officer because he meets the independence criteria set by the Company and there is no risk of a conflict of interest with ordinary shareholders.  |
| Fumihiko Kato      | ○   | ----  | Mr. Fumihiko Kato was involved in the field of trade and energy in the Ministry of Economy, Trade and Industry and subsequently served as Vice Chairman of the Board of the National Federation of Petroleum Commerce Unions. As he has abundant experience and deep insight mainly in the field of resources and energy, he was judged to have adequately performed his duties, and he was appointed as an outside auditor. In addition, he was designated as an independent officer because he meets the independence criteria set by the Company and there is no risk of a conflict of interest with ordinary shareholders. |
| Sayaka Hieda       | ○   | ----  | Ms. Sayaka Hieda has extensive experience as an attorney and specialized insight in corporate legal affairs. Therefore, she was judged to have adequately performed his duties, and he was appointed as an outside corporate auditor. In addition, she was designated as an independent officer because she meets the independence criteria set by the Company and there is no risk of a conflict of interest with ordinary shareholders.  |

## Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members

6

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

### Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company deems outside officers to be independent when none of the following apply, either currently or for the past three years.

1. Individuals whose principal business partner is the Company or its subsidiary (refers to individuals who have received payment from the Company or its subsidiaries amounting to 2% or more of consolidated turnover in any of the past three business years of the relevant individual) or persons who execute the relevant business ("executives")
2. Individuals whose principal business partner is the Company or its subsidiary (refers to individuals who have made payments to the Company or its subsidiaries amounting to 2% or more of consolidated net sales in any of the past three business years of the relevant individual) or persons who execute the relevant business ("executives")
3. A principal lender to the Company or its subsidiaries (refers to a lender where the amount of borrowings from the relevant lender at the end of any of the past three business years exceeds 2% of total consolidated assets) or persons who execute the relevant business ("executives")
4. Individuals who have received donations that exceed 10 million yen or 2% of the total income of the relevant person from the Company or its subsidiaries in any of the past three business years (where the entity that received the relevant donation is an organization, such as a corporation or a union, etc., refers to individuals who belong to the relevant organization)
5. Consultants, accounting experts or legal professionals who have received 10 million yen or more in cash or other assets from the Company or its subsidiaries in any of the past three business years, beyond remuneration as an officer (where the entity that acquired the relevant assets is an organization, such as a corporation or a union, etc., refers to individuals who belong to the relevant organization)
6. Main shareholders of the Company (refers to shareholders with 10% or more of voting rights) or persons who execute the relevant business ("executives")
7. A relative within the second degree of kinship with persons who execute business ("executives") of the Company or its subsidiaries (excluding persons who are unimportant)
8. A relative within the second degree of kinship with an outside Director of the Company (limited to determining independence of outside Audit & Supervisory Board Members)
9. A relative within the second degree of kinship with an individual to whom any of 1 through 6 above apply (excluding persons who are unimportant)

[Incentives]

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of performance-linked Remuneration Scheme, Other

## Supplementary Explanation for Applicable Items

Executive remuneration consists of basic remuneration, which is a fixed remuneration, performance-linked remuneration as a short-term incentive remuneration, and share remuneration (restricted stock remuneration) as a medium-to long-term incentive remuneration. The level of total remuneration is set based on our comparison with concerns of the same size and our business environment. For more information on performance-based compensation and stock-based compensation, please refer to "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight" [Incentives].

Persons Eligible for Stock Options

—

## Supplementary Explanation for Applicable Items

[Director Remuneration]

Status of Discloser of Individual Director's Remuneration

No Disclosure for any Directors

## Supplementary Explanation for Applicable Items

The Company disclose the total amount of remuneration, etc. for each executive category, the total amount of remuneration, etc. by type, and the number of Directors in the annual securities report.

Policy on Determining Remuneration Amounts and Calculation Methods

Established



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

Our policy for determining the amount of remuneration for directors and executive officers, or the calculation method thereof, is as follows.

### 1. Basic policy for remuneration of the directors and executive officers

- Remuneration is linked to business performance and medium-to long-term corporate value, and is a remuneration system that shares value with shareholders.
- The level of remuneration enables to secure and retain human resources that are essential for sustainable growth.
- Remuneration is determined through an objective, transparent, and appropriate process.

### 2. Remuneration system of Directors and Executive officers

Executive remuneration consists of base remuneration, which is a fixed remuneration, performance-based remuneration as short-term incentive remuneration, and share remuneration (restricted stock remuneration) as medium-to long-term incentive remuneration. The level of total remuneration is set based on comparison with concerns of the same size and our business environment.

(1) Basic remuneration shall be paid according to the level of responsibility and shall be paid at a fixed time every month.

(2) For performance-linked remuneration (short-term), consolidated ordinary profit for each fiscal year in the medium-term management plan (budget) is set as a performance target business in order to raise awareness of the improvement of company performance for each fiscal year. The performance-linked coefficient (50% to 150%) is determined based on the degree of achievement, which is then multiplied by the performance-linked remuneration base amount for each position to determine the amount to be paid at a certain time each year.

(3) Stock-based remuneration (medium-to long-term) is restricted stock awards from the perspective of sharing value with shareholders and providing incentives to increase corporate value and share price over the medium-to long-term. The awards are paid at a fixed time each year in accordance with the monetary equivalent determined for each position. The transfer restriction period shall be 30 years from the date of issuance of shares or the period from the date of resignation of Directors and Executives. The Company has established provisions that allow for malus (forfeiture during the restricted period) and clawback (refund after cancellation of the transfer restriction) in the event of a significant fraudulent accounting or significant loss.

The table below shows the percentage of remuneration paid for each job function.

| Classification of Directors and Executive Officers | Basic remuneration | Performance-linked remuneration | Stock-based remuneration |
|--|--------------------|---------------------------------|--------------------------|
| Representative Director Chairman of the Board      | 100%               | -                               | -                        |
| Executive Officers                                 | 80%                | 15%                             | 5%                       |
| Outside Directors                                  | 100%               | -                               | -                        |

### 3. Process of Determination of Remuneration for Directors and Audit & Supervisory Board Members and Executive

The remuneration system, remuneration levels, and performance-linked targets are set by the Board of Directors based on the deliberations and reports of the Nomination and Remuneration Advisory Committee. The remuneration of Directors and Audit & Supervisory Board Members has been resolved as follows.

(Revision of the amount of remuneration for Directors and Audit & Supervisory Board Members)

At the 89th Annual General Meeting of Shareholders held on June 26, 2020, the amount of remuneration for Directors and Audit & Supervisory

Board Members was changed from a monthly amount to an annual amount, and the amount of remuneration for Director includes bonuses.

The Company resolved that the annual remuneration for Directors will be no more than 340 million yen (of which the annual remuneration for outside Director will be no more than 14.4 million yen) and the annual remuneration for Audit & Supervisory Board Members will be no more than 80 million yen (of which the annual remuneration for Outside Audit & Supervisory Board Members will be no more than 14.4 million yen). At the 92nd Annual General Meeting of Shareholders held on June 28, 2023, it was resolved that the amount of remuneration for Directors remained unchanged no more than 340 million yen per year, the amount of remuneration for outside Directors was at no more than 22 million yen per year, and the amount of remuneration for Audit & Supervisory Board Members remained unchanged at no more than 80 million yen per year, and the amount of remuneration for outside Audit & Supervisory Board Members was no more than 22 million yen per year.

As of the date of this report, Director has eight members (including three outside Directors) and five Audit & Supervisory Board Members (including three outside Audit & Supervisory Board Members).

(Remuneration for grants of restricted shares to Directors (excluding outside Directors))

In addition to providing incentives for the sustainable improvement of our corporate value, we will provide Directors (excluding outside Directors) with remuneration for the granting of new restricted shares separate from the above-mentioned remuneration framework, with the aim of promoting further value sharing with our shareholders. Remuneration paid for the grant of restricted stock shall be monetary remuneration claims, and the total monetary remuneration receivable for the grant of restricted stock shall be no more than 12 million yen per year.

As of the date of the filing of this report, there were eight Directors (including three outside Directors).

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

There is no dedicated department to assist the outside Directors. The Company has established Audit & Supervisory Board Office as a dedicated department and respond to the outside Audit & Supervisory Board Members together with the assistance of the Audit & Supervisory Board Members. Each outside Audit & Supervisory Board Members receives reports on the status and results of audits at the Audit & Supervisory Board meeting attended by the outside corporate auditors, and also receives reports from the independent auditors on the status of audits.

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

The corporate governance system consists of Board of Directors, which consists of eight members, including three outside Director, and Audit & Supervisory Board, which consists of five members, including three outside Audit & Supervisory Board Members.

On April 1, 2020, the Company established the Nomination and Remuneration Advisory committee, which is composed of independent outside Director and independent outside corporate Audit & Supervisory Board Members, as a voluntary advisory body to Director Committee.

In order to strengthen the supervisory functions of Director Company and to accelerate and streamline the execution of business management, the Company introduced Executive Officer system on June 26, 2020. At the same time, the Company established the Executive Committee on June 26, 2020, which consists of Directors, Executive Officers appointed by President, and Audit & Supervisory Board Members.

The accounting auditor of the Company is KPMG AZSA LLC. The certified public accountants who performed the accounting audit services in the most recent fiscal year are Ryohei Tomita and Yuji Nakajima as the designated limited partners.

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

The Company nominates highly independent outside Directors and outside Audit & Supervisory Board Members for the improvement of corporate governance.

The Company enhances the objectivity and transparency of the process of nominating Directors and Executive Officers by discussion in the Nomination and Remuneration Advisory Committee.

The Company and our group increase the speed and efficiency of business execution by decision of important business execution matters in the Executive Committee which is held on a weekly basis. Audit & Supervisory Board Members attend the committee and ensure transparency management.

In addition, the executives discuss basis matters of the Company, such as management policies, budgets and monthly financial results of the Company and the subsidiaries, and unify the intention.

# 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   | The Company sends Notice of the General Meeting of Shareholders out three weeks before the General Meeting of Shareholders.  |
| Electronic Exercise of Voting Rights   | Shareholders can exercise their vote rights via the Internet.  |
| Participation in a Platform for the Electronic Exercise of Voting Right and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights | The Company participates in an electronic voting platform for institutional investors operated by ICJ, Inc.  |
| Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English   | The Company publishes Notice of the General Meeting of Shareholders in English on the electronic voting platform for institutional investors operated by ICJ, Inc. and websites of the Tokyo Stock Exchange  |
| Other  | The Company has published Notice of the General Meeting of Shareholders before the Company send it to Shareholders from the viewpoint of early disclosure since the Annual General Meeting of Shareholders in June 2021. In addition, The Company introduces "Smart Convocation" service and "Smart Vote" service to view the Notice of the General Meeting of Shareholders and exercise their voting rights from smartphones and other devices. |

## 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 Company established IR Disclosure Policy, which is based on the principles of pursuing management transparency and corporate reliability and of prompt, accurate, and fair disclosure to our shareholders and investors. The policy is published on the Company' Website along with the organizational chart.  | Held   |
| Regular Investor Briefings held for Analysts and Institutional Investors  | Financial results briefings are held twice a year after the announcement of interim and year-end financial results.  |  |
| Posting of IR Materials on Website  | Consolidated Financial Results of the Company, Financial Results Briefing Materials, Securities Reports, Semi-Annual Reports, Materials Related to the General Meeting of Shareholders, and Other Timely Disclosure Materials are available.<br>In addition, IR materials are provided in English<br><a href="https://www.san-ai-obbli.com/en/ir/">https://www.san-ai-obbli.com/en/ir/</a> |  |
| Establishment of Department and/or Placement of a Manager in Charge of IR | General Affairs Department General Affairs Section and Corporate Communications Section are in charge.   |  |

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

|  | Supplementary Explanation   |
|--|---|
| Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders | The "Ethics Charter of SAN-AI OBBLI Group" stipulates the basic stance toward contributing to the development of society and becoming a more valuable company, specific action standards, protection of the natural environment and contribution to local communities, customer satisfaction, autonomy and independence, and corporate culture.   |
| Implementation of Environmental Preservation Activities and CSR Activities, etc.     | The Company established the "SAN-AI OBBLI Group Sustainability Committee," chaired by Director President, affiliated committee, the "Risk Management Committee", "Compliance Committee", "Environmental and Social Contribution Committee", "Quality Assurance committee" in order to ensure the smooth implementation of the above-mentioned "Ethics Charter of SAN-AI OBBLI Group".<br>In addition, The company has also established Sustainability Promotion Department as a dedicated department to promote sustainability throughout the SAN-AI OBBLI Group. Sustainability Promotion Department reports annually in the form of a Sustainability Report, which is posted in the Company's Website.<br>As for our environmental conservation activities, the Company has acquired and continue to acquire certification for our environmental management ISO14001. |
| Other  | The Company established Health Promotion Office to enhance the group-wide health management system and began health management in October 2015.<br>In addition, the Company established the Basic Health Policy to enable the Company and its employees to work together in health management in September 2017. Based on this policy, we are building the foundation for each employee to be able to make the most of his or her own strengths with enthusiasm.<br>« Basic Health Policy of SAN-AI OBBLI Group »<br>SAN-AI OBBLI Group promotes continuous and systematic health promotion by creating an environment in which employees can work comfortably, with mental and physical health as an important issue. The group will also actively promote health promotion, including family members, by raising individual health awareness.                         |

## IV. Matters Concerning the Internal Control System

### 1. Basic views on Internal Control System and Status of Development

The Board of Directors decided The Basic Policy of Internal Control and the Company establishes the internal control system based on it.

(Basic Internal Control Policy)

The Board of Directors decided to establish a system to ensure the appropriateness of our operations based on the Companies Act and the enforcement regulations of the Companies Act as follows.

1. System to ensure that Directors and employees perform their business execution in compliance with laws and regulations the Articles of Incorporation

- (1) In order to ensure that Directors, Executive Officers and employees perform their business execution in compliance with laws and regulations and the Articles of Incorporation, the Company and the subsidiaries have established the "Ethical Charter of the SAN-AI OBBLI Group" to ensure and promote awareness of corporate ethics by holding monthly meetings of the "Compliance committee" in principle. In addition, the Company formulated the "Guidelines for the Protection of Whistleblowers", and established appropriate handling systems, such as organizational or personal contact points for reporting or consulting on violations of laws and regulations, both inside and outside the company, in order to strengthen compliance management by detecting and rectifying improper acts at an early stage.
- (2) The Company has established Audit&Internal Control Department under the control of the President. Audit&Internal Control Department conducts periodic internal audits of accounting and operation. In order to ensure the reliability of financial reporting, the Audit&Internal Control Department evaluate the design and the operational status. Audit&Internal Control Department exchanges information with the independent auditor as needed, and also attends audits by the independent auditor.

2. Matters related to the storage and administrative of information pertaining to the execution of duties by Directors

- (1) The Company stores information pertaining to the execution of duties by Directors and Executive Officers in writing or electromagnetic records in accordance with the Document Regulations and the Information Control Regulations, and manage appropriately.
- (2) The Compliance committee researches and deliberates on important matters related to the protection of personal information, such as the Personal Information Protection Promotion Plan. In addition, the Company is handling and management of personal information shall be ensured, through management, education and audit of personal information in accordance with the Regulations Governing the Management of Personal Information.

- 3.Regulations and systems for managing the risk of loss
  - (1)The Company has established the Risk Management Regulations, and San-Ai Obbli Group Sustainability Committee examine specific countermeasures and preventive measures. The committee regularly reports on the deliberations and activities to the Board of Directors. In addition, in the event of a crisis that has a significant impact on our management, the President will establish a Crisis Management HQ (headed by Director President) to respond to the crisis.
  - (2)The Company has established internal rules concerning transaction authority, financial authority, credit management, etc., to ensure promptly sales activities and clarifying responsibilities, and the safety of transaction.
  - (3)The Risk Management committee investigates and deliberates on the development of a safety control system for accidents, incidents, and natural disasters.
  - (4)The Company and the subsidiaries consider protecting the environment and ensuring safety to be important issues for corporate management as a concern that handles hazardous materials. The Risk Management committee investigates and deliberates important issues related to the environment and safety in the business activities. In addition, the Company and the subsidiaries established the basic philosophy and action guidelines for the environment and safety in our Environmental Safety Management Regulations. The Company and the subsidiaries ensure the protection of the environment and safety, and ensure appropriate responses in the event of an accident or disaster. At the same time, the Company and the subsidiaries prevent accidents and disasters through the planning and implementation of audits and education.
  - (5)The Quality Assurance committee deliberates all products manufactured by the Company to prevent claims for damages and claims arising from defects in products.
- 4.System to ensure the efficient the execution of duties by Directors
  - (1)The Company weekly holds the Executive Committee as the decision-making body for important business execution matters related to the Company and subsidiaries, and ensures efficiency of the execution of duties by Directors and Executive Officers.
  - (2)The company deliberates concerning basic matters such as management policies and policies, the Company and its subsidiaries' budgets, monthly financial results, and the progress thereof, as well as important matters affecting once a month at the Executive Committee.
- 5.System to ensure the appropriateness of operations in the corporate group consisting of the Company and the subsidiaries
  - (1)The Company established the "SAN-AI OBBLI Group Company Operational Management Regulations" as the basic principles for the management necessary for the execution of business, and the Company and the subsidiaries established reporting standards for matters related to the execution of duties at subsidiaries, in order to clarify the roles and responsibilities of each company and promote organizational management.
  - (2)Audit & Internal Control Department of the Company and Audit Department of the subsidiaries regularly conduct internal audits on a regular basis. In addition, the Audit & Internal Control Department exchanges information with the accounting auditors as needed, and attends audits by the accounting auditors to ensure the appropriateness of operations in the corporate group consisting.
- 6.Matters related to the system concerning the employees in the event that Audit & Supervisory Board Members request the employees to assist and the independence of the employees from Directors and ensure the effectiveness of instructions to the employees
  - (1)The Company establishes Audit & Supervisory Board Office. In addition, Assign employees to assist auditors when Audit & Supervisory Board Members requested by them. The employees assist the Audit & Supervisory Board Members in the performance of their duties under the direction of the Audit & Supervisory Board Members and not be directed by the Director President. The performance appraisal of the employees to assist auditors is conducted by Audit & Supervisory Board Members.
- 7.System for reporting to Audit & Supervisory Board Members by Directors and employees, and system for reporting to Audit & Supervisory Board Members of the parent company by Directors, Audit & Supervisory Board Members and employees of subsidiaries, and system for ensuring that reporting persons do not receive unfavorable treatment due to such reporting
  - (1)In addition to attending the Board of Directors and other important meetings, Audit & Supervisory Board Members hear the status of the execution of their duties from Directors and Executive Officers, inspect important approval documents, and investigate the status of operations and assets at the Head Office and major business sites in cooperation with Audit&Internal Control Department and the Internal Audit Division from time to time. In addition, Audit & Supervisory Board Members, determined by the Audit & Supervisory Board attend the Executive Committee, which meets on a regular weekly basis.
  - (2)Audit & Supervisory Board Members communicate and exchange information with Directors and Audit & Supervisory Board Members of the subsidiaries, etc., seek business reports, and investigate the status of their operations and assets.
- 8.Policies for the other system to ensure that audits by the auditors are conducted effectively, and for the treatment of expenses incurred in the execution of duties by the corporate auditors.
  - (1)In the event Audit & Supervisory Board deems it necessary, Audit & Supervisory Board have Directors, Executive Officers, employees, and the accounting auditors attend meetings of the Board of Corporate Auditors and provide them with an opportunity to report or express their views.
  - (2)The Company ensures that Audit & Supervisory Board Members appropriately dispose of expenses incurred in cases where Audit & Supervisory Board Members deem it necessary based on their own judgment, such as emergency audit expenses and conflict of interest transactions, and in cases where outside experts, such as lawyers, are employed.
- 9.System to Eliminate Antisocial Forces
  - (1)Based on the "Ethics Charter of SAN-AI OBBLI Group", the Company does not have any contact with anti-social forces that pose a threat to the order and security of the civic community, and acts in a resolute manner.

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

The Company establish "Ethics Charter of SAN-AI OBBLI Group". The "Ethics Charter of SAN-AI OBBLI Group" sets forth our Code of Conduct, which stipulates that we should maintain a firm stance and not be in contact with antisocial activities or forces.

## V. Other

### 1.Adoption of Anti-Takeover Measures

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

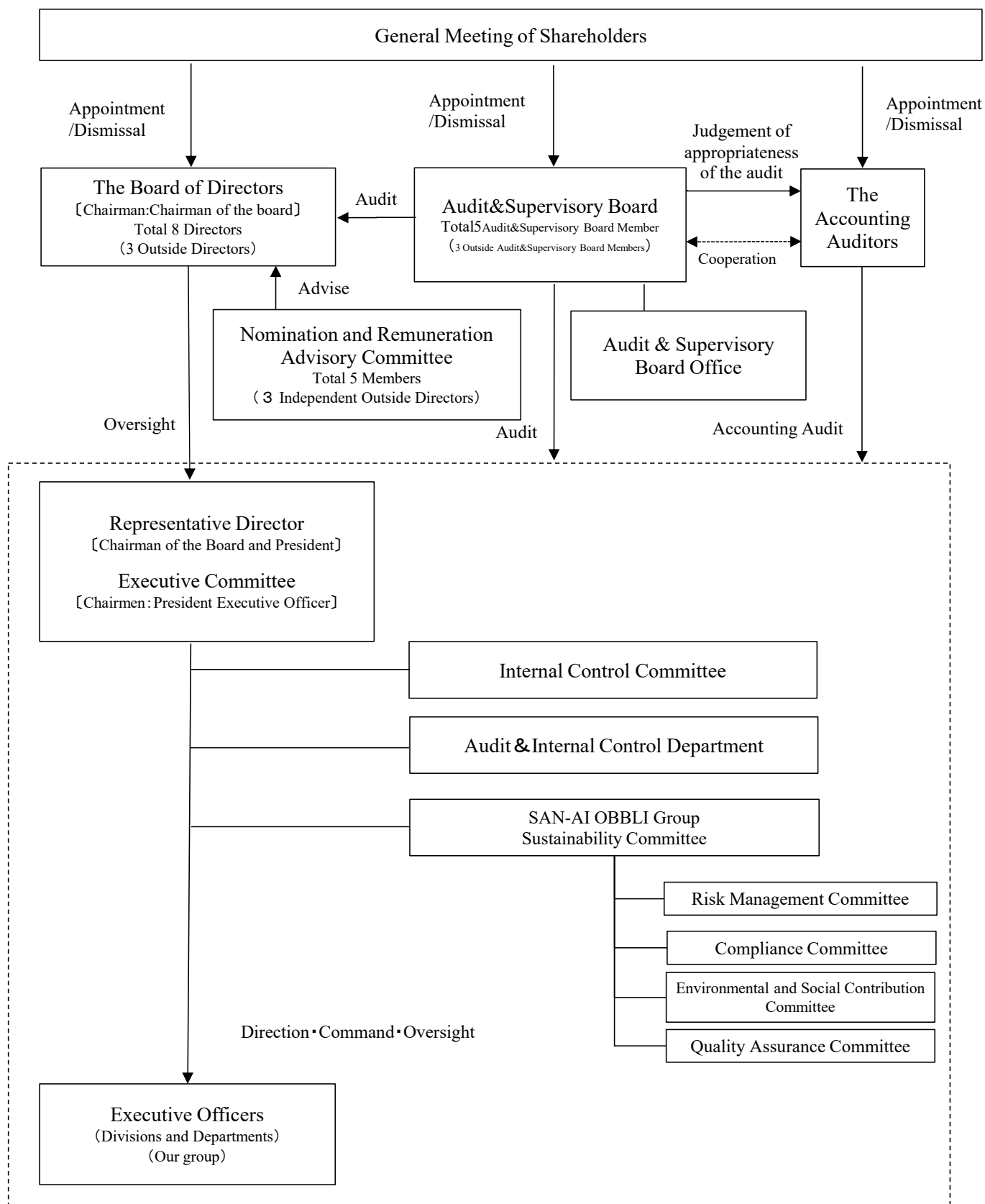
## **2.Other Matters Concerning the Corporate**

### **1.Internal system for timely and appropriate information disclosure**

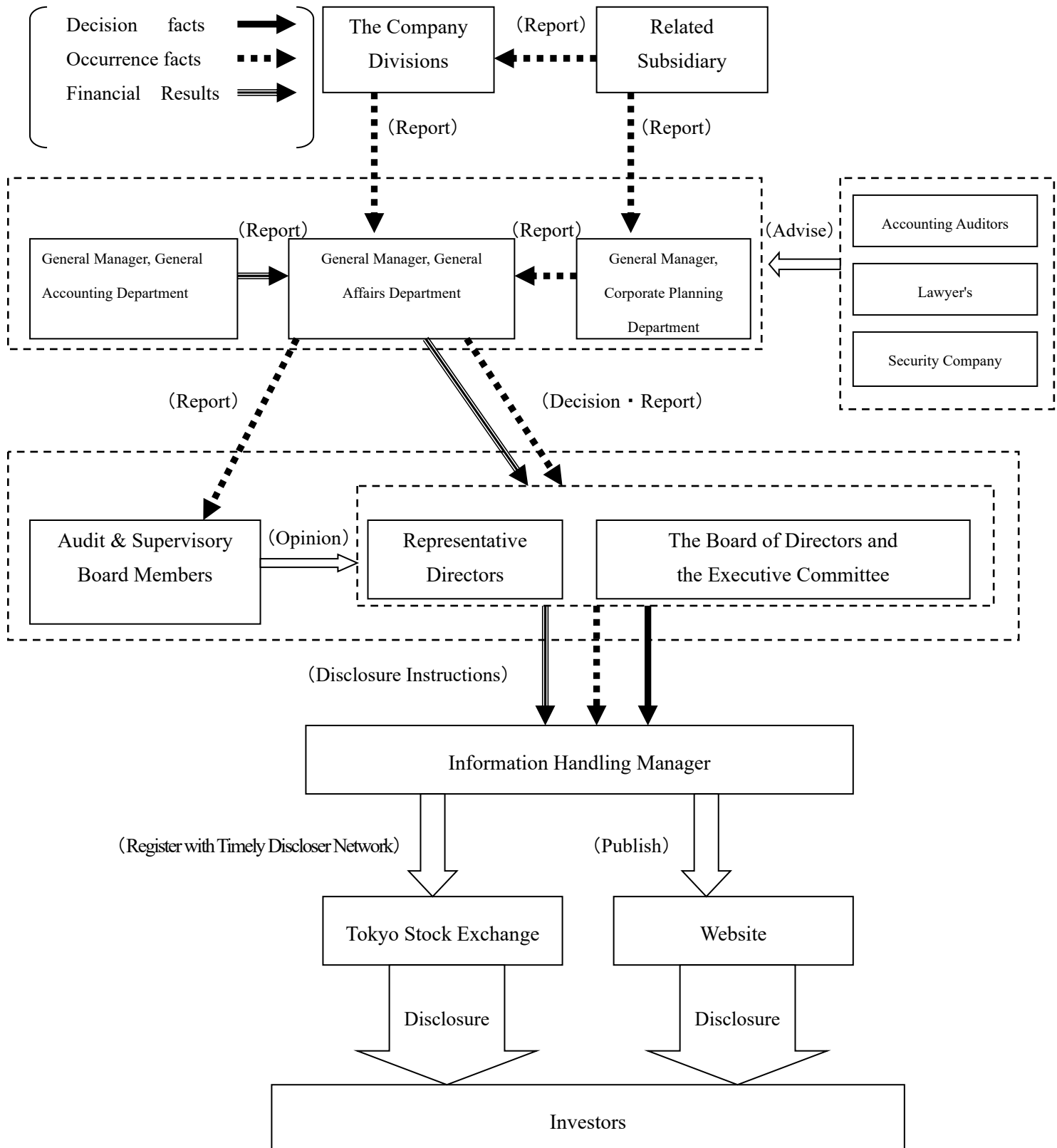
Corporate information that has a significant impact on investors' decisions is reported to Director President through the General Manager of General Affairs Department., and after approval by the Executive Committee and others, information is disclosed in a timely and appropriate manner under the corporate Information Manager, who has been appointed in accordance with the Timely Disclosure Rules by TSE ,Inc. In addition, the Company shall disclose the Decision facts and the Financial Results after the resolution by the Board of Directors. The Company also shall report to the executive organ and auditors and disclose the facts of the occurrence as soon as the facts are recognized.

### **2. Establishment of internal regulations**

In accordance with “The Information Management Regulations”, the Company shall manage and disclose the information about the company and the group companies or business partners in a timely and appropriate manner. In addition, the Company prevent insider trading by “The Insider Trading Regulations”, which stipulates the standards of insider information management and trading of the shares by officers and employees.



Timely Disclosure System Chart



(Notes) Information on the Occurrence facts shall be disclosed as soon as the event is recognized.