

Last Update: June 20, 2025

HAPPINET CORPORATION

Toshiyuki Mizutani, President and Representative Director

Contact: Hiroshi Ishimaru, Director, Chief Financial Officer

Securities code:7552

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

The corporate governance of HAPPINET CORPORATION (the “Company”) is described below.

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

1. Basic Views

Happinet believes that maximizing corporate value and ensuring sound management are the most important issues facing management. To achieve these objectives, we are working to establish a system to increase the transparency of management and to enable us to respond quickly and appropriately to changes in the business environment.

In addition, we strive to actively disclose information to meet the expectations of shareholders and earn their trust. Moreover, we seek to build strong relationships with customers, employees, and society and consistently increase shareholder value over the long term.

Disclosure Based on each Principle of the Corporate Governance Code

■Principle 1.4 Cross-Shareholdings

The Company has a policy of not holding listed stocks for investment purposes, to avoid risks due to stock price fluctuations and enhance asset efficiency. However, we may hold minimal shares in companies related to our business only when it is necessary to improve our medium- to-long-term corporate value and when such holdings are deemed meaningful, after a comprehensive evaluation of factors such as our business strategy, the significance of business alliances, and business relationships with business partners.

When holding such shares, the Board of Directors reviews each individual stock annually as to its holding purpose, associated risks, investment returns and other factors, and determines the appropriateness of continued holding. For stocks deemed no longer appropriate to hold as a result of this review, we sell these stocks to reduce our shareholding.

When exercising voting rights on cross-shareholdings, in principle, we decide whether to support or oppose each proposal individually from the perspective of enhancing the medium- to- long-term corporate value of the cross-shareholding partner.

We do not approve proposals that may impair shareholder value.

■Principle 1.7 Related Party Transactions

When the Company or its subsidiaries engage in transactions with their directors and auditors or major shareholders of the Company, deliberations and resolutions by the Board of Directors are required for such transactions to ensure that the interests of general shareholders will not be harmed. However, this does not apply when the terms of the transaction are the same as those

of general transactions.

Transaction terms and the policy for determining such terms are disclosed in the securities report, etc.

■Principle 2.4 Ensuring Diversity, Including Active Participation of Women

We position human resource development as an important management issue in the Human Resources Charter, which sets out its fundamental philosophy regarding “people” and the position and ideal role of “people” in management. The growth and development of each and every director, auditor, and employees are fundamental to the progress and improvement of the Happinet Group, and we have stated that we truly aspire to have employees to work to realize their dreams and a happy future and will provide the utmost support to help them achieve this.

We have also set “promote diversity and inclusion” as a key issue (materiality) for our Group's sustainability initiatives. Our human resource development policy, internal environment improvement policy, and the status of their implementation are summarized in an integrated report and sustainability website and are disclosed on our website.

Regarding the promotion of women to managerial positions, we have disclosed our efforts to promote women's participation in the workplace in the Plan of Action for General Employers based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. We aim to target 20% female representation in managerial positions by the end of March 2026 (19.3% as of March 31, 2025).

As for the promotion of foreigners to managerial positions, we have not set a numerical target because our business is currently centered on Japan; however, we will actively recruit and promote foreigners if we deem it necessary for our management strategy. With regard to the promotion of mid-career hires to managerial positions, we conduct recruitment activities according to the needs of our management strategy, and hired 47 people in FY 2024. After recruitment, we support the career development of both new graduates and mid-career hires. When promoting employees to managerial positions, we assess their abilities and experience, regardless of the recruitment format.

We will continue to ensure diversity and carry out recruitment and promotions in line with our business strategy.

■Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Our retirement pension system is a defined contribution corporate pension plan, so there is no investment of corporate pension funds and no impact on our financial situation.

■Principle 3.1 Full Disclosure

(1) Group Vision, Business Ethics, Mid-term Management Plan, Sustainability are disclosed on our website.

Group Vision: <https://www.happinet.co.jp/english/company/vision.html>

Business Ethics: <https://www.happinet.co.jp/english/company/ethics.html>

Mid-term Management Plan: <https://www.happinet.co.jp/english/ir/managementplan.html>

Sustainability: <https://www.happinet.co.jp/english/sustainability/index.html>

(2) Basic Views on Corporate Governance are disclosed on our website, this report and Securities Report.

(3) Board policies and procedures in determining the remuneration of the senior management and directors are disclosed on this report and Securities Report.

(4) We have established the Executive Personnel Committee, a voluntary advisory committee chaired by a representative director

and comprised of three outside directors as its members. The appointment and dismissal of senior management and the nomination of director and auditor candidates are discussed at the Executive Personnel Committee and then decided by the Board of Directors. Auditor candidates are nominated by the Board of Directors with the consent of the Board of Auditors.

(5) Explanations with respect to the appointments/dismissals and nominations for individual director and auditor positions are disclosed on NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS.

■ Principle 3.1 Full Disclosure

The Happinet Group provides “happiness networking.” By creating new entertainment styles, we bring a wide range of delights to people, creating dreams for a better future. It is with this Group Vision that Happinet operates its business.

We believe that the realization of a sustainable society and the enhancement of the Happinet Group’s corporate value are inseparable. Under our Group vision, we have established our basic sustainability policy to contribute to the realization of a sustainable society through our corporate activities.

The Happinet Group has established a Sustainability Committee chaired by a representative director and comprised of executive officers in charge of each department. The Committee identifies material issues, formulates action plans, promotes measures, and monitors the status of targets for sustainability issues. In principle, the Committee reports the status of its activities to the Board of Directors at least once a year.

The Board of Directors provides appropriate supervision of the progress of the Sustainability Committee’s activities, as well as direction with regard to awareness of and response to the Group’s issues.

In identifying key issues (materiality), we first extract issues based on social issues and our Group’s sustainable growth and medium- to long-term vision. We then evaluate their importance in terms of their impact on the Company and society, taking into account the risks and opportunities in our business activities, and implement focused initiatives accordingly.

In addition to materiality, the Happinet Group views climate change as one of the most important social issues that needs be addressed. In June 2023, we expressed our support for the TCFD recommendations and are disclosing climate change-related information utilizing the TCFD’s framework. By managing risks and realizing opportunities identified in accordance with the TCFD recommendations, we will contribute to the development of a sustainable society that is able to tackle the issues posed by climate change.

The status of our efforts to address sustainability and climate change is summarized in an integrated report and sustainability website and disclosed on our website.

We strive to provide understandable disclosure of investments in human capital and intellectual properties, etc. in our integrated reports that are consistent with management strategies and issues.

■ Principle 4.1 Roles and Responsibilities of the Board (1)

We have set out in the Board of Directors Regulations the matters to be resolved by the Board of Directors from among the matters stipulated in laws and regulations and the Articles of Incorporation, as well as important matters for the Group.

In addition, business execution is entrusted to the Performance Review Meeting and the Management Meeting, which are composed of management members including executive officers, based on the Decision-making Standards and the Rules on the Division of Duties provided in the Organizational Operation Regulations.

The Management Meeting is chaired by a representative director and consists of executive directors and executive officers

designated by the representative director. It discusses measures to realize the policies decided by the Board of Directors and to address issues that affect the entire Group.

The Performance Review Meeting is chaired by a representative director and consists of employees and executive officers who are responsible for each business field and administrative department. It decides on measures for each business, monitors business execution, and discusses initiatives based on the business plans decided by the Board of Directors and the Management Meeting.

■Principle 4.9 Independence Standards and Qualification for Independent Directors

In the appointment of outside directors and outside auditors, in order to ensure the transparency of the function of management supervision, the Happinet Group has established Standards Concerning the Independence of Outside Directors and Auditors in Internal Regulations for Director and Auditor Duty Performance based on the Tokyo Stock Exchange's standards for independence, and these are disclosed in this report [Matters Concerning Independent Directors and Independent Auditors].

■Principle 4.10 Use of Optional Approach

The Board of Directors is comprised of eight directors, three of whom are outside directors.

We have established an Executive Personnel Committee, whose members consist of a majority of independent outside directors, as a voluntary advisory committee. By conducting multifaceted examinations, we aim to enhance governance functions related to nominations, remuneration, etc.

■Principle 4.11 Preconditions for Board and Board of Auditors Effectiveness

It is our policy that the Board of Directors is comprised of directors who possess diverse backgrounds, including in terms of knowledge, expertise, and career history.

We aim to maintain an appropriate number of members so that the Board of Directors can function with maximum efficiency and effectiveness, and to build a governance structure that takes into consideration the balance and diversity of knowledge, experience, and capabilities of the Board of Directors as a whole.

In addition, outside directors include people who possess management experience at other companies. Furthermore, we have created a skills matrix summarizing the primary skills, careers, and expertise of directors and auditors. these are disclosed in this report [Other].

■Principle 4.11 Preconditions for Board and Board of Auditors Effectiveness

The main concurrent positions of outside directors and outside auditors are disclosed in this report [Directors] [Audit & Supervisory Board Members], "NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS." and "Securities Report."

Of the directors, three outside directors also serve as outside directors or auditors of other listed companies; nonetheless, the Company has determined that they are fulfilling their roles and responsibilities as directors appropriately.

Of the auditors, one outside auditor also serves as outside director or auditor of other listed companies; nonetheless, the Company has determined that the person is fulfilling his/her roles and responsibilities as auditor appropriately.

■Principle 4.11 Preconditions for Board and Board of Auditors Effectiveness

In order to increase the effectiveness of the Board of Directors, the Happinet Group conducts individual surveys of all directors and auditors and maintains an awareness of and analyzes the issues of the Board of Directors as a whole. Through continuous implementation of the PDCA cycle, we aim to resolve the issues thus identified. In addition, by appointing multiple independent outside directors, the Happinet Group secures the effectiveness of the Board of Directors' decisions and meeting management.

In our surveys for FY 2024, a total of 27 questions were distributed to all directors and auditors to measure the effectiveness of the Board of Directors from four perspectives: composition, operation, agenda, and support system. Responses were aggregated and shared with the Board of Directors.

As a result of their analysis and verification, issues to be addressed on a priority basis were identified as “review of significant risks facing the Group in light of the new Mid-term Management Plan” and “enhancement of reporting and discussion of risks related to overseas businesses and new businesses.”

Based on these results, we will identify risks aligned with our 10th Mid-Term Management Plan and management structure, select priority risks, organize business risks related to overseas expansion and new fields (both upstream and downstream), report to the Board of Directors, and enhance discussions.

■Principle 4.14 Director and Auditor Training

It is our basic policy to continually provide our directors and auditors with opportunities for the training they need to fulfill their roles and responsibilities.

We have established the Happinet Group Directors and Auditors Guidelines as principles of conduct for the management team and expect our directors and auditors to fulfill their roles and responsibilities appropriately. These guidelines are recited at regular Board of Directors meetings to ensure their widespread adoption.

We appoint directors and auditors who are able to put these guidelines into practice, and each director and auditor participates in external seminars as needed to deepen their understanding of their roles and responsibilities, including the legal knowledge they should acquire as a manager. In addition, internal directors and auditors receive training on corporate governance. We also provide training to candidates for the upcoming management team to ensure that they acquire the knowledge necessary for management team.

■Principle 5.1 Policy for Constructive Dialogue with Shareholders

To promote constructive dialogue with shareholders, the Company strives to create various opportunities for senior management, in particular, to engage directly with shareholders. To this end, the Company has appointed the chief financial officer as the director in charge of IR, and the corporate planning division as the department in charge of IR.

In addition, we have adopted the following management stance: "We disclose information proactively to enhance transparency of management, earn the trust of shareholders and live up to their expectations." Based on this, we strive to provide information to shareholders, analysts, and investors in a timely and fair manner, and to respond promptly and appropriately to inquiries. In particular, matters of great interest to shareholders, such as the Mid-term Management Plan, are explained in detail at investor briefings and other occasions. The Company also strives to enhance its disclosures by publishing an integrated report every year and providing updates on progress.

Furthermore, feedback and concerns from shareholders, analysts, and investors, as well as the content of dialogue, are regularly

reported to senior management and the Board of Directors.

For details on the status of dialogue with shareholders and IR-related initiatives, please refer to “Status of IR-related Activities” in this Report.

■ Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

The Happinet Group’s policy is to work to address the important issues of expanding the scale of its business and increasing profitability and efficiency in order to enhance corporate value.

We consider ordinary profit, as an indicator of single-year performance representing profits of overall management activities, and return on equity (ROE), which has a high correlation with our stock price as an indicator of medium- to long-term performance, as key performance indicators. As such, after understanding our own capital costs, we set short-term and medium- to long-term targets in an effort to improve these KPIs.

Additionally, we have introduced an in-house company system as an organizational framework. By delegating the authority to allocate management resources in each business to each of these in-house companies, we are working to improve our profitability by conducting flexible business operations, including alliances with other companies and M&A.

We also position the return of profits to shareholders as one of our key management indicators, and our basic policy is the profit status of each business year and future business development in a comprehensive and medium to long term manner, and secure internal reserves for actively invest in areas with high future potential and profitability, such as business alliances and development investment for new business development along with pay appropriate dividends. Specifically, we are maintaining stable annual dividend payments of ¥50 per share and targets the consolidated dividend payout ratio at a level of 40%.

In addition to the above initiatives, we will disclose the progress status at financial results briefings and integrated reports.

Details of the initiatives are disclosed in the integrated report.

https://www.happinet.co.jp/ir/library/integrated_report.html

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	16/10/2024

Explanation of Actions

The Happinet Group’s policy is to work to address the important issues of expanding the scale of its business and increasing profitability and efficiency in order to enhance corporate value.

We consider ordinary profit, as an indicator of single-year performance representing profits of overall management activities, and return on equity (ROE), which has a high correlation with our stock price as an indicator of medium- to long-term performance, as key performance indicators. As such, after understanding our own capital costs, we set short-term and medium- to long-term targets in an effort to improve these KPIs.

We also position the return of profits to shareholders as one of our key management indicators, and our basic policy is the profit status of each business year and future business development in a comprehensive and medium to long term manner, and

secure internal reserves for actively invest in areas with high future potential and profitability, such as business alliances and development investment for new business development along with pay appropriate dividends. Specifically, we are maintaining stable annual dividend payments of ¥50 per share and targets the consolidated dividend payout ratio at a level of 40%.

To improve our price-to-book ratio, we will not only be conscious of the above KPIs but also of improving our P/E ratio. To make the

Group's shares more attractive to investors, we will make greater efforts to clarify our growth strategy, strengthen investor relations and

dialogue activities, enhance disclosure, and improve our ESG ratings.

Additionally, we have established a multi-layered decision-making process to pursue investment returns and control investment risk when executing strategic investments. After analyzing profitability and efficiency, as well as financial, legal, public relations, and ESG-related risks from the specialized perspective of each of our functional organizations, and after a business assessment, the Board of Directors also discusses consistency with our medium- to long-term vision and Companywide strategies, as well as Group synergies, and makes a final decision based on a comprehensive consideration of quantitative and qualitative aspects. By clarifying the process and criteria of improvement and withdrawal decisions for important projects and regularly monitoring these projects, we ensure that operations are carried out according to plan, establishing a system that allows us to constantly replace our business portfolio with a more robust one.

In addition to the above initiatives, we will disclose the progress status at financial results briefings and integrated reports.

Details of the initiatives are disclosed in the integrated report.

https://www.happinet.co.jp/english/ir/library/integrated_report.html

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Bandai Namco Holdings Inc.	5,883,408	24.46
The Master Trust Bank of Japan, Ltd. (Trust account)	1,796,100	7.46
Custody Bank of Japan, Ltd. (Trust account)	1,732,600	7.20
SMBC Trust Bank Ltd. (Retirement Benefit Trust)	676,000	2.81
Custody Bank of Japan, Ltd. (Trust account E)	547,300	2.27
Yasuhiko Idaira	483,000	2.00
Hiroshi Kawai	300,000	1.24
Employee Stock Ownership Association of HAPPINET CORPORATION	287,128	1.19
Mizuho Securities Co., Ltd.	257,900	1.07
SMBC Nikko Securities Inc.	250,370	1.04

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

Supplementary Explanation

- Happinet Corporation holds 1,557,062 shares of treasury stock but is excluded from the above list of major shareholders.
- Happinet Corporation has introduced the J-ESOP and the Board Benefit Trust (BBT) systems, and Happinet's 555,900 shares held by the Custody Bank of Japan, Ltd. (trust account E) are not included in the amount of treasury stock.
- In a large shareholding report (Change Report No. 5) dated March 5, 2025 and available for public inspection, it is listed that SMBC Nikko Securities Inc. and its joint holders, Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui DS Asset Management Company, Limited hold a total of 2,484,998 shares (10.33% of total shares) as of February 26, 2025. However, with the exception of Sumitomo Mitsui Banking Corporation, Happinet Corporation has not been able to confirm the number of shares actually held by these parties as of March 31, 2025, so they are not included in the above list of major shareholders.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
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

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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 Board of Auditors
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Directors

Number of Directors Stipulated in Articles of Incorporation	No upper limit
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (excluding those concurrently serving 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	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Toshiko Oka	From another company											
Michinori Mizuno	From another company					●						
Chie Sato	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/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)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Toshiko Oka	○	<p>[Significant concurrent positions] Professor, Graduate School of Global Business, Meiji University Outside Director, Hitachi Construction Machinery Co., Ltd. Outside Director, ENEOS Holdings, Inc. Outside Director, Earth Corporation</p> <p>(Note) There are no special interests between Ms. Oka, above companies and the Company.</p>	<p>Ms. Toshiko Oka has a wide range of expertise in finance, accounting, and M&A, has participated in corporate management over many years, and possesses abundant experience and achievements regarding management.</p> <p>The Company expects that Ms. Oka will play a role, based on these knowledge and her management experience, in further enhancing the governance of the Company through objective supervision of the execution of duties by Executive Officers, etc. from an independent position.</p> <p>Therefore, the Company elected her as Outside Director.</p>
Michinori Mizuno	○	<p>[Significant concurrent positions] Chairman of the Board, Sony Music Foundation Outside Director, Bushiroad Inc. Outside Director, GREE Holdings, Inc</p> <p>(Note) There are no special interests between Mr. Mizuno, above companies and the Company.</p>	<p>Mr. Michinori Mizuno has participated in the management of entertainment companies over many years and possesses abundant experience and achievements regarding such industry and management.</p> <p>The Company expects that Mr. Mizuno will play a role, based on these knowledge and his management experience, in further enhancing the governance of the Company through objective supervision of the execution of duties by Executive Officers, etc. from an independent position.</p> <p>Therefore, the Company elected him as Outside Director.</p>
Chie Sato	○	<p>[Significant concurrent positions] Member of Certified Evaluation and Accreditation for Professional Graduate Business School Committee, Japan University Accreditation Association Outside Director, ITOCHU ENEX CO., LTD.</p> <p>(Note) There are no special interests between Ms. Sato, above companies and the Company.</p>	<p>Ms. Chie Sato has written numerous books on management and media-related topics as an author for many years and has worked as a management strategy consultant. She possesses abundant experience and achievements regarding management.</p> <p>The Company expects that Ms. Sato will play a role, based on these knowledge and her management experience, in further enhancing the governance of the Company through objective supervision of the execution of duties by Executive Officers, etc. from an independent position.</p> <p>Therefore, the Company elected her as Outside Director.</p>

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 Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Executive Personnel Committee	4	0	1	3	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Executive Personnel Committee	4	0	1	3	0	0	Inside Director

Supplementary Explanation

The Executive Personnel Committee consists of four members: one Representative Director and three Independent Outside Directors.

Auditor

Establishment of Board of Auditors	Established
Number of Auditors Stipulated in Articles of Incorporation	No upper limit
Number of Auditors	4

Cooperation among Auditors, Accounting Auditors and Internal Audit Departments

At the Company, internal audits, audits by auditors, and accounting audits involve communication with the internal control department as necessary, including asking questions and exchanging opinions. We continuously work to strengthen this cooperation to build more effective internal controls.

The Internal Audit Office conducts internal audits in cooperation with auditors, in accordance with the Internal Audit Plan, covering all aspects of our business operations. Moreover, the status of internal audits is regularly reported to the Board of Directors. Furthermore, to ensure the reliability and effectiveness of internal audits, the Company has established a dual reporting line that directly reports to the Board of Auditors and auditors.

The Board of Auditors comprises one standing auditor and three outside auditors. Auditors regularly attend meetings of the Board of Directors. In addition, standing auditor actively participates in important internal meetings and conducts audits with a focus on the existence of any violations of the law or the Articles of Incorporation as well as infringements of shareholder interests. Further, the Board of Auditors regularly holds audit report meetings attended by the audit corporation and the head of the Internal Audit Office. The aim of meetings is to exchange opinions with regard to important audit matters and to continually strengthen collaboration.

The auditors and the head of the Internal Audit Office attend meetings where the accounting corporation presents audit plans and results, and they exchange opinions.

In addition, regular audit work is carried out by Crowe Toyo & Co., the accounting auditor. The three certified public

accountants who executed the audit work are: Masanori Sayama (3 years of continuous auditing experience), Hideho Tanabe (5 years of continuous auditing experience), and Atsushi Oshima (6 years of continuous auditing experience). The audit work is also supported by eight certified public accountants from Crowe Toyo & Co. and four other people.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Independent Auditors	3

Outside Auditors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hideyuki Sakai	Lawyer													
Katsunori Taniguchi	CPA													
Ayako Kawano	Lawyer													

*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 auditor 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/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 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 Auditors' Relationship with the Company (2)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Hideyuki Sakai	○	[Significant concurrent positions] Of counsel, Anderson Mori & Tomotsune (Note) There are no special interests between Mr. Sakai, above companies and the Company.	Mr. Hideyuki Sakai possesses abundant experience and achievements over many years as a lawyer. In order to apply these experience and achievements to our audit system, the Company elected him as Outside Auditor.
Katsunori Taniguchi	○	[Significant concurrent positions] President, Certified Public Accountant Katsunori Taniguchi Office Outside Director (Audit & Supervisory Committee Member), Computer Engineering & Consulting Ltd. (Note) There are no special interests between Mr. Taniguchi, above companies and the Company.	Mr. Katsunori Taniguchi possesses abundant experience and achievements over many years as a certified public accountant. In order to apply these experience and achievements to our audit system, the Company elected him as Outside Auditor.
Ayako Kawano	○	[Significant concurrent positions] Greenberg Traurig Tokyo Law Offices (Note) There are no special interests between Ms. Kawano, above companies and the Company.	Ms. Ayako Kawano possesses abundant experience and achievements over many years as a lawyer. Although Ms. Kawano has not involved in the corporate management in the past, the Company considers that she is able to apply these experience and achievements to our audit system. Therefore, the Company elected her as Outside Auditor.

Matters Concerning Independent Directors and Independent Auditors

Number of Independent Directors and Independent Auditors

6

Other Matters Concerning Independent Directors and Independent Auditors

In the appointment of outside directors and outside auditors, in order to ensure the transparency of the function of management supervision, the Happinet Group has established Standards Concerning the Independence of Outside Directors and Auditors in Internal Regulations for Director and Auditor Duty Performance based on the Tokyo Stock Exchange's standards for independence.

Outside directors Toshiko Oka and Chie Sato, and outside auditors Hideyuki Sakai, Katsunori Taniguchi, and Ayako Kawano have no special interests with the Company. They also do not fall under the category of specified related business operators as defined by the Tokyo Stock Exchange. We have determined that they are highly independent and there is no risk of a conflict of interest with general shareholders. Outside director Michinori Mizuno is a relative within the second degree of kinship of an employee of a specified related business operator of the Company (a major business partner); nonetheless, as the Happinet Group's Standards Concerning the Independence of Outside Directors and Auditors are satisfied, we have determined that this does not affect the independence of outside directors.

Furthermore, the Company has designated Ms. Oka, Mr. Mizuno, Ms. Sato, Mr. Sakai, Mr. Taniguchi, and Ms. Kawano as Independent Directors, and has registered them with the Tokyo Stock Exchange.

Standards Concerning the Independence of Outside Directors and Auditors

For an outside director or outside auditor of the Company to be deemed independent, that outside director or outside auditor must not fall under any of the following standards.

1. A person who is an executive director, executive officer, or employee of the Company or any of its subsidiaries, or, a person who used to be an executive director, executive officer, or employee of the Company or any of its subsidiaries at least once in the past.
2. A party whose major business partner is the Company or any of its subsidiaries, or, if that party is a company, an executive director, executive officer, manager, or other employee of that company.
3. A party who is a major business partner of the Company or any of its subsidiaries, or, if that party is a company, an executive director, executive officer, manager, or other employee of that company.
4. A lawyer, certified public accountant, tax accountant, consultant, etc. who receives monetary or other financial benefits in excess of a certain amount from the Company or any of its subsidiaries in addition to officer's remuneration.
5. A person who belongs to a corporation, association, etc., such as a law firm, auditing firm, tax accountant firm, or consulting firm that receives monetary or other financial benefits in excess of a certain amount from the Company or any of its subsidiaries.
6. A major shareholder of the Company (holding 10% or more of the voting rights), or an executive of such entity if the major shareholder is a corporation, etc.
7. In cases where an executive director or standing auditor of the Company or any of its subsidiaries is also serving as an outside director or outside auditor of another company, an executive director, executive officer, manager, or other employee of that company.
8. A party who receives donations or grants in excess of a certain amount from the Company or any of its subsidiaries, or, if that party is a company, association, etc., a director or other executive.
9. A party who has fallen under any of 2 to 8 above in the past five years;
however, this standard shall be waived in cases where the Company considers the person suitable to be an independent director of the Company in light of their character, expertise, etc., provided that the Company publicly explains the reasons for its judgment.
10. A spouse or relative within the second degree of kinship of a person who falls under any of 2 to 8 above and is a director, executive officer, or other important employee.
11. A spouse or relative within the second degree of kinship of a director, executive officer, or other important employee of the Company or any of its subsidiaries.

(Notes)

1. "A party (or company) whose major business partner is the Company or any of its subsidiaries" in item 2 means "a party (or company) that has received payments from the Company or any of its subsidiaries of 5% or more of the party's (or company's) annual consolidated net sales in the most recent fiscal year."
2. "A party (or company) who is a major business partner of the Company or any of its subsidiaries" in item 3 means "a party (or company) that has paid the Company 5% or more of the Company's annual consolidated net sales in the most recent fiscal year, or a party (or company) that has lent the Company or its subsidiaries an amount equal to 1% or more of the Company's consolidated total assets at the end of the most recent fiscal year."
3. "A certain amount" in items 4 and 8 means "10 million yen per year."

4. "A certain amount" in item 5 means "1% or more of the sales of the corporation, association, etc., in the most recent fiscal year."

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Other
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Supplementary Explanation for Applicable Items

It was resolved at the 56th Ordinary General Meeting of Shareholders of June 20, 2024 that the amount of monetary remuneration to Directors of the Company shall be 600 million yen or less per year (including 60 million yen or less to Outside Directors). In addition, outside the limit of remuneration for Directors, aim to further motivate Eligible Officers to contribute to better performance and greater enterprise value for the Group over the medium to long term, we set up as the Board Benefit Trust (BBT) performance-based stock remuneration plan. This stock remuneration granted within the framework resolved at the 54th Ordinary General Meeting of Shareholders held on June 23, 2022.

Persons Eligible for Stock Options	—
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Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Director's Remuneration	Disclosure for Selected Directors
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Supplementary Explanation for Applicable Items

In the Securities Report, we disclose the total amount of remuneration by type in the categories of "Directors, Audit & Supervisory Board Members, and Outside Officers." In addition, we only disclose individual remuneration for officers whose remuneration amount is 100 million yen or more.

*The total amount of remuneration, etc. for each officer for the fiscal year ending March 2025 is as follows.

Kazuhiko Note Total amount of remuneration, etc. ¥125 million

Fixed remuneration ¥40 million, Short-term, performance-based remuneration ¥57 million, Nonmonetary remuneration, etc. (BBT) ¥27 million

Seiichi Enomoto Total amount of remuneration, etc. ¥115 million

Fixed remuneration ¥36 million, Short-term, performance-based remuneration ¥51 million, Nonmonetary remuneration, etc. (BBT) ¥27 million

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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1. Basic policy

The Company makes it a basic policy to link Directors' remuneration to shareholder returns with the aim of sufficiently incentivizing them to strive for the sustained enhancement of enterprise value, and to set individual Directors' remuneration at an appropriate level in light of their duties. Specifically, remuneration for Directors consists of fixed monthly remuneration, short-term performance-based remuneration, and nonmonetary remuneration, etc. To ensure objectivity and transparency, a mechanism is in place whereby the amount of their remuneration is first examined by the Executive Appointment Committee—a voluntary advisory body, the majority of which is comprised of Outside Directors (Independent Directors)—and then determined, within the aggregate amount approved by the General Meeting of Shareholders, by a Representative Director who is delegated the authority by the Board of Directors. Generally, the aforementioned types of remuneration are structured so that the percentages of fixed remuneration, short term performance-based remuneration, and nonmonetary remuneration, etc. are roughly 50%, 25%, and 25%, respectively.

2. Policy on determining the amount of individuals' non-performance-based monetary remuneration (fixed remuneration)

Base remuneration for the Company's Directors is fixed monthly remuneration, the amount of which is determined through a comprehensive assessment of each Director's position and scope of responsibilities, the prevailing remuneration levels in the industry, balance with employee salaries, and other factors.

3. Policy on determining details, number or amount, and method for calculation, of performance-based monetary remuneration (short-term performance-based remuneration) and nonmonetary remuneration, etc.

Performance-based remuneration is composed of two elements: short-term performance-based remuneration, which is momentary and designed to serve as a short-term incentive; and nonmonetary remuneration, etc. through the Board Benefit Trust (BBT), which are designed to serve as a medium- to long-term incentive.

Short-term performance-based remuneration, which is monetary, is calculated based on levels of achievement of individual goals, as well as on consolidated and personal performance indicators set in accordance with the plan at the beginning of each fiscal year. The performance indicators targeted, which are ordinary profit and return on equity (ROE), are to be reviewed as appropriate in light of changes in the business environment, taking into account reports submitted by the Executive Appointment Committee.

The reason for selecting these performance indicators is that both were deemed the most appropriate: ordinary profit reflects single-year performance that shows the profit from overall management activities, while ROE indicates medium- to long-term performance and has a high correlation with stock prices. The actual results of these performance indicators for the consolidated fiscal year under review were ordinary profit of 11,963 million yen and ROE of 12.7%.

Nonmonetary remuneration, etc. take the form of points, which are awarded under the BBT plan in accordance with the Officer Stock Benefit Regulations. The number of points to be awarded is determined based primarily on the level of performance achieved against the targets for the final fiscal year of the corresponding Medium-Term Management Plan. If Directors having retired from office meet the beneficiary requirements stipulated in the Officer Stock Benefit Regulations, the Trust will grant them the number of shares in the Company that corresponds to the number of points awarded to them.

In addition, the number of points granted to directors (excluding outside directors) as nonmonetary remuneration, etc. (BBT)

for FY 2024 was 65,284 points. This amount is the number of points granted for FY 2024 multiplied by the book value per share of Company shares held by the trust.

4. Resolutions of the General Meeting of Shareholders regarding remuneration to directors and auditors

It was resolved at the 56th Ordinary General Meeting of Shareholders of June 20, 2024 that the amount of monetary remuneration to Directors of the Company shall be 600 million yen or less per year (including 60 million yen or less to Outside Directors, not including salaries as employees). The number of directors as of the conclusion of the regular general meeting of shareholders is nine (9) Directors (including four (4) Outside Directors).

It was resolved at the 29th Ordinary General Meeting of Shareholders of June 23, 1997 that the amount of monetary remuneration to Auditors of the Company shall be 80 million yen or less per year. The number of Auditors as of the conclusion of the regular general meeting of shareholders is four (4) Auditors.

With regard to nonmonetary remuneration, at the 54th Ordinary General Meeting of Shareholders held on June 23, 2022, a resolution was passed to introduce the Board Benefit Trust (BBT) performance-based stock remuneration plan, which will be capped at 83,700 points (83,700 shares) per fiscal year for directors (excluding outside directors), in addition to the limits on remuneration stated above.

The number of directors as of the conclusion of the regular general meeting of shareholders is three (3) Directors.

5. Matters regarding delegation of authority to determine individual Directors' remuneration, etc.

The Company's Board of Directors, through its resolution, delegates the authority to determine the specific details of the amount of individual Directors' remuneration, to Representative Director, Chairman and Chief Executive Officer Kazuhiko Note.

The delegated authority is to seek the Executive Appointment Committee's opinion on remuneration and related matters, and specifically determine the amount of individual Directors' remuneration in view of that opinion.

The reason for the delegation to the Representative Director and Chairman is that he has been involved in the management of the Company over many years and is, therefore, the most qualified to evaluate each Director's responsibilities and duties while comprehensively viewing the Company's overall performance.

To ensure the proper exercise of the delegated authority, the Board of Directors is to consult with the Executive Appointment Committee prior to making a decision on the amount of individual Directors' remuneration.

(Note) Roles and details of activities of the Executive Personnel Committee

The Executive Personnel Committee is a voluntary advisory body chaired by a representative director and consisting of three independent outside directors. It plays the role of a nomination committee and a compensation committee. In response to inquiries from the Board of Directors, the committee discusses the appointment of senior management, the nomination of director and auditor candidates, and the remuneration of individual directors.

*FY2024 The total amount of remuneration, etc. of Directors and Auditors is as follows.

Number of Directors (excluding Outside Directors) 5 Total amount of remuneration, etc. ¥429 million

Fixed remuneration ¥133 million, Short-term, performance-based remuneration ¥194 million, Nonmonetary remuneration, etc. (BBT) ¥101 million

Number of Auditors (excluding Outside Auditors) 1 Total amount of remuneration, etc. ¥24 million

Fixed remuneration ¥24 million

Number of Outside Directors and Auditors 6 Total amount of remuneration, etc. ¥54 million

Fixed remuneration ¥54 million

Support System for Outside Directors (and/or Outside Auditors)

Directors and auditors request information and materials necessary for the performance of their duties from the relevant departments, and the requested departments provide information and materials as appropriate.

The Board of Directors Secretariat supports directors, and the Internal Audit Office assists auditors.

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

Overview of the System

The Company has adopted the structure of a company with a board of auditors. Moreover, by introducing an executive officer system that separates management from execution, we strengthen the supervisory system while aiming to accelerate management speed. In addition, at least two independent outside directors serve as members of the Board at all times, with the expectation that they will provide a strong check-and-balance function to ensure the legality of directors' execution of their duties. The Board meets at least once a month, engaging in agile decision-making with regard to items determined by law as well as important matters determined by the Board's regulations. The Board of Directors also engages in the monitoring and supervision of the execution of operations.

We have also established the Basic Internal Control Policy, which requires us to formulate Mid-term Management Plans spanning three to five fiscal years. The basic policies and strategies related to these plans are disclosed on our website.

In addition, we have established the Executive Personnel Committee and the External Compliance Committee as voluntary bodies, both of which include independent outside directors as members. Furthermore, based on an advisory agreement, we receive advice from legal counsel as necessary.

Functions and Roles of Outside Directors and Outside Auditors in the Corporate Governance of the Company

It is our policy that the Board of Directors is comprised of directors who possess diverse backgrounds, including in terms of knowledge, expertise, and career history. In order to effectively utilize independent outside directors, we election outside director who possesses abundant experience and achievements regarding management.

Additionally, of the three outside corporate auditors, two are lawyers and one is a certified public accountant, and based on their specialized knowledge and abundant experience, they make appropriate decisions from an independent and objective standpoint.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted a board of auditors system based on the idea that it has the potential to further strengthen corporate governance, both by enhancing the operation of the executive officer system and by improving the system of outside directors and auditors.

By attending Board of Directors meetings, independent outside directors are able to grasp the status of deliberations regarding

internal controls. They also participate in the External Compliance Committee, which is composed of outside directors, where they fulfill a supervisory function by considering and responding to compliance-related matters.

In addition, we regularly hold audit report meetings to facilitate information sharing and ensure mutual coordination among audits—namely, audits by independent outside auditors, internal audits, audits by auditors, and accounting audits—and to further strengthen their relationship with the internal control department.

Furthermore, in the appointment of outside directors and outside auditors, to ensure the transparency of the management oversight function, the Company formulated the Standards Concerning the Independence of Outside Directors and Auditors in Internal Regulations for Director and Auditor Duty Performance based on the Tokyo Stock Exchange's independence standards. These are disclosed in the “Matters Concerning Independent Directors and Independent Auditors” section of this Report.

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	To ensure that shareholders have sufficient time to consider the proposals at the General Meeting of Shareholders, we have developed an environment that facilitates the exercise of voting rights, for example, by providing the notice electronically on our website and the Tokyo Stock Exchange website at least three weeks before the meeting. (Notice of the General Meeting: https://www.happinet.co.jp/english/ir/stock/meeting.html)
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	We strive to avoid scheduling general meetings of shareholders on days when many other companies hold their meetings, to encourage greater shareholder attendance, while considering factors such as the time needed for shareholders to review proposals and for external accounting auditors to conduct their audits.
Electronic Exercise of Voting Rights	It is possible to exercise voting rights via the Internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We participate in the voting platform for institutional investors operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	We prepare an English convocation notice and post it on our website and electronic exercise platform for institutional investors.
Other	We recognize that returning profits to shareholders is one of our most important management priorities. As part of our efforts to provide returns to shareholders, we have introduced a shareholder benefits program. From our shareholder special benefit catalog, we present original and exclusive sales products according to the number of shares held. In addition, for shareholders who hold 500 or more shares, we present a "Child's gift certificate" according to the number of shares held.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Individual Investors	<p>We proactively hold briefing sessions for individual investors. When holding these sessions, we also utilize online distribution and other methods to create opportunities for dialogue with investors in distant locations.</p> <p>To raise awareness of the Company and promote better understanding, our representative director or chief financial officer explain our strengths, business overview, medium- to long-term strategy, shareholder return measures, etc.</p>	Held
Regular Investor Briefings held for Analysts and Institutional Investors	<p>We regularly hold financial results briefings for analysts and institutional investors. When holding these sessions, we also utilize online distribution and other methods to create opportunities for dialogue with investors in distant locations.</p> <p>To promote better understanding of our Company, our representative director presents detailed financial results, our medium- to long-term strategy, and an in-depth overview of our businesses.</p>	Held
Online Disclosure of IR Information	<p>Our website provides access to financial results information, timely disclosure materials other than financial results, integrated reports, securities reports, financial results briefing materials, analyst reports, etc.</p> <p>We disclose information proactively to enhance transparent management, earn the trust of shareholders and live up to their expectations.</p> <p>(IR Library: https://www.happinet.co.jp/english/ir/library/index.html)</p>	
Establishment of Department and/or Placement of a Manager in Charge of IR	<p>We have appointed the chief financial officer as the director in charge of IR, and the corporate planning division as the department in charge of IR.</p> <p>We strive to provide information to shareholders, analysts, and investors in a timely and fair manner, and to respond to inquiries promptly and appropriately.</p>	

Other	To accurately assess the market perceptions and ensure sound corporate management, we provide valuable feedback obtained through communications with shareholders, analysts, and investors to senior management, the Board of Directors, and relevant departments.
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3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>The Company has established the following Group Vision: "The Happinet Group provides 'happiness networking.' By creating new entertainment styles, we bring a wide range of delights to people, creating dreams for a better future."</p> <p>In addition, we have set forth our approach to stakeholder relationships in our management stance, and "Before all actions, we ask ourselves, 'What is important? And what is right?'" in our principles of conduct.</p> <p>With regard to our collaboration with stakeholders, we compile relevant information in our integrated report and sustainability site, and disclose it on our website.</p> <p>(Sustainability: https://www.happinet.co.jp/english/sustainability/index.html)</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>The Happinet Group provides "happiness networking." By creating new entertainment styles, we bring a wide range of delights to people, creating dreams for a better future. It is with this Group Vision that Happinet operates its business.</p> <p>We believe that the realization of a sustainable society and the enhancement of the Happinet Group's corporate value are inseparable. Under our Group vision, we have established our basic sustainability policy to contribute to the realization of a sustainable society through our corporate activities.</p> <p>The Happinet Group has established a Sustainability Committee chaired by a representative director and comprised of executive officers in charge of each department. The Committee identifies material issues, formulates action plans, promotes measures, and monitors the status of targets for sustainability issues. In principle, the Committee reports the status of its activities to the Board of Directors at least once a year.</p> <p>With regard to our status of sustainability and climate change initiatives, we compile relevant information in our integrated report and sustainability site, and disclose it on our website.</p> <p>(Sustainability: https://www.happinet.co.jp/english/sustainability/index.html)</p>

Formulation of Policies, etc. on Provision of Information to Stakeholders

The Company has adopted the following management stance: "We disclose information proactively to enhance transparency management, earn the trust of shareholders and live up to their expectations." Based on this, we strive to provide information to shareholders, analysts, and investors in a timely and fair manner, and to respond promptly and appropriately to inquiries.

IV. Matters Concerning the Internal Control System

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

The Company believes that maximizing corporate value and ensuring sound management are key issues facing management. To that end, we are working hard to establish the following systems.

Development Status of Internal Control System

We distribute the Happinet Group Code of Ethics to all employees to ensure thorough compliance with corporate ethics, laws and regulations, etc. To further reinforce this effort, we have also established the Ethics Review Committee for organization-wide control. Furthermore, the management team periodically issues reminders to all employees to encourage them to thoroughly comply with the Code of Ethics.

We have also established the External Compliance Committee and the Internal Compliance Committee to monitor and supervise important compliance matters. In the event an employee notices the occurrence of matters in violation of relevant laws and regulations or our Code of Ethics, we have established a channel for reporting that enables anonymous whistleblowing to internal or external compliance committees via our Compliance Hotline, separate from the normal business reporting route.

In addition, we compile the status of our efforts regarding appropriate collaboration with stakeholders, respect for their interests, and sound business ethics into our integrated report and sustainability site, and disclose it on our website.

(Sustainability: <https://www.happinet.co.jp/english/sustainability/index.html>)

Development Status of Risk Management System

The Group has established a risk management system led by the president and representative director. The system is in place so that we can understand the risks of the Group and to help us work to mitigate and prevent the risks.

More specifically, we identify various risks that may affect our business activities, evaluate their importance from the perspective of impact and frequency of occurrence, and select those risks that should be tackled with particular priority as material risks. With regard to the material risks, the department in charge takes the lead in formulating and implementing risk countermeasure plans, monitors progress, and works to make any necessary modifications or improvements.

Additionally, the status of these risk management activities is reported, in principle, to the Board of Directors at least once a year. The Board of Directors provides appropriate supervision of the progress of risk management activities, as well as direction with regard to awareness of and response to the Group's issues.

To restore operations quickly in the event of a large-scale disaster, we have formulated a business continuity plan for each business.

In addition, to comply with the Act on the Protection of Personal Information and strengthen our internal security system, we have established the Company-Wide Security Committee and have formulated the Information System Security Policy.

We provide training for managers to ensure that risk management is practiced consistently as part of their daily operations. Each manager also regularly reviews risk management within their area of responsibility.

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

Basic Approach to Eliminating Antisocial Forces

The Company upholds the Group Vision that prioritizes valuing human connections and maintaining good relationships with stakeholders and society as a fundamental principle.

In light of the business ethics that align with this Group Vision, we maintain a firm stance of having no relationships whatsoever with antisocial forces, which threaten the safety and order of society, and resolutely reject any involvement with them.

In addition, to promote the sharing of business ethics throughout the Company, we have established the Happinet Group Code of Ethics, working toward its dissemination and the development of related systems.

Status of Measures against Antisocial Forces

(1) Status of establishment of a department to oversee responses and a person responsible for preventing unjust demands

We have a department to oversee responses to antisocial forces in normal times. Moreover, in response to a risk that requires an emergency response, we also have a framework in place to establish an emergency response headquarters led by a representative director.

(2) Status of cooperation with external specialized organizations

We are in regular contact with external specialized organizations such as the police and lawyers, and have established a system of cooperation.

(3) Preparation of a response manual

We have formulated the Happinet Group Code of Ethics to define our policy on dealing with antisocial forces. This Code of Ethics has been compiled into a booklet and distributed to all employees, and is also posted on the intranet to promote understanding and awareness.

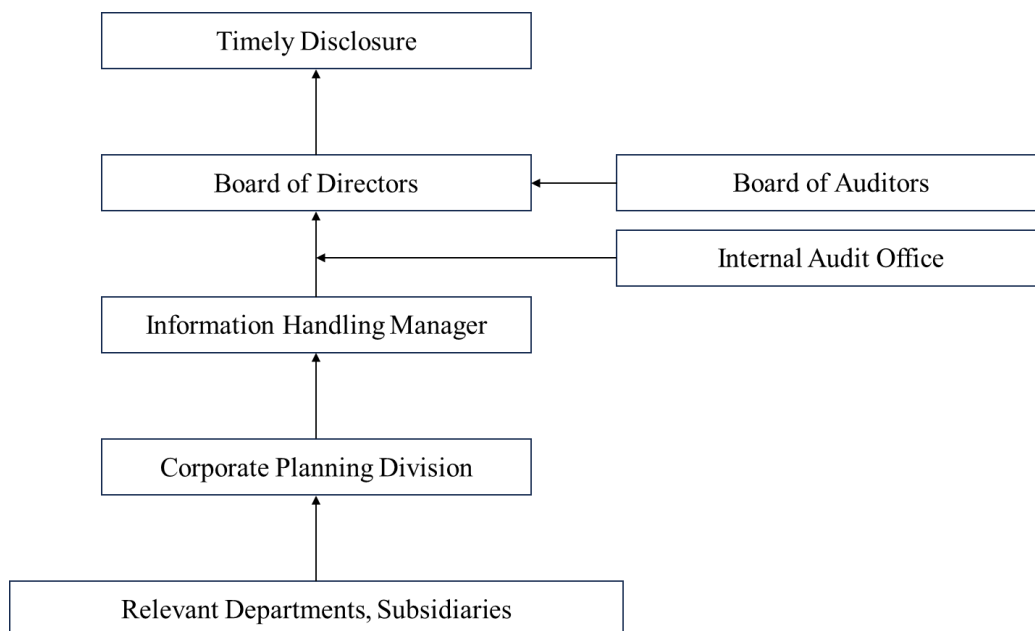
V. Other

1. Adoption of Anti-Takeover Measures

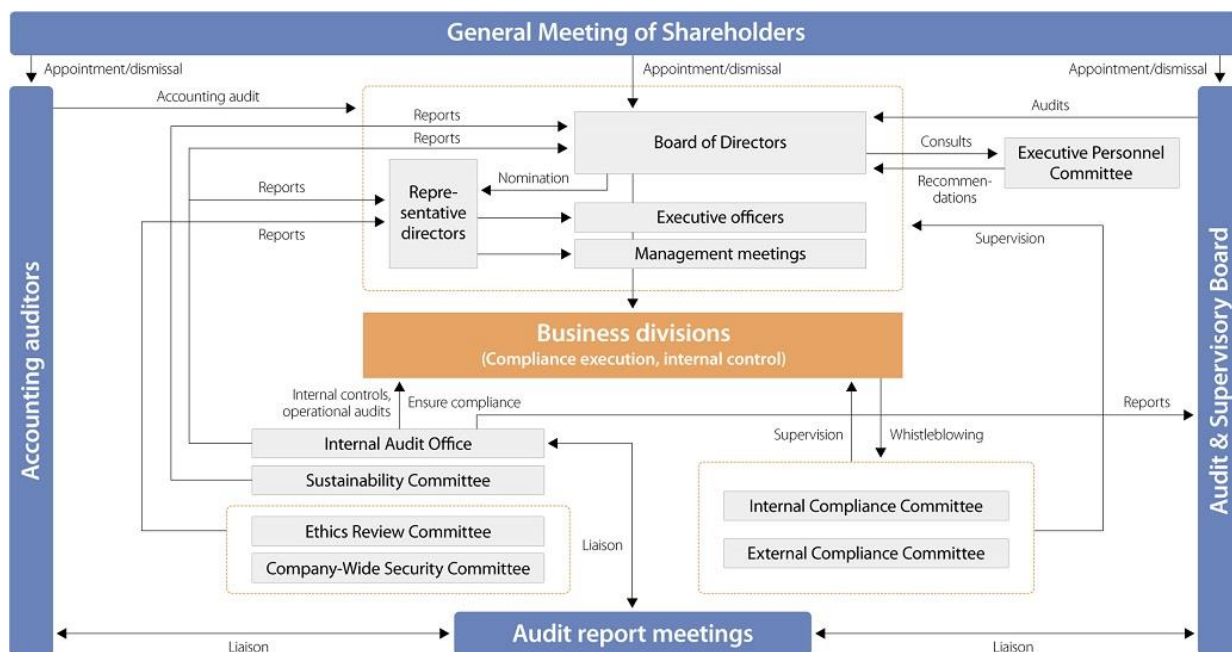
Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation for Applicable Items	
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2. Other Matters Concerning the Corporate Governance System

<Overview of the timely disclosure system>



<Corporate Governance System>



Position	Name	Gender	Corporate management	Sales and marketing	Sustainability	Finance and accounting	Legal affairs and risk	IT and DX	Global	Knowledge about other companies
Representative Director	Kazuhiko Note	Male	●	●	●					
Director	Seiichi Enomoto	Male	●	●	●				●	
Representative Director	Toshiyuki Mizutani	Male	●	●	●					
Director	Katsuya Tsuda	Male	●	●	●			●		
Director	Hiroshi Ishimaru	Male	●		●	●	●			
Outside Director	Toshiko Oka	Female	●		●	●			●	●
Outside Director	Michinori Mizuno	Male	●	●	●				●	●
Outside Director	Chie Sato	Female	●	●	●				●	●
Full-time Auditor	Hideo Asatsu	Male	●			●	●			
Outside Auditor	Hideyuki Sakai	Male	●				●		●	●
Outside Auditor	Katsunori Taniguchi	Male	●			●				●
Outside Auditor	Ayako Kawano	Female					●		●	●

<Skill definition>

Skill	Definition
Corporate management / Knowledge about other companies	A skill to make optimal decisions on important matters such as management strategy with long-term and strategic thinking
Sales and marketing	A skill with broad knowledge and experience into markets and distribution, and to make optimal decisions on business strategies and business challenges
Sustainability	A skill with broad knowledge and experience into ESG and sustainability, and to conduct long-term, stable and sustainable management in coexistence with stakeholders
Finance and accounting	A skill with broad knowledge and insight into finance and accounting, and to properly understand business conditions and raise issues based on performance and management indicators
Legal affairs and risk	A skill with broad knowledge and insight into legal affairs and risk management, and to properly understand risk control situations and raise issues
IT and DX	A skill to achieve business transformation and stable management of the Company with a high level of literacy in the latest fields such as IT and digital domains
Global	A skill with broad knowledge and experience into global business, and to make optimal decisions on overseas business strategies from a global perspective and standpoint

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