

Last Updated: September 30, 2024

CRESCO LTD.

President and Executive Officer Hiroshi Tominaga

Contact: Kazuo Sugiyama,

Director and Senior Managing Executive Officer

Securities Code: 4674

<https://www.cresco.co.jp/en/index.html>

The corporate governance of CRESCO LTD. (the “Company”) is described below.

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

1. Basic Views

The Company has adopted as its management philosophy the “CRESCO Charter,” which clarifies the Company’s basic attitude and views on respecting the rights and positions of various stakeholders as well as sound and ethical business conduct.

<CRESCO Charter>

- CRESCO is a people-centered, merit-based company
- CRESCO is a company characterized by freedom, youth and dreams
- CRESCO is a company that demonstrates the most sophisticated technology
- CRESCO is a company where each person participates in running the business
- CRESCO is a company that is a citizen of the world

The Company recognizes the expectations of all stakeholders as follows:

- (1) Realize sustainable growth and increase corporate value over the medium to long term.
- (2) Carry out the Company’s social mission and responsibilities in the global society.
- (3) Materialize corporate philosophy, management policy, etc., and continue to be a company that is trusted.

With the aim of fulfilling these expectations, the Company places corporate governance as an important management objective and works to maintain accurate and speedy decision-making and business execution systems centered on the Board of Directors while developing and securing an appropriate supervision and monitoring system in accordance with its basic policies on corporate governance shown below. In addition, the Company has established a corporate governance system based on diverse and long-term perspectives.

<Basic policies on corporate governance>

- Maximize corporate value for all stakeholders.
- Enhance efficiency and transparency of management.
- Competently carry out its fiduciary responsibility and accountability toward all shareholders.

In order to step up the effectiveness of corporate governance, the Company thoroughly takes steps to exercise adequate risk management, maintain an internal control system, and ensure compliance from the perspective of securing management soundness and fairness and continuously strives to earn greater trust and strengthen the self-cleansing power of the Company.

At the same time, we will make clear our policy on and status of initiatives taken toward implementing each principle of the Japan’s Corporate Governance Code to facilitate sufficient dialogue with stakeholders.

[Reasons for Non-compliance with the Principles of the Japan's Corporate Governance Code]

The Company discloses the status of all policies and initiatives for each principle of the Japan's Corporate Governance Code on its website (https://www.cresco.co.jp/ja/sustainability/governance/governance/2/main/0/teaserItems1/01/linkList/0/link/corporate_governance_code.pdf) (in Japanese).

<Supplementary Principle 4.10.1>

The number of Independent Outside Directors is currently five (5) among nine (9) Directors in total, and constitutes a majority in the Board of Directors. Each Independent Outside Director provides opinions and advice as appropriate at Board of Directors' meetings and to individual Directors and properly conducts management and supervision, drawing on his/her strong expertise and ample experience, reflecting diverse perspectives in light of their gender and skills.

[Remuneration Committee]

In addition, in order to enhance the independence and objectivity in the functions of the Board of Directors as well as to strengthen accountability, in June 2021, the Company has established a Remuneration Committee chaired by an Independent Outside Director. The Committee is composed of three (3) or more Directors elected by a resolution of the Board of Directors, with the majority composed of Independent Outside Directors.

(1) Authority and roles

The Committee deliberates on a policy for determining remuneration, etc. in officer remuneration for Directors (excluding Audit and Supervisory Committee Members), to determine the basic remuneration and bonuses in officer remuneration for Directors (excluding Audit and Supervisory Committee Members), etc.

(2) Independence

Since all Outside Directors currently fall under Independent Outside Directors, the Remuneration Committee is considered to fall under an "independent remuneration committee."

[Nominating Committee]

The Company includes Executive Officers who do not concurrently serve as Director in the scope of evaluation by the Remuneration Committee. In addition, the opinions of Independent Outside Directors are reflected in the nomination of candidates for Directors through the discussion on such evaluation. Therefore, the Company has not established a Nominating Committee.

<Principle 5.2>

In order to enhance corporate value over the medium to long term, the Company has announced its vision and medium-term management plan for management and business, basic policy for capital strategy, revenue and expenditure plans, and specific numerical targets concerning financial results as the "CRESCO Group Ambition 2030" and "Medium-Term Management Plan 2026." Please refer to "Principle 1.3" for details on capital strategy and "Principle 2.1" for details on the "Medium-Term Management Plan 2026."

In formulating our medium-term management plans, we ascertain the cost of capital for the Company, and include the status of the review of the business portfolio (by customer, organization, segment, etc.) for sustainable growth, allocation of management resources, and various investment plans (new businesses, M&A, facilities, human resources and their development, research and development, etc.), which are organized as issues to be addressed, specific strategies (basic and key strategies), and risk of businesses.

At the general meeting of shareholders and at the financial results meeting, etc., the Company provides clear and specific explanations about published information using comprehensible words and logic. The materials used for these occasions are posted on the Company's website (<https://www.cresco.co.jp/en/ir.html>) to fully inform its shareholders, investors and other stakeholders and promote understanding.

[Actions to implement management that is conscious of cost of capital and stock price] [English disclosure available] [Update date: September 30, 2024]

The Company discloses its key performance indicators (KPIs) for revenue and capital efficiency (ROE exceeding the cost of equity) in the "Medium-Term Management Plan 2026 (<https://www.cresco.co.jp/en/ir/operation/plan.html>)," formulated in April 2024, which sets the target of

ROE of 15% or greater in the final fiscal year (fiscal year ending March 31, 2027) of the “Medium-Term Management Plan 2026.”

For a recent status report on the progress toward achieving this KPI target, please see the “Summary of Quarterly Financial Results Briefing for Fiscal Year Ended March 31, 2024

(https://www.cresco.co.jp/en/ir/library/result/main/01/teaserItems1/010/linkList/06/link/fy2023_4q_fs_summary.pdf).”

<Supplementary Principle 5.2.1>

The Company’s Board of Directors formulates medium-term management plans, which include a basic policy regarding the business portfolio, after reviewing the business portfolio, in light of financial results and future social and economic conditions, and allocating capital cost and management resources.

The decided medium-term management plan is presented at the general meeting of shareholders and financial results meetings, among others, to explain strategies related to management and business, numerical targets for net sales, operating profit, ROE, and other indicators, as well as specific measures to achieve these targets, in order to secure the understanding of stakeholders.

[Disclosure Based on the Principles of the Japan’s Corporate Governance Code]

The Company discloses the status of all policies and initiatives for each principle of the Japan’s Corporate Governance Code on its website

(https://www.cresco.co.jp/ja/sustainability/governance/governance/2/main/0/teaserItems1/01/linkList/0/link/corporate_governance_code.pdf) (in Japanese).

<Principle 1.4>

[Policy on cross-shareholdings]

The Company does not hold cross-shareholdings.

However, in the case of listed stocks of customers or business partners for which cross-shareholdings are expected to result in sustainable growth for both the CRESCO Group and the cross-shareholding counterparties, because such holdings will likely “maintain and develop the relationship with such parties as strategic partners in business activities including a business alliance and joint R&D,” the Company may hold such shares. The Board of Directors shall make a decision based on comprehensive consideration of the situation.

[Verification of cross-shareholdings]

The Board of Directors regularly reviews the appropriateness of holding stocks, taking into account their strategic merits based on the nature and amount of transactions, and scrutinizing their future outlook, whether the returns and risks are commensurate with the cost of capital from a medium- to long-term perspective, etc. Note that the details of this review are not disclosed.

When it is determined that there is no significance or rationale for holding such stocks, the Company shall initiate negotiations to sell the positions, while taking into account the impact on the market, and other factors.

[Policy on exercise of voting rights]

With regard to the voting rights associated with cross-shareholdings, the basic approach is to exercise them after investigating carefully each individual proposal and evaluating its reasonableness by taking into account the business direction, business strategy, business plans of the cross-shareholding counterparty, as well as social conditions.

In particular, in the event that doubts arise from the following perspectives, we make a decision on whether to approve or reject based on dialogue with the cross-shareholding counterparty:

- (1) Whether the content of each proposal would lead to an increase in the corporate value of the said cross-shareholding counterparty over the medium to long term
- (2) Whether it would impair the corporate value of the Company or any of the Group companies

<Principle 1.7>

The Board of Directors of the Company recognizes that any related party transaction must be conducted in a manner that is not detrimental to the common interests of the Company and its shareholders and must not raise concerns.

The Regulations for the Board of Directors stipulate that any transaction by a Director of the Company involving competition or conflict of interest, and any transaction with a major shareholder must obtain prior approval by a resolution of the Board of Directors. Whether the transaction is fair or not is determined based on market trends and prices, and appropriate approval is obtained in accordance with internal regulations.

<Supplementary Principle 2.4.1>

[Views on ensuring diversity]

Please refer to “Principle 2.4.”

[Voluntary and measurable targets for ensuring diversity and their status]

Our target figures are as follows.

For the latest numbers, such as the numbers and percentages of relevant employees, please refer to the Company’s website (<https://www.cresco.co.jp/en/ir/library/individual/point4.html>).

(1) Promotion of female employees to core positions

The Company has set a target to raise the percentage of women among managers to 14% by March 2027.

(2) Promotion of employees with foreign nationality to core positions

While promoting globalization, the Company is hiring employees with foreign nationality.

Among the 120 new graduates to be hired as part of the Company’s recruitment target for 2025, the Company aims to hire five (5) employees with an educational background in universities outside Japan and/or with foreign nationality.

The Company has set a target to raise the number of employees with foreign nationality among managers above the current situation by FY 2024.

(3) Mid-career hires for core positions

The Company secures a certain number of mid-career hires every year based on expectations for them to be immediately productive.

In addition, the Company has set a target to raise the number of mid-career hires (full-time employee only) hired as managers above the current situation by FY 2024.

[Policies for human resource development and internal environment improvement to ensure diversity, and the status of their implementation]

(1) Human resource development policy

The Company is engaged in a variety of initiatives centered on the three pillars of strengthening specialty, supporting career development and enhancing fundamental capabilities based on enjoying growth, the culture of improving each other and the mindset of autonomy and embracing challenge. The Company aims to be “a model company for human resource development where every person shines and realizes careers leveraging their specialties” while embracing the challenge of learning and enjoying growth.

1) Development of IT professionals

The Company believes “qualities,” “human competence,” “technological competence” and “occupational competence” are the four skills important for employees to fully demonstrate their capability. Increasing these four skills enables greater results to be produced.

Human resource development in the Company involves refining “human competence” and “technological competence” on top of intrinsic “qualities,” and enhancing “occupational competence” that connect these skills to results to develop IT professionals active in the market.

2) DX human resource development

As one of the ways to strengthen its specialty, the Company is developing DX human resources capable of leading the business into the next generation with digital technology and business design skills (able to share business with customers) to continue providing value to customers as a group of engineers from the perspective of DX of the IT services business.

Furthermore, from the perspective of DX of internal operations, the Company is developing DX human resources able to promote DX initiatives by utilizing knowledge and technology related to digital technology and data utilization for the realization of DX of the Company itself (improving efficiency of internal operations and internal business reforms). The Company implements programs such as those listed

below as basic education for DX human resources, developing not only engineers, but also indirect divisions.

<DX Foundations>

In order to promote digital transformation, employees learn essential knowledge as CRESCO employees on DX, approaches/processes, methods and digital technology, etc.

- Basic lectures on DX literacy: Learning basic knowledge on digital transformation (DX)
- Design thinking training: Understanding DX and learning the processes and mindset for value creation based on design thinking
- Agile: Learning agile as a means of development essential for DX
- Seminars on CRESCO's latest technology trends: Learning about trends and examples of the latest technologies handled by CRESCO
- Level 1 certification in key technologies: Learning basic knowledge and receiving certification on key technologies (cloud, AI, robotics and agile)

3) Next-generation human resource development

The Company believes developing human resources who can create and lead the future is vital for sustained development of the Company. The "Next-generation Management Development Program" was started in 2022, and around 30 people are selected every year to establish a career path based on their own strengths and weaknesses while drawing up a "vision for the future" using a backcasting (approach), and learning the mindset and approaches of management to unearth and develop talented human resources.

4) Career development support

The Company creates a cycle supporting individual growth in which individuals engage in autonomous and voluntary career development and continue to create new value through sustained growth, leading to growth of the Company and thereby contributing to society. The Company supports employees through talent management, the utilization of career design sheets, career consulting contacts and CRESCO Academia (in-house college) to enable each individual to engage in shaping their own career based on the belief that the growth of the Company is only made possible by the growth of individuals.

(2) Internal environment improvement policy

The CRESCO Group believes it can create new value by respecting individuals with diverse attributes, expertise, experience and values, and each person fully demonstrating their skills. For this reason, the Company is engaged in a variety of initiatives to establish environments enabling participation by diverse human resources, and also create workplaces in which people acknowledge and encourage each other.

1) Utilization of human resources

The Company has established a coach system and a mentor system to enable new graduates to become accustomed to the workplace and steadily grow. More senior personnel in the workplace play the role of coach, and provide coaching on the technology, knowledge and mindset required in the course of business through one year of on-the-job training. Employees from other divisions are assigned for two years as mentors, who provide advice from a position separated from direct operations. The mentor system also applies to mid-career hires to assist them becoming quickly accustomed to the workplace.

Assignments are made to be optimal and contribute to increasing motivation by implementing strategic assignments that match the skills and aptitude of employees with management strategy, and an internal recruiting/ free-agent system enabling employees to request to transfer to their desired division.

2) Personnel system

For further growth of the Company's employees and the Company, the personnel system is based on the concepts of "pursuing specialty," "merit-based compensation" and "realization of a workplace enabling active participation by diverse human resources" separates job duties and responsibilities into seven grades and 16 job types enabling the pursuit of individual specialties and strengths, and following a multi-track career path. The system provides well-balanced compensation according to job duties and responsibilities as well as producing results, encouraging them to demonstrate their "merit" at a higher level.

Investment is actively made in human resources by implementing increases in base pay for two consecutive years based on market trends in compensation.

3) Health and productivity management

To realize a workplace in which employees can work healthily and at ease for something rewarding, the Company has formulated its “Declaration on Health and Productivity Management” and is working to maintain and promote good health. The establishment of the Health and Productivity Management Promotion System, training to improve health literacy, walking events, and the introduction of health promotion allowances have led to improvements in the non-smoker rate, high stress rate, and more. In March 2024, the Company was recognized as a “White 500” company (2024 recognized organization), under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program.” For the latest information on the Company’s systems and specific initiatives related to health and productivity management, please refer to the Company’s website (<https://www.cresco.co.jp/ja/sustainability/social/hc/kenko-keiei.html>) (in Japanese).

<Declaration on Health and Productivity Management>

In our corporate philosophy, the CRESCO Charter, the Company states first and foremost that “CRESCO is a people-centered, merit-based company,” and it believes that physically and mentally healthy employees working at the center of corporate activities demonstrating their merit to the maximum extent will lead to the growth of its customers and the society, and ultimately to the growth of the Company. Based on this belief, we are committed to promoting initiatives for health maintenance and promotion, in order to realize a workplace in which employees can work healthily and at ease for something rewarding. We also value the health of not only our employees but also their families, Group companies, and the business partners with whom we work. We will share our experience and knowhow with everyone involved and contribute to the promotion of health and productivity management throughout society.

4) Work-Style reform

For work “time,” the Company allows employees to freely choose work times based on a “full flex time system” without core time. Based on this, focus is also placed on the realization of a healthy working environment, and overtime work remains at a low level and the percentage annual paid leave taken exceeds 80%. The Company allows each employee to make the optimal choice of work “place” by promoting “hybrid work” combining teleworking and attending the office in person and enabling teleworking full-time for reasons that meet certain conditions, such as caregiving or nursing care for family members. The Company provides support for improving the productivity of diverse human resources and the achievement of work-life balance by increasing the flexibility of work “place” and “time.” For the information on the Company’s specific initiatives related to work-style reform, please refer to the Company’s website (<https://www.cresco.co.jp/ja/sustainability/social/hc/work-style-reform.html>) (in Japanese).

5) Diversity & inclusion

Acceptance of diversity is essential for a company to build a competitive advantage amid a changing market environment and technological structure. The CRESCO Group’s basic approach is to respect individual differences, and perform evaluation according to individual results, capabilities and contributions without consideration for attributes such as gender, age and nationality that are unrelated to job duties. In this context, in addition to focusing on increasing the percentage of managerial positions held by women as a means of supporting active participation by women, the Company is actively hiring foreign nationals and people with disabilities to enable them to actively participate.

In April 2021, the Company introduced the partnership system as part of its LGBT initiatives. Furthermore, the Company supports balancing work and childcare regardless of gender, such as endorsing the “100% Men’s Childcare Leave Declaration” in April 2022.

For the information on the Company’s systems and specific initiatives related to diversity and inclusion, please refer to the Company’s website (<https://www.cresco.co.jp/ja/sustainability/social/hc/diversity.html>) (in Japanese).

6) Engagement

We have been conducting engagement surveys since 2021 with the aim of building a win-win relationship between the Company and its employees by aligning their visions. We visualize the results of the engagement survey (the relationship between the Company and its employees) and engage our employees in dialogue.

<Principle 2.6>

The Company has established a defined contributions pension plan for its employees and outsources the management of the plan to an investment institution with expertise and extensive experience.

To support stable asset formation for employees, seminars are held periodically with invited speakers to deepen employees' understanding of how assets under management are selected and a matching contribution plan, and continuous education is provided for those insured.

<Principle 3.1>

The Company makes disclosures appropriately in accordance with relevant laws and regulations and discloses and proactively provides the information listed below from the perspective of ensuring transparency and fairness in decision-making of the Company and achieving effective corporate governance.

- (i) For our corporate philosophy, management strategy and management plan, please refer to “Principle 2.1.”
- (ii) Our basic views and policies on corporate governance are described in “I-1. Basic Views” of the Corporate Governance Report.

(iii)

[Policy for Determining Remuneration]

The Company has established the “basic policy on determining remuneration of Directors, etc.” The basic policy is set by Board of Directors' resolution, but consultations are conducted with the Remuneration Committee as appropriate.

Please refer to “Supplementary Principle 4.2.1” for the policy for determining the details of remuneration for each Director.

<The basic policy on determining remuneration of Directors, etc.>

Remuneration for Directors (excluding Directors serving on the Audit and Supervisory Committee) is divided into basic remuneration, bonuses, and restricted shares remuneration, and the basic policy is to determine remuneration within the scope of remuneration resolved at the general meeting of shareholders based on the Articles of Incorporation, internal regulations and similar items, and a Board of Directors' resolution.

[Procedures]

In June 2021, the Company established the Remuneration Committee chaired by an Independent Outside Director. The Remuneration Committee is composed of three (3) or more Directors elected by a resolution of the Board of Directors, with the majority composed of Independent Outside Directors.

- A policy for determining remuneration, etc. for Directors (excluding Audit and Supervisory Committee Members) will be referred to the Remuneration Committee chaired by an Independent Outside Director. In addition, the basic remuneration and bonuses in remuneration, etc. for individual Directors (excluding Audit and Supervisory Committee Members) are determined upon deliberation by the Remuneration Committee. Fairness and objectivity in decision processes are thus respected.
- Remuneration, etc. for Directors (excluding Audit and Supervisory Committee Members) consists of the basic remuneration, bonuses, and the shares remuneration (excluding Independent Outside Directors and Directors serving on the Audit and Supervisory Committee) and is determined within the scope of remuneration resolved at the general meeting of shareholders.
- The share remuneration is determined by a resolution of the general meeting of shareholders and a resolution of the Board of Directors.
- The remuneration for Directors serving on the Audit and Supervisory Committee is determined through consultation among Directors serving on the Audit and Supervisory Committee.

(iv)

The Company's Board of Directors deliberates the selection and dismissal of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members.

[Policy and procedure followed when nominating candidates for senior management]

In appointing senior management, the Board of Directors seeks to appoint human resources in a way that takes diversity into account, and based on the corporate philosophy and vision of the Company, candidates are selected fundamentally on the assumption that they can be expected to contribute to the further

development of the CRESCO Group. Candidates are selected based on the evaluation items and nominated after deliberation by the Board of Directors.

For election of Directors, please refer to “Supplementary Principle 4.3.1.”

<Evaluation items>

- (a) Experience
- (b) Leadership, and the ability to form an accurate understanding of the issues faced by the departments that they supervise
- (c) Personality
- (d) The ability and insight required to resolve problems in cooperation with relevant parties both inside and outside of the Company
- (e) The understanding to thoroughly comply with laws and regulations, and corporate ethics

[Policy and procedure in dismissal of senior management]

Also, in cases where the individual’s abilities, insights, etc., deviate from those given in the reasoning behind the nomination of the candidate, after the opportunity for a hearing is provided, the situation shall be deliberated by the Board of Directors, and the individual shall be relieved of their duties.

For dismissal of Directors, please refer to “Supplementary Principle 4.3.1.”

<Criteria for dismissing>

- (1) When there has been an infringement of laws and regulations, or of the Articles of Incorporation, during the course of his/her duties
- (2) When a mental or physical disability has been suffered
- (3) When the individual is clearly unfit for his/her duties
- (4) When other due cause exists

(v)

The Company’s Board of Directors publishes information regarding the selection and dismissal of Directors.

[Election]

The reasons for nomination, career summary, important concurrent positions, skills matrix, etc., consisting the materials on which the nomination of a Director is based are disclosed in the notice of the general meeting of shareholders and on the Company website

(<https://www.cresco.co.jp/en/ir/operation/officer/1.html>).

[Relief/dismissal]

The reason for a Director being relieved or dismissed shall be disclosed employing appropriate methods such as timely disclosure and the like.

<Supplementary Principle 3.1.3>

[Basic Policy on sustainability]

Recognizing that sustainability is an important management issue, the Company has formulated the basic policy on sustainability based on our understanding of corporate social responsibility and the issues surrounding sustainability from the perspectives of E (environment), S (social), and G (governance), elements of “socially responsible investment (SRI)” as advocated by the United Nations. For the details of the policy, please refer to “Principle 2.3.”

The Company recognizes that responses to sustainability issues

(<https://www.cresco.co.jp/en/ir/operation/issue.html>)

are important risks for businesses (<https://www.cresco.co.jp/en/ir/operation/risk.html>).

[Initiatives on sustainability]

Our medium-term management plans (formulated in three parts for FY 2021–FY 2023, FY 2024–FY 2026, and FY 2027–FY 2030) are designed to achieve the “CRESCO Group Ambition 2030,” the Company’s long-term vision for the next 10 years, with an awareness of sustainability, and we are taking the following measures to the extent feasible in our daily business activities toward this end.

<Examples of measures>

■Environment

- Reducing environmental load (implementing power conservation measures, promoting paperless processing, encouraging recycling, promoting teleworking, etc.)
- Promoting green purchasing in procurement and selection processes of products and services

■Social

- Providing physical and monetary support at the time of a disaster and continued support to social welfare organizations
- Building a culture that respects each diverse employee in a workplace (diversity, work-life balance, etc.)
- Creating a workplace in which women are empowered

■Governance

- Conducting sound business activities through implementing compliance management

Taking the opportunity of the “Medium-Term Management Plan 2026,” which began in FY 2024, we interviewed Outside Directors, assessed the appropriateness by the management team, and held discussions at the Board of Directors, and have identified the following material issues to be prioritized by the Group from the viewpoints of “importance to the Group” and “importance to stakeholders.”

<The Group’s material issues>

- Realizing a sustainable society through DX and innovation
- Contributing to the global environment through IT
- Establishing a safe digital society
- Creating opportunities for diverse human resources to have job satisfaction and success
- Maintain value provision through strategic governance checks and improvements

[TCFD scenario analysis]

Climate change presents a material risk to the realization of a rich lifestyle and culture by current and future generations. The CRESCO Group recognizes the necessity to respond to climate change to contribute to the realization of a sustainable society.

At present, the Company has not endorsed the TCFD (Task Force on Climate-Related Financial Disclosures) due to internal systems not being established. In accordance with the TCFD recommendations, however, we conducted an analysis based on the status quo (4° C) scenario and the transition (under 2°C) scenario, filtering the world presented in each of the two scenarios by climate change driver and extracting items within medium- and long-term risks and opportunities up to 2050.

<Identifying risks and opportunities>

(1) Transition risks

(i) Expansion of low-carbon cloud services

- Failure to develop and provide environmentally friendly services will reduce demand for our services
- Impact: medium

(ii) Support for GHG reduction

- Loss of reputation from investors and increased financing costs
- Loss of reputation with customers and reduced demand
- Impact: medium

(2) Physical risks

(i) Intensification of natural disasters

- More disasters hold back IT investment
- Impact: medium

(3) Opportunities

(i) Spread of renewable energy

- Increase in demand for the construction of energy management systems
- Impact: medium

- (ii) Development of low-carbon market services
 - Growth in demand through the provision of low-carbon cloud services in collaboration with data center operators
 - Impact: medium
- (iii) Growing customer demand for IT
 - Growth in demand for IT regardless of industry with expansion in the EV market, greater efficiency in the logistics industry, and stronger decarbonization initiatives
 - Impact: medium
- (iv) Stronger mitigation measures against climate change
 - Increase in stock price as stakeholders value efforts to decarbonize
 - Impact: medium

<Analysis results>

(1) Risks

The impact of climate change-related risks on the Group was found to be “medium” or “minor” in the majority of cases, with none having a “major” impact. Due to the nature of the Group’s business, which is primarily the provision of IT services and digital solutions, the financial impact of climate change risk is limited, and the Group does not consider it necessary to take any immediate action to mitigate said risk.

(2) Opportunities

Similarly, no climate change-related opportunities were identified as having a “major” impact. We have identified several items with the potential to increase sales by meeting the climate change-related needs of our customers, and we believe that the CRESCO Group can grow through its contribution to reducing environmental load.

Going forward, we will continue to collect information related to climate change, and if significant changes in the situation are anticipated, we will again conduct scenario analysis to re-identify risks and opportunities, and if necessary, formulate and promote countermeasures.

[Initiatives to address climate change]

The CRESCO Group is engaged in initiatives to address climate change to the greatest extent possible. In particular, we are conducting the following activities to reduce environmental load and improve the efficiency of business activities. Going forward, the Company will continue striving to reduce CO₂ emissions to contribute to “net zero greenhouse gas emissions by 2050.”

1) Global environmental conservation activities through IT

The CRESCO Group operates an IT services business (system development) and a digital solutions business (cloud, AI, robotics, IoT, etc.) for customers in a variety of industries and business categories. Through its business activities, the Company strives to realize the reduction of environmental load by introducing and updating customers’ information systems, thereby contributing to the reduction of the environmental load of society.

2) Daily activities to reduce environmental load

Due to the rise in the average temperature caused by climate change having an enormous impact on the environment and society, execution of “activities to reduce environmental load” is recognized as being important. Because the greatest negative impact (on CO₂ reductions and environment) of the CRESCO Group’s operations is found with power consumption and paper consumption due to photocopying and other activities, the Group is working day-to-day to save power and electricity and promote paperless operations. These efforts also lead to more efficient energy use and cost reduction in system development.

- Electricity: Introducing power-saving equipment, leveraging cloud, turning off lights in unused areas, setting air conditioning equipment in an energy-saving mode, setting PC monitors in a power-saving mode, conducting cool/warm biz campaigns
- Paper: Promoting paperless processing, monitoring the volume of copies, adopting an electronic format for settlement documents and ledgers, digitization of internal procedures (workflows)

- Waste: Implementing green procurement to the extent possible, waste recycling (segregation and disposal in accordance with the waste segregation policy)
- Work: Promoting teleworking (reducing transport opportunities), encouraging web conferencing (reducing environmental load associated with holding meetings)

3) Greenhouse gas emissions

In the building where the Company's head office is located, efforts are being made to reduce environmental load through initiatives to reduce greenhouse gases by purchasing renewable energy (electric power).

The Company's CO₂ emissions by Scope in the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024 are as follows.

[Scope 1: Direct greenhouse gas emissions by a business operator (fuel combustion and industrial processes)]

- FY 2022: 0
- FY 2023: 0

[Scope 2: Indirect emissions associated with the use of electricity, heat or steam supplied by other companies]

- FY 2022: 194.97 (Increased year on year due to an increase in power usage resulting from an increase in regional location floor space)
- FY 2023: 486.51

[Scope 3: Other indirect emissions related to business]

- FY 2022: 3,510.88
- FY 2023: 3,380.15

[Investments in Human Capital]

The source of the Company's competitiveness is "human resources." Therefore, based on the recognition that human resources are an important asset, the Company will formulate a human resource strategy tied to management strategy, effectively link the acquisition of talented and diverse human resources, autonomous human resource development and strategic assignment, with the aim of realizing the Company's management vision.

To maximize the performance of individuals and teams, the Company strives to promote health and productivity management, work-style reform and diversity & inclusion centered on the personnel system based on the concepts of "pursuing specialty," "multi-track career paths" and "merit-based compensation" to build an appealing workplace environment, while strengthening engagement between employees and the Company and also visualizing, analyzing and improving human resource data will create a virtuous cycle, to attain the sustained enhancement of corporate value.

For details of our initiatives with regard to human capital, please refer to the Company's website (<https://www.cresco.co.jp/ja/sustainability/social/hc.html>) (in Japanese).

[Investments in Intellectual Property]

Investments in intellectual property to strengthen digital solution business and to enhance technologies are indispensable for the Company to realize "CRESCO Group Ambition 2030," its long-term vision for the next ten years. We strive to secure intellectual property rights through technological research, system development, and customer proposal activities. The Company promotes the registration of trademarks such as service names, as well as "joint R&D" among companies and "industry-academia collaboration" with research institutions including universities to strengthen its "intellectual property" through patent applications for these results. Our latest initiatives are disclosed as appropriate on the Company's website (<https://www.cresco.co.jp/ja/news.html>) (in Japanese).

<Supplementary Principle 4.1.1>

The Company's Board of Directors deliberates matters stipulated in laws and regulations, as well as all matters for resolution as defined in the Regulations for the Board of Directors (important matters of corporate management, including the Company's management policy, business plan and capital strategy) and makes decisions on these matters as well as approves important matters of each of the Group companies and supervises the status of business execution of each company.

Matters to be resolved by the Board of Directors and the scope of delegation of authority to Directors are set forth in the Regulations for the Board of Directors and other internal regulations and notices, and the

establishment, revision or abolition of internal regulations, policies, etc. are determined by the Board of Directors. The decision to execute business operations is delegated to the Board of Managing Directors and the Management Committees based on the “Executive Officer Regulations,” “Regulations for Management of Organization and Duties,” “Notification on Organization,” and “Notification on Segregation of Duties” established by the Board of Directors.

<Board of Managing Directors>

In order to ensure that duties of Directors are executed efficiently and appropriately, the Company has in place a Board of Managing Directors, which is composed of all Full-time Directors with executive authority over operations above Managing Executive Officer and Full-time Audit and Supervisory Committee Members. Chaired by the President and Executive Officer, the Committee meets at least once a month. The Board of Managing Directors decides on matters to be addressed in the monthly report (including tables) and at meetings of the Board of Directors, and states opinions and conducts discussions required for execution of business operations based on matters resolved by the Board of Directors.

<Management Committees>

Based on matters resolved by the Board of Directors and matters decided by the Board of Managing Directors, Management Committees has been established as bodies to allow the discussion of matters related to the execution of business operations, consisting of all Full-time Directors with executive authority over operations and all Executive Officers. In addition to safeguarding the prompt execution of business, the members will receive reports regarding the state of execution of duties, thus fulfilling a supervisory function. The Management Committees will meet at least once a month and will be chaired by the President and Executive Officer. Moreover, all members have the right to convene meetings, enabling them to engage in business activities as necessary and with agility.

<Principle 4.9>

The Company’s Board of Directors does not currently stipulate independence criteria for selecting Outside Directors. However, in addition to the independence requirements set forth under the Companies Act, the Company focuses on the following criteria: each candidate must satisfy the requirements for independent directors as stipulated by the Tokyo Stock Exchange, have abundant experience and high-level expertise in corporate management, etc., and not impose a risk of any conflict of interest with general shareholders. The Company also considers the following points to ensure that appointed individuals carry out objective and strict supervision over the business execution status.

- Invite Independent Directors from outside the Group.
- Do not depend on a certain firm, etc.
- No direct interests exist between the Group and related persons of the Group and the candidates for Independent Directors.
- The candidates possess expertise on characteristics of the industry and professional knowledge.

<Supplementary Principle 4.10.1>

Please refer to “Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code” above.

<Supplementary Principle 4.11.1>

The Company’s Board of Directors works to comprehensively taking into account factors in appointing Directors such as an appropriate balance of knowledge, experience and skills of the members to cover each function and business unit of the Company, management experience in other corporations with regard to Independent Outside Directors, and aptitude of the members to ensure accurate, speedy decision-making, while also giving considerations to diversity.

The Company’s Board of Directors has identified the skills and other attributes that each Director should possess in light of the Company’s management strategy, and has prepared a skills matrix that lists their knowledge, experience, abilities, expertise, etc. This matrix, together with policies and procedures for the election of Directors, is disclosed in the Corporate Governance Report and on the Company’s website (<https://www.cresco.co.jp/en/ir/operation/officer/4.html>).

<Supplementary Principle 4.11.2>

The Company recognizes that its Directors including Independent Outside Directors and Directors serving on the Audit and Supervisory Committee must devote the time and effort required to properly fulfill their roles and responsibilities to the duties of Directors and Audit and Supervisory Committee Members, and that the number of Directors who concurrently serve as officers of other listed companies should be limited to a reasonable range.

Currently, all Directors, excluding Independent Outside Directors, do not concurrently serve as outside directors of other listed firms, thereby allowing them to concentrate on business operations as Directors of the Company.

The important concurrent positions of Directors including Independent Outside Directors and Directors serving on the Audit and Supervisory Committee are disclosed in the Business Report and the Reference Documents for the General Meeting of Shareholders.

<Supplementary Principle 4.11.3>

The Company conducts an annual evaluation of the effectiveness of the Board of Directors with the objective of ensuring and improving its effectiveness.

[Evaluation method]

At the end of each fiscal year, the effectiveness of the Board of Directors is evaluated based on the result of the analysis and evaluation of all Directors performed by the Directors using a Director's Business Execution Confirmation Sheet and other documents.

[Summary of evaluation results]

For the fiscal year ended March 31, 2024, a positive evaluation was given by and large regarding the composition and operation of the Board of Directors. The effectiveness of the Board of Directors as a whole is thus judged to be ensured.

<Supplementary Principle 4.14.2>

It is the policy of the Company to continue to provide training opportunities necessary for Directors and Directors serving on the Audit and Supervisory Committee to fulfill their roles and duties properly.

[Upon assumption of office]

Deepen understanding of the line of business, business environment, management strategies, and the CRESCO Group

[After assumption of office]

Acquire broad knowledge necessary for them to make important management decisions for the Company, new knowledge that corresponds to the changing times, and knowledge required for the execution of business operations.

Opportunities are provided to participate, at the expense of the Company, in external seminars and other programs

<Principle 5.1>

Please refer to "Principle 5" for the Company's approach to dialogue with shareholders and investors.

[Policy for Constructive Dialogue with Shareholders]

Constructive dialogue (face-to-face interviews) with shareholders, investors and other market participants build relationships of mutual trust, and is positioned as an important element contributing to the sustained growth and improvement of medium- to long-term corporate value of the Company. As a general rule, the Company promptly responds to any request for dialogue (face-to-face interviews) to the extent reasonable after sufficiently considering its purpose.

The Company endeavors to create opportunities for constructive dialogue (face-to-face interviews) through proactive approaches to institutional investors (especially shareholders).

Please refer to "Supplementary Principle 5.1.2" for our policy of encouraging dialogue.

[Department in Charge of and System for IR/SR Activities]

The Company maintains a department in charge of IR, which has the primary responsibility for facilitating dialogue with shareholders and investors. The Company has a system in place where the department in charge of public relations coordinates on a day-to-day basis with other departments and group companies and also coordinates with the departments in charge of legal affairs and management strategies which serve as the secretariat for the Board of Directors, the Board of Managing Directors, the Audit and Supervisory Committee as well as for the “Internal Control Committee” and other committees in an effort to widely come in contact with management information across the organization and to carry out information collection/compilation and the preparation of materials, etc., that are necessary for dialogue (face-to face interviews).

Please refer to “Supplementary Principle 5.1.1” for information on Company personnel engaging in dialogue.

[Information Management]

In order to prevent leakage during dialogue (face-to-face interviews) of information that may impact the stock price while preparing for the announcement of financial results, the Company defines the two-week period retrospective of the day of the announcement of financial results in each quarter as the “Quiet Period” during which it refrains from conducting dialogue. When pursuing dialogue (face-to-face interviews) with shareholders regardless of in a financial results meeting or any other meeting, the Company ensures fairness among shareholders (fair disclosure) in handling important unreleased facts by managing information in compliance not only with the Financial Instruments and Exchange Act and other relevant laws and regulations but also with its Regulations for Insider Trading Prevention, which is a set of internal regulations established with the purpose of preventing insider trading.

Any information delivered externally by the Company is managed centrally by the department in charge of IR.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
----------------------------	---------------------------

[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Iwasaki Corporation Ltd.	4,479,248	21.74
The Master Trust Bank of Japan, Ltd. (Trust account)	1,952,600	9.47
Masahiro Urasaki	1,255,464	6.09
Cresco Employees Holding Company	898,835	4.36
Custody Bank of Japan, Ltd. (Trust account)	748,200	3.63
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	695,000	3.37
NORTHERN TRUST CO. (AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	674,200	3.27
BBH FOR FIDELITY LOW-PRICED COMPANIES STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	663,733	3.22
Toshio Iwasaki	612,028	2.97
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	544,200	2.64

Controlling Shareholder (except for Parent)	_____
Parent	None

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Information & Communication
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	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

(1) Changes in subsidiaries, etc.

- Effective October 2023, OEC Ltd. changed its trade name to CRESCO NEXIO CO., LTD.
- Effective July 2024, Japan Software Design CO., LTD. was integrated by Mexess Co., Ltd.

(2) Transactions within the corporate group

Depending on development projects, we pursue near-shore development (conduct development activities in a larger number of local geographical areas), dispatching of workers and purchase and sale of products and services, etc., within the CRESCO Group. The headquarters' administrative divisions verify related transactions at inception while the Audit and Supervisory Committee and Internal Audit Office confirm details of such transactions after the fact through audits. For important transactions, the Company works to ensure the soundness and the appropriateness of such transactions by seeking approval of the Board of Directors and conducting periodical reporting.

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

1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
-------------------	--

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Directors Designated from among Outside Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Haruo Sato	From another company								△			
Junichi Fukui	From another company								△			
Yukie Sato	From another company											
Masayuki Maekawa	Certified public accountant											
Miyuki Sano	From another company											

* Categories for "Relationship with the Company"

“○” 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

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiaries
- Non-executive director or executive of the parent of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- Executive of a corporation, between which and the Company outside officers are mutually appointed (the director himself/herself only)
- Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Haruo Sato	○	○	_____	Mr. Haruo Sato has extensive knowledge and insights on corporate management, and is expected to provide advice to the Board of Directors regarding the development of management plans, from an independent and neutral position, based on his ample experience and expertise concerning information system consulting as well as planning, design and development of information systems and appropriately perform his duties including the confirmation of progress status, etc. and the supervision of Directors. The Company therefore deems that he is a person conducive to the continuous growth of the Group. Considering the independence criteria stipulated by stock exchanges, the Company designates him as an independent director based on the judgment that there are no concerns of a conflict of interest with general shareholders.
Junichi Fukui		○	_____	Mr. Junichi Fukui has extensive knowledge and insights on corporate management as well as ample experience and achievements, particularly concerning corporate planning, public relations strategy, etc. As an Outside Director of the Company, he has evaluated the current status of the Company from an objective point of view and has contributed significantly to the continued growth of the Group and has fulfilled his responsibilities well by providing advice and support to the Board of Directors regarding matters such as the effectiveness of the Board of Directors and public relations strategies. The Company deems that he will continue to contribute to the continuous growth of the Group, and that he is a person conducive to the continuous growth of the Group. Considering the independence criteria stipulated by stock exchanges, the Company designates him as an independent director based on the judgment that there are no concerns of a conflict of interest with general shareholders.

Name	Designation as Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukie Sato		○	—	<p>Ms. Yukie Sato has ample experience and achievements in executive consulting as well as extensive knowledge and insights on management overall as a corporate manager. She also possesses high ethical standards, independence, understanding of diversity, fairness, and other personal qualities that the Company requires of its Outside Directors. As an Outside Director of the Company, she provides advice and support from an objective perspective to the Board of Directors, and has made a significant contribution to the continued growth of the Group, particularly in terms of the utilization and development of human resources. The Company deems that she will continue to contribute to the continuous growth of the Group, and that she is a person conducive to the continuous growth of the Group.</p> <p>Considering the independence criteria stipulated by stock exchanges, the Company designates her as an independent director based on the judgment that there are no concerns of a conflict of interest with general shareholders.</p>
Masayuki Maekawa	○	○		<p>As a certified public accountant, Mr. Masayuki Maekawa is well versed in finance, M&A, accounting, and tax and has sufficient insights for governing corporate management. Since he is well qualified to perform management monitoring on the basis of his broad experience of being directly involved with corporate management and having served as an outside director for multiple companies and expected to contribute to the reinforcement of the monitoring function of the Board of Directors and to provide advice and opinions from a broad managerial perspective, the Company deems that he is a person conducive to the continuous growth of the Group.</p> <p>Considering the independence criteria stipulated by stock exchanges, the Company designates him as an independent director based on the judgment that there are no concerns of a conflict of interest with general shareholders.</p>

Name	Designation as Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Miyuki Sano		○		<p>Ms. Miyuki Sano has held key positions and director positions at operating companies, and has abundant experience and achievements in sales planning, as well as in all administrative divisions, including human resources and general affairs. As an Outside Director of the Company, she has evaluated the current status of the Company from an objective perspective and has fulfilled her responsibilities well, including providing the Board of Directors with much advice and support on the Company's business activities. The Company deems that she will continue to contribute to the continuous growth of the Group, and that she is a person conducive to the continuous growth of the Group.</p> <p>Considering the independence criteria stipulated by stock exchanges, the Company designates her as an independent director based on the judgment that there are no concerns of a conflict of interest with general shareholders.</p>

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Inside Director

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

Appointed

Matters Related to the Independence of Such Directors and/or Staff from Directors with Executive Authority over Operation

The Company has no Directors who require assistance.

When the Audit and Supervisory Committee requires Audit and Supervisory Committee Staff, members of the department in charge of legal affairs as an organ to assist the duties of the Audit and Supervisory Committee shall concurrently serve as the Audit and Supervisory Committee Staff.

Appointments, transfers, and disciplinary actions of staff members of the Audit and Supervisory Committee require prior consent of the Audit and Supervisory Committee.

The Audit and Supervisory Committee Staff shall follow the instructions of the Audit and Supervisory Committee in assisting the duties of the Audit and Supervisory Committee and shall have the authority to perform the examination (including monitoring) necessary for the duties. In addition, the Audit and Supervisory Committee Staff shall, when receiving instruction on its duties from the Audit and Supervisory Committee, carry out the assigned operations by giving priority to such operations over other operations and shall not receive instructions or orders from Directors who are not Audit and Supervisory Committee Members regarding the assigned operations.

Cooperation among Audit and Supervisory Committee, Accounting Auditor and Internal Audit Office

The Company has appointed Crowe Toyo & Co. as its Accounting Auditor. The Company adopts a three-pillar audit system of having the Audit and Supervisory Committee perform audits and the Accounting Auditor conduct audits from the viewpoint of specialists and the Internal Audit Office perform internal audits.

In regard to coordination among the Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Office, the Audit and Supervisory Committee receives reports on audit methodologies and results from the Accounting Auditor and the Internal Audit Office respectively as needed and Full-time Audit and Supervisory Committee Members mainly exchange information individually. In addition, the Internal Audit Office provides reports to the Audit and Supervisory Committee as necessary and also exchanges information individually with the Accounting Auditor.

[Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee

Established

Status of voluntary committees established, the composition of each committee, and the attribute of the chairperson of each committee

	Name of Committee	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside experts	Others	Chair-person
Voluntary Committee Equivalent to Nominating Committee	—	—	—	—	—	—	—	—
Voluntary Committee Equivalent to Remuneration Committee	Remuneration Committee	4	0	1	3	0	0	Outside Director

Supplementary Explanation

As described in the “Supplementary Principle 4.10.1,” in “1. Basic Views” and the “(5) Establishment of Remuneration Committee” in “5. Special Circumstances Which May Have Material Impact on Corporate Governance,” above.

[Independent Directors]

Number of Independent Directors	5
---------------------------------	---

Matters relating to Independent Directors

The Company designates all qualified Outside Directors as Independent Directors.

There are no stipulated independence criteria for selecting outside directors, but the Company focuses on each candidate’s abundant experience and high-level expertise in corporate management, etc., in addition to the independence requirements set forth under the Companies Act. Therefore, the election criteria include the fulfillment of statutory requirements and the appropriateness of personal traits. The Company also takes into account the following points to ensure that appointed individuals carry out objective and strict supervision over the business execution status.

- Invite Independent Directors from outside the CRESCO Group.
- Do not depend on a certain firm, etc.
- No direct interests exist between the CRESCO Group and related persons of the Group and the candidates for Independent Directors.
- The candidates possess expertise on characteristics of the industry and professional knowledge.

The Company recognizes the primary roles of Independent Directors as follows:

- Unreservedly address questions and provide comments and opinions to the top management from an independent standpoint.
- Clarify points of discussion or dispute and propose constructive arguments.
- Monitor deliberations and decision-making at meetings of the Board of Directors to ensure that they are appropriate and do not contravene the concept of duty of care of a prudent manager.
- Closely examine all proposals from a strict perspective while maintaining independence and fairness and exercise voting rights.
- Provide comments and opinions from an objective standpoint with regard to the standards for management stance and soundness of the company.
- Conduct objective supervision over management policy, etc., based on common sense and experience outside the company.
- Address issues objectively in regard to the checking of the status of establishment of internal control and risk management and promote preventive audits.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration system
---	--

Supplementary Explanation

The Company has established the “basic policy on determining remuneration of Directors, etc.” and prescribed the policy for determining the details of each Director not serving on the Audit and Supervisory Committee, etc. as follows. The basic policy is set by Board of Directors’ resolution, but appropriate consultations are conducted with the Remuneration Committee. The amount of remuneration for each Director serving on the Audit and Supervisory Committee is decided through consultation among Directors serving on the Audit and Supervisory Committee, within the scope of remuneration resolved at the general meeting of shareholders.

[The basic policy on determining remuneration of Directors, etc.]

Remuneration for Directors (excluding Directors serving on the Audit and Supervisory Committee) is divided into basic remuneration, bonuses, and restricted shares remuneration, and the basic policy is to determine remuneration within the scope of remuneration resolved at the general meeting of shareholders based on the Articles of Incorporation, in-house rules and similar items, and a Board of Directors’ resolution.

(1) Basic remuneration

- A fixed-amount approach is applied for basic remuneration to provide a stable standard of living. The amount of remuneration for individual officers is decided, in principle, based on position, duties and other elements from the perspective of fairness in personnel administration.

(2) Bonuses

- For bonuses, a certain level of incentive factor for contributions made to business results is incorporated based on a performance-linked remuneration system.
- Bonuses are determined in consideration of the performance and the status of execution of responsible duties, etc. for each period.
- Building on the remuneration amount determined through deliberation by the Remuneration Committee in accordance with internal regulations, the Remuneration Committee deliberates and determines the total amount of provision for bonuses for directors (and other officers) and the amount of individual remuneration based on the financial results once they are largely finalized in the course of preparation of financial statements for that year.

(3) Restricted shares remuneration

- Restricted shares remuneration shall provide monetary remuneration claims to Directors (excluding Outside Directors and Directors serving on the Audit and Supervisory Committee, hereinafter referred to as “Eligible Directors”) as remuneration in order to grant shares with restriction on transfer to them, for the purpose of providing incentives for achieving sustained improvement in the corporate value of the Company and further promoting value sharing with shareholders.
- Regarding the number of shares, in view of that purpose, we shall decide as principle to continuously grant shares at a level that is considered an incentive for Eligible Directors and that does not harm the interests of our shareholders.
- No objective calculation method has been established to determine specific amounts of remuneration by position and duties.

* For the details of the restricted shares remuneration system, please refer the Company’s securities report (<https://data.swcms.net/file/cresco/dam/jcr:c88e1276-a01a-4742-930a-e5ae5b677008/S100TQEJ.pdf>) (in Japanese).

[Items related to the resolution of the general meeting of shareholders regarding remuneration, etc. for Directors]

(1) Amount of remuneration for Directors (excluding Audit and Supervisory Committee Members)

- The amount of such remuneration was resolved to be 300 million yen or less per annum at the 27th Ordinary General Meeting of Shareholders held on June 19, 2015.
(This excludes the employee salaries for Directors who concurrently serve as an employee.)
- Pursuant to the resolution passed at the 31st Ordinary General Meeting of Shareholders held on June 21, 2019, the Company introduced a restricted shares remuneration system.
The maximum amount of monetary remuneration claims to be provided to Eligible Directors is 60 million yen per year, and the maximum number of common shares of the Company that can be issued or disposed of under the system is 60,000 shares per year.

- (2) Amount of remuneration for Directors serving on the Audit and Supervisory Committee
- The amount of such remuneration was resolved to be 50 million yen or less per annum at the 27th Ordinary General Meeting of Shareholders held on June 19, 2015.

Recipients of Stock Options	-
-----------------------------	---

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
--	--------------------------

Supplementary Explanation

Since there is no Director for whom the total amount of remuneration is ¥100 million or above, remuneration, etc. of Directors and Audit & Supervisory Board Members is disclosed by indicating the number of officers paid and the total amount of payments in the Business Report (*).

*For the details of the Business Report, please refer to the Company's website:

- Notice of the 36th Ordinary General Meeting of Shareholders, p. 35:
https://www.cresco.co.jp/ja/ir/news/auto_20240522503681/pdfFile.pdf (in Japanese)
- Securities Report, p. 52:
<https://data.swcms.net/file/cresco/dam/jcr:c88e1276-a01a-4742-930a-e5ae5b677008/S100TQEJ.pdf> (in Japanese)

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
--	-------------

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

In June 2021, the Company established the Remuneration Committee chaired by an Outside Director. The Remuneration Committee is composed of three (3) or more Directors elected by a resolution of the Board of Directors, with the majority composed of Outside Directors.

- A policy for determining remuneration, etc. in officer remuneration for Directors (excluding Audit and Supervisory Committee Members) will be referred to the Remuneration Committee chaired by an Outside Director. In addition, the basic remuneration and bonuses in officer remuneration for Directors (excluding Audit and Supervisory Committee Members) will be determined upon deliberation by the Remuneration Committee. Fairness and objectivity in decision processes are thus respected.
- The policy on determining remuneration, etc. of Directors and the process of determination are defined separately for Directors (excluding Audit and Supervisory Committee Members) and Directors serving on the Audit and Supervisory Committee.
- Remuneration for officers consists of the basic remuneration, bonuses and the shares remuneration (excluding Outside Directors and Directors serving on the Audit and Supervisory Committee), and is determined within the scope of remuneration resolved at the general meeting of shareholders.
- The share remuneration is determined by a resolution of the Board of Directors.

[Supporting System for Outside Directors]

The department in charge of legal affairs, which serves as the secretariat of the Board of Directors and the Audit and Supervisory Committee is responsible for support. A system is in place to issue notifications on meetings of the Board of Directors and the Audit and Supervisory Committee and other convocation notices by e-mail based on the Regulations for the Board of Directors and the Regulations for Audit and Supervisory Committee.

In regard to support for Outside Directors (including Audit and Supervisory Committee Members), the secretariat provides, as necessary, explanations on the contents of proposals or additional material in advance.

[Status of retired President, etc.]

Name and other information of Counselors, Advisors, etc. who are former President, etc.

Name	Position	Description of duties	Working conditions (Full-time/part-time, with or without remuneration, etc.)	Date of retirement as President, etc.	Term of office
Toshio Iwasaki	Honorary Chairman	Advice, guidance, etc. regarding corporate management, business growth support and management activities in general	Part-time with remuneration	June 18, 2021	1 year (renewable)

The total number of Counselors, Advisors, etc. who are former President, etc.	1
---	---

Other Matters

The Company's rules and regulations have provisions regarding the treatment of retired Directors, which stipulate to the effect that a retired Director may assume office of Advisor or other position by a resolution of the Board of Directors.

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

■ Basic views regarding corporate governance

Please refer to “1. Basic Views” of “I Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information” above.

• Corporate governance system

The Company's corporate governance system is composed of its Board of Directors, Board of Managing Directors, Audit and Supervisory Committee, Remuneration Committee, Management Committees, Internal Audit Office and Accounting Auditor. Further, in order to heighten the effectiveness of corporate governance, the Internal Control Committee, Group Compliance Committee, Information Security Committee and Committee of Presidents of the Group are in place as a system to exercise control across the entire CRESCO Group.

(1) Board of Directors

The Board of Directors comprises six (6) Directors other than those serving on the Audit and Supervisory Committee and three (3) Audit and Supervisory Committee Members and is chaired by the Chairman & CEO. In addition to the regular meetings of the Board of Directors held once a month, an extraordinary meeting of the Board of Directors is held as necessary.

[Activity status of the Board of Directors]

The Board of Directors held 13 meetings in FY 2023 and the attendance at meetings of each Director is as follows:

Hiroiyuki Nemoto (Chairman & CEO):	12/13 (rate of attendance: 92%)
Hiroshi Tominaga (President and Executive Officer):	13/13 (rate of attendance: 100%)
Kazuo Sugiyama (Director, Senior Managing Executive Officer):	13/13 (rate of attendance: 100%)
Noriyuki Kogawa (Director, Senior Managing Executive Officer):	13/13 (rate of attendance: 100%)
Junichi Fukui (Outside Director):	13/13 (rate of attendance: 100%)
Yukie Sato (Outside Director):	13/13 (rate of attendance: 100%)
Miyuki Sano (Outside Director):	After assuming the office 11/11 (rate of attendance: 100%)
Satoshi Takaishi (Director, Full-time Audit and Supervisory Committee Member):	13/13 (rate of attendance: 100%)
Haruo Sato (Outside Director, Audit and Supervisory Committee Member):	13/13 (rate of attendance: 100%)
Masayuki Maekawa (Outside Director, Audit and Supervisory Committee Member):	13/13 (rate of attendance: 100%)

The Board of Directors deliberates all important matters of corporate management, including the Company's management policy, business plan and capital strategy and makes decisions on these matters as well as approves important matters of each of the group companies and supervises the status of business execution of each company.

As prescribed in the Articles of Incorporation, the Company shall have not more than twelve (12) Directors other than those serving on the Audit and Supervisory Committee and shall have not more than four (4) Directors serving on the Audit and Supervisory Committee. As of the date of submission of the Securities Report, the Company has six (6) Directors other than those serving on the Audit and Supervisory Committee and three (3) Directors serving on the Audit and Supervisory Committee. The Company also has five (5) Outside Directors, two (2) of whom are Audit and Supervisory Committee Members.

The term of office of Directors other than those serving on the Audit and Supervisory Committee is one (1) year while that of Directors serving on the Audit and Supervisory Committee is two (2) years.

(2) Board of Managing Directors

In order to ensure that duties of Directors are executed efficiently and appropriately, the Company has in place a Board of Managing Directors, which is composed of all Full-time Directors with executive authority over operations above Managing Executive Officer and Full-time Audit and Supervisory Committee Members. Chaired by the President and Executive Officer, the Committee meets at least once a month. The Board of Managing Directors decides on matters to be addressed in the monthly report (including tables) and at meetings of the Board of Directors and states opinions and conducts discussions required for execution of business operations based on matters resolved by the Board of Directors.

(3) Audit and Supervisory Committee

The Company establishes the Audit and Supervisory Committee for performing audits and exercising supervision from the perspective of ensuring lawfulness and appropriateness of the state of execution of duties by Directors and management of each of the CRESCO group companies. The Audit and Supervisory Committee comprises three (3) Audit and Supervisory Committee Members including two (2) Outside Directors. Chaired by the member selected among the Audit and Supervisory Committee Members, the Committee holds regular meetings once a month and extraordinary meetings when necessary.

Each Audit and Supervisory Committee Member possesses abundant experience and high-level expertise in each of their respective professional fields, performs audits and exercises supervision using the internal control system, complies with the policies, etc., set forth by the Audit and Supervisory Committee, expects necessary reports and research from Directors, etc., and reviews important settlement documents, etc.

The Audit and Supervisory Committee Members also attend meetings of the Board of Directors, the Internal Control Committee and other important meetings, coordinate with the Internal Audit Office and Accounting Auditors, etc., and work to reinforce the auditing and supervision functions over management. The Audit and Supervisory Committee also coordinates with the Internal Audit Office, the Group Supervisory-Unit, and the Corporate Supervisory Unit in supervising each of the group companies, periodically holds the Group Auditors' Liaison Meetings (liaison meetings including auditors of subsidiaries) and performs monitoring of the status of management of each group company as needed.

(4) Remuneration Committee

In June 2021, the Company established the Remuneration Committee chaired by an Outside Director. The Remuneration Committee is composed of three (3) or more Directors elected by a resolution of the Board of Directors, with the majority composed of Outside Directors.

- A policy for determining remuneration, etc. in officer remuneration for Directors (excluding Audit and Supervisory Committee Members) will be referred to the Remuneration Committee chaired by an Outside Director. In addition, the basic remuneration and bonuses in officer remuneration for Directors (excluding Audit and Supervisory Committee Members) will be determined upon deliberation by the Remuneration Committee. Fairness and objectivity in decision processes are thus respected.
- The policy on determining remuneration, etc. of Directors and the process of determination are defined separately for Directors (excluding Audit and Supervisory Committee Members) and Directors serving on the Audit and Supervisory Committee.
- Remuneration for officers consists of the basic remuneration, bonuses and the shares remuneration (excluding Outside Directors and Directors serving on the Audit and Supervisory Committee), and is determined within the scope of remuneration resolved at the general meeting of shareholders.
- The share remuneration is determined by a resolution of the Board of Directors.
- The remuneration for Directors serving on the Audit and Supervisory Committee is determined through consultation among Directors serving on the Audit and Supervisory Committee.

(5) Management Committees

Based on matters resolved by the Board of Directors and matters decided by the Board of Managing Directors, Management Committees will be established as bodies to allow the discussion of matters related to the execution of business operations, consisting of all Full-time Directors with executive authority over operations and all Executive Officers as well as Full-time Audit and Supervisory Committee Members. In addition to safeguarding the prompt execution of business, the members will receive reports regarding the state of execution of duties, thus fulfilling a supervisory function. The Management Committees will meet at least once a month and will be chaired by the President and Executive Officer.

Moreover, all members have the right to convene meetings, enabling them to engage in business activities as necessary and with agility.

(6) Internal Audit Office

As of the date of submission of the Securities Report, the Internal Audit Office directly supervised by the Audit and Supervisory Committee comprises three (3) members. It performs audits systematically and exhaustively of all group companies, examines business operations, asset management and the state of information assets as needed and makes efforts to reinforce compliance relating to appropriate execution of business operations, ensure information security and promote efficiency.

In addition to performing audits, members of the Internal Audit Office attend meetings of the Internal Control Committee and others, conduct various researches and provide reports as necessary to the Audit and Supervisory Committee and the President and Executive Officer. The types of audits performed are as follows:

- Business audit

Business audit is an audit of business and system operations to determine whether the operations are carried out appropriately and rightly in accordance with various regulations, procedures and policies.

- Accounting audit

Accounting audit is an audit of transactions of all group companies to see whether the facts of transactions are presented on proper evidential documents and whether relevant ledgers are appropriately recorded and stored in accordance with relevant laws and regulations and rules.

- Information security audit

Information security audit is an audit conducted to see whether personal information and other information assets of the Company are appropriately handled in accordance with the regulations for security.

(7) Accounting Auditor

Crowe Toyo & Co. is appointed as the Accounting Auditor and performs periodical audits as well as provides consultation and confirmation on business management objectives and issues as necessary in an effort to ensure transparency and appropriateness of accounting treatment. The Accounting Auditor, in order to achieve the respective audit objectives, establishes mutually trustful relationships with the Audit and Supervisory Committee Members (auditors in the case of a subsidiary) and the Internal Audit Office and promotes proper coordination under a collaborative relationship with a positive sense of urgency. The Company and the Accounting Auditor value interactive communication, mutually provide information and exchange opinions on necessary audit matters and make efforts to ensure that appropriate coordination is maintained.

(8) Internal Control Committee

The Internal Control Committee is composed of the Chairman & CEO, all other Full-time Executive Directors, the Manager of Internal Audit Office, Full-time Audit and Supervisory Committee Members and Executive Officers, and held four (4) times a year.

In order to promote the establishment and operational assessment of the internal control system, including the risk management system, and the reinforcement of the corporate governance system, the Internal Control Committee handles important issues concerning conformance with laws and regulations and the Articles of Incorporation, in accordance with “Basic Policy on the Establishment of the Internal Control System” set forth by the Board of Directors. It also exercises supervision across the

Group through establishing, reviewing, and disseminating the Basic Compliance Policy and the “Code of Conduct for Compliance Management” to foster corporate ethics and compliance awareness.
Reference: “IV. Matters Related to Internal Control System”

(9) Group Compliance Committee

The Group Compliance Committee, consisting of members selected from each company in the Group, meets four times a year. The Group Compliance Committee is responsible for raising awareness of legal compliance, ensuring that all employees are familiar with laws, regulations, and rules, and strengthening cooperation in responding to unforeseen situations. To achieve this, the committee conducts educational activities, training on case studies, and shares information about various issues and measures faced by individual Group companies regarding compliance.

(10) Information Security Committee

The Information Security Committee is composed of the Director in charge of information systems departments, committee members chosen by each unit, and Full-time Audit and Supervisory Committee Members and chaired by the Director in charge of information systems departments.

The Information Security Committee develops plans for information security and system operation, evaluates their execution, proposes improvements, etc., as required, in order to ensure the efficient and proper operation of information security measures and systems of the CRESCO Group. It also tries to improve awareness of information security by the entire Group through various educational activities regarding the importance of information security.

(11) Committee of Presidents of the Group

The Committee of Presidents of the Group is composed of all Full-time Executive Directors and Full-time Audit and Supervisory Committee Members of the Company, and presidents of the Group companies. Its meeting is held at least once a year.

The Committee of Presidents of the Group promotes close coordination with group companies while respecting the independence of each company within the CRESCO Group, to ensure that the Basic Compliance Policy and the “Code of Conduct for Compliance Management” are widely known to members of each group company and to strive for the compliance management and the proper enforcement of the internal control system for the Group as a whole.

[Basic Policy]

- The mission of CRESCO and its group companies is to increase customer satisfaction through engaging in the software development business and providing various services relating to the business and to contribute to the development of society. Accordingly, the CRESCO Group as a whole promotes management that focuses on compliance with corporate ethics, laws and regulations and other rules.
- Code of Conduct to ensure this basic policy is established and each group company and employee performs activities in compliance with the Code of Conduct.
- The Company works to implement compliance management and operate the internal control system appropriately by making the basic compliance policy and code of conduct well known, providing guidance on supervision and resolving issues.

3. Reasons for Adoption of Current Corporate Governance System

The Company adopts the structure of a company with an audit and supervisory committee. Of the three (3) Directors serving on the Audit and Supervisory Committee, two (2) are Independent Outside Directors, and by appropriately exercising voting rights on the Board of Directors, contribute to reinforcing the supervision function of the Board of Directors.

The Board of Directors is composed of all Directors including five (5) Outside Directors and meets, as a general rule, once a month. As for the executive system, the President and Executive Officer executes the overall operations of management based on the basic policy determined by the Board of Directors, while other Directors are in charge of respective business execution units based on segregation of duties and authority of duties provided in the “Regulations for Management of Organization and Duties.” Executive Officers execute their duties in accordance with the resolutions of the Board of Directors and based on the segregation of duties and authority of duties provided in the “Regulations for Management of Organization and Duties.”

In terms of internal control and risk management, the Corporate Supervisory Unit and the Internal Audit Office coordinate with the Internal Control Committee (chaired by the Chairman & CEO; attended by Full-time Audit and Supervisory Committee Members) in monitoring, from an objective standpoint, as to whether the internal control system is functioning appropriately.

Therefore, the Company is of the opinion that the management supervision function and the checking and supervision functions over business execution of Representative Directors, other Directors with executive authority over operations and each Executive Officer are secured and adopts the current governance system.

■ Status of establishment of risk management system

We, at the CRESCO Group, identify important risks in order to build a system for preventing expansion of damage and keeping any damage to a minimum. Regulations for Risk Management have been formulated to secure a system for preventing the risks identified and responding to such risks if they become apparent and for establishing a risk management system for each responsible department. We have a company-wide risk management system in place where the responsible department is assigned for each risk category, a plan containing specific response measures is developed by giving priority to important risks, and coordination with the Internal Control Committee is made. In addition, each group company formulates its own risk management rules by taking into account the respective business activities, characteristics, risks and other factors.

With adequate understanding of the importance of managing business risks, etc., we face, efforts are made to ensure proper risk management by reinforcing our systems, increasing sophistication of control methods and controlling each risk so as to ensure management soundness and increase earnings power.

■ Internal audits and audits by Audit and Supervisory Committee

(1) Organization, staffing and procedures for internal audits and Audit and Supervisory Committee

The Internal Audit Office is responsible for internal audits, which are performed by three (3) members. In accordance with the audit plan developed in advance, the members attend meetings, conduct interviews and onsite reviews as well as provide reports to the Audit and Supervisory Committee and the President and Executive Officer. The Internal Audit Office systematically and exhaustively performs internal auditing operations based on “Regulations for Internal Audit” and promotes reinforcement of compliance in order to secure proper execution and improvement of operations and to promote operating efficiency in the CRESCO Group.

Audits performed by the Audit and Supervisory Committee are conducted by three (3) Audit and Supervisory Committee Members (two (2) of whom are Outside Directors). In addition to performing audits and exercising supervision using the internal control system, the Audit and Supervisory Committee Members attend meetings of the Board of Directors, the Board of Managing Directors and the Management Committees, conduct interviews with each officer (including subsidiaries), obtain approval of Internal Audit Reports, seek reports from Department Managers, closely examine ringi-approval documents, and attend department-level meetings to monitor the status of business execution by Directors and Executive Officers. If detecting any risk that management that lacks compliance with relevant laws and regulations and the Articles of Incorporation may be enforced, the Audit and Supervisory Committee provides the necessary advice and warning to the Directors, Executive Officers, and the Board of Directors and carries out the role of preventing compliance violations, etc. from arising in advance.

(2) Status of Coordination between Audit and Supervisory Committee and Accounting Auditor

The Company has established the post of Accounting Auditor and has concluded an audit agreement with Crowe Toyo & Co. based on the Companies Act and Financial Instruments and Exchange Act. The Audit and Supervisory Committee and Accounting Auditor strive to raise the effectiveness of audits and help each other confirm that there are clear audit plans and an audit system at the beginning of the fiscal year. In addition, the Audit and Supervisory Committee and Accounting Auditor periodically meet, discuss items such as the results of audits and points to improve upon, and provide the opinion of the Audit and Supervisory Committee to the Board of Directors as feedback.

(3) Status of Coordination between Audit and Supervisory Committee and Internal Audit Office

The Audit and Supervisory Committee collaborates with the Internal Audit Office. The Audit and Supervisory Committee approves a plan for a given fiscal year submitted by the Internal Audit Office and exchanges opinions with it as appropriate. The Internal Audit Office also reports the status and results of internal audits performed to the Audit and Supervisory Committee as well as exchanges opinions with the

Committee regarding points of focus, etc., for the division scheduled to receive the audit based on the audit plan.

[Outside Directors]

The Company has nine (9) Directors in total (including five (5) Outside Directors), comprising six (6) Directors (excluding Audit and Supervisory Committee Members) (including three (3) Outside Directors) and three (3) Directors serving on the Audit and Supervisory Committee (including two (2) Outside Directors), and secures an effective system for management supervision where these Directors collect information and take other steps as appropriate.

Furthermore, the Company invites all Outside Directors from outside the CRESCO Group to adopt objective viewpoints in management. Considering that the current five (5) Outside Directors of the Company are highly independent and bear no risk of causing conflicts of interest with general shareholders and that they fulfill the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., the Company registers the Outside Directors with Tokyo Stock Exchange, Inc., as Independent Directors.

The Company recognizes the primary roles of Outside Directors as follows:

- Unreservedly address questions and provide comments and opinions to the top management from an independent standpoint.
- Clarify points of discussion or dispute and propose constructive arguments.
- Monitor deliberations and decision-making at the meetings of the Board of Directors to ensure that they are appropriate and do not contravene the concept of duty of care of a prudent manager.
- Closely examine all proposals from a strict perspective while maintaining independence and fairness and exercise voting rights.
- Provide comments and opinions from an objective standpoint with regard to the standards for management stance and soundness of the company.
- Exercise objective supervision over management policy, etc., based on common sense and experience outside the company.
- Address issues objectively in regard to the checking of the status of establishment of internal control and risk management and promote preventive audits.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	<p>In order to ensure that shareholders have sufficient time to consider the agenda of a general meeting, the Company generally sends out the convocation notice of said meeting 18 days prior to the meeting date, and makes electronic announcement 10 days prior to the date these notices are sent out (28 days prior to the meeting date), in an effort to deliver the notice early and announce it prior to delivery. Electronic announcements are made on the Company's website (https://www.cresco.co.jp/en/ir/library/meeting.html) and on the Tokyo Stock Exchange's Listed Company Search service.</p> <p>In order to ensure the accuracy of the information to be included in the convocation notice, consideration is given to securing appropriate auditing time by external accounting auditors.</p>
Scheduling AGMs Avoiding the Peak Day	<p>The Company sets the dates related to the general meeting of shareholders, considering the perspectives of enhancing constructive dialogue with shareholders and providing accurate information. The date of the general meeting of shareholders is set in mid-June, avoiding any peak day so that more shareholders can attend the meeting, and we make every effort to ensure that the convocation notice reaches the shareholders as early as possible.</p>
Allowing Electronic or Magnetic Exercise of Voting Rights	<p>The Company provides a method for exercising voting rights by accessing the voting website designated by the Company via the Internet from a personal computer or smartphone.</p>
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	<p>The Company participates in Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.</p>
Providing Convocation Notice in English (Translated Fully or Partially)	<p>The Company provides English translations of the convocation notice in summary form, not in full text, and works to post them on the Company's website (https://www.cresco.co.jp/en/ir/library/meeting.html) and on the Tokyo Stock Exchange's Listed Company Search service around five days prior to the date that convocation notices are sent out (23 days prior to the date of the general meeting of shareholders).</p>

Other	<ul style="list-style-type: none"> • In order to promote understanding of the proposals and objectives of the general meeting of shareholders, the Company keeps in mind to provide easy-to-understand explanations on the convocation notice. • The Company promptly provides information, such as news releases, summaries of financial results, reference materials for financial results meetings, (quarterly) securities reports, medium-term management plans, and the Company's initiatives relating to the Corporate Governance Code, as necessary, including information that is considered to contribute to shareholders making appropriate decisions at the general meeting of shareholders, via the Timely Disclosure network "TDnet" provided by the Tokyo Stock Exchange and the Company's website (https://www.cresco.co.jp/en/news.html). • Information in English, with some exceptions, is provided on our English website (https://www.cresco.co.jp/en/ir/library/meeting.html). • Information on the most recent general meeting of shareholders (notice of resolutions, notice of results of exercise of voting rights, videos of the general meeting, projected presentation materials) is available on the Company's website (https://www.cresco.co.jp/en/ir/library/meeting.html), with some information only available on our Japanese website.
-------	--

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<p>[Attitude of information disclosure]</p> <p>In order to win the understanding and the trust of all stakeholders including shareholders and investors, the Company also believes that the timely and appropriate disclosure of information (financial and non-financial information) that forms the basis for dialogue (face-to-face interviews) is a duty of any company and is essential also from the perspective of corporate governance.</p> <p>In disclosing information, the Company pays attention to the following points:</p> <p>(1) Improving and establishing an information disclosure system</p> <p>(2) Information disclosure based on careful planning and appropriate decision and approval processes</p> <p>(3) Disclosure of information that is deemed to be important beyond disclosure required by laws and regulations</p> <p>(4) Accurate, clear and useful disclosures</p> <p>[IR Policy]</p> <p>The Company's view on its IR/SR activities is presented in the "IR policy" posted on the Company's website. This provides further details on information disclosure, such as the basic approach, the criteria for and method of disclosure, and Quiet Period.</p> <p>For the details, please refer the Company's website (https://www.cresco.co.jp/en/ir/irpolicy.html).</p>	
Regular Investor Briefings for Individual Investors	<p>Up to February 2020, before the COVID-19 pandemic, the Company held briefings by the responsible staff in charge of IR (sometimes attended by the President and Executive Officer) four (4) to six (6) times a year. In future, the Company plans to participate in joint briefings (including online) held by securities companies, taking into account the trends and circumstances.</p> <p>Supporting materials, etc., distributed at past sessions are also made available on the Company's website.</p>	Yes
Regular Investor Briefings for Analysts and Institutional Investors	<p>The Company holds a briefing session by the President and Executive Officer four (4) times (quarterly) a year as a general rule. Presentation materials, minutes, and videos of these briefings are posted on the Company's website.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The Company works to provide overseas investors with fair disclosure and responses comparable to those for domestic investors through holding dialogue on an individual basis.</p>	Yes

	Supplementary Explanations	Explanation by Representative
Posting of IR Materials on Website	<p>The Company works to provide timely information disclosure based on its IR policy. Disclosed information includes news releases, summaries of financial results, reference materials for financial results meetings, (quarterly) securities reports, medium-term management plans, and the Company's initiatives relating to the Corporate Governance Code. They are available also in English with some exceptions.</p> <p>* Company's website: https://www.cresco.co.jp/en/index.html</p>	
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> • Department in charge: Department in charge of IR • Officer in charge: Managing Executive Officer and General Manager of Management Strategy Unit • Persons in charge of dialogue (face-to-face interviews): President and Executive Officer, Director and Senior Managing Executive Officer in charge of finance and accounting, and managers in charge at the department in charge of IR 	

	Supplementary Explanations	Explanation by Representative
Other	<p>[Department in Charge of System for IR/SR Activities] The Company has a system in place where the department in charge of IR coordinates on a day-to-day basis with other departments and group companies and also coordinates with the departments in charge of legal affairs and management strategies which serve as the secretariat for the Board of Directors, the Board of Managing Directors, the Audit and Supervisory Committee as well as for the Internal Control Committee and other committees in an effort to widely come in contact with management information across the organization and to carry out information collection/compilation and the preparation of materials, etc., that are necessary for dialogue (face-to face interviews).</p> <p>[Promotion and Disclosure of Dialogue with Shareholders and Investors] Constructive dialogue (face-to-face interviews) with shareholders, investors and other market participants build relationships of mutual trust, and is positioned as an important element contributing to the sustained growth and improvement of medium- to long-term corporate value of the Company. As a general rule, the Company promptly responds to any request for dialogue (face-to-face interviews) to the extent reasonable after sufficiently considering its purpose. The Company also endeavors to create opportunities for constructive dialogue (face-to-face interviews) through proactive approaches to institutional investors (especially shareholders). Based on the demands and main interests (cost of capital, ROE, enhancement of corporate value, stock price, etc.) of shareholders, investors and other market participants, the Company conducts face-to-face interviews through a system involving the President and Executive Officer, the Director and Senior Managing Executive Officer in charge of finance and accounting, and managers in charge at the department in charge of IR. Recently, the Company held dialogue (face-to-face interviews and online interviews) with four overseas institutional investors between February 2024 and June 2024, involving the President and Executive Officer and managers in charge at the department in charge of IR. The main topics of the dialogue were related to recent financial results, the Company's capital policy and shareholder returns, and enhancement of corporate value.</p>	

	Supplementary Explanations	Explanation by Representative
Other	<p>[Delivery of Information and External Communication] The Company actively delivers information on management policies and strategies, financial results, etc., and creates opportunities to promote the understanding of the Company and cultivate “CRESCO fans” through mutual communication.</p> <ul style="list-style-type: none"> • Financial results meeting for institutional investors and analysts (quarterly, four times a year) • Responding to various interviews and one-on-one meetings (including company visits, teleconferences, and web conferences) • Participating in various conferences including those held in overseas locations (not on a regular basis) • Delivery of information (timely disclosure, voluntary disclosure, issuing news releases, etc.) • Creation and update of the IR site • Responding to inquiries from shareholders • Press conferences on financial results (quarterly, four times a year) • Responding to media such as newspapers and magazines • Conducting marketing activities in coordination with relevant departments and CRESCO Group companies • Preparing IR materials that are easy to read and understand as well as are shareholder- and investor-oriented • Preparation of an English version of IR materials 	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	<p>The Company recognizes that collaboration with shareholders and various other stakeholders, including employees, clients and society, is indispensable to achieve sustainable growth and enhancement of corporate value over the medium to long term, and that the creation of corporate value is the result of the provision of resources and contributions by our stakeholders.</p> <p>The Company's management philosophy is based on the "CRESCO Charter," which clarifies the Company's basic attitude and views on respecting the rights and positions of stakeholders as well as sound and ethical business conduct, and the Board of Directors and Executive Officers are working accordingly to foster a corporate climate and form a corporate culture.</p> <p>For details on the "CRESCO Charter," the foundation of our management philosophy, please refer to "1. Basic Views" of "I Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" above.</p>
Implementation of Environmental Activities, CSR Activities, etc.	Please refer to Supplementary Principle 3.1.3 of "Disclosure Based on the Principles of the Japan's Corporate Governance Code" above.
Formulation of Policies for Information Provision to Stakeholders	<p>The Company recognizes that disclosing appropriate and reliable corporate information in a timely and fair manner without concealment is an important management issue to ensure management transparency and is essential for the Company to win the understanding and the trust of all stakeholders.</p> <p>Based on this recognition, in disclosing information, the Company strives to ensure, under the instructions of its Board of Directors, that it contains plain and specific descriptions that help all stakeholders to understand its contents accurately, avoiding template descriptions and non-specific descriptions, as well as high value-added information including non-financial information such as visualization using graphs and message from Directors designed to be helpful for the use of information by stakeholders.</p>

IV. Matters Related to Internal Control System

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

Based on the “Basic Policy on the Establishment of the Internal Control System,” the department in charge of legal affairs and the Internal Audit Office play a central role in ensuring the effectiveness of the establishment (maintenance) and operation (evaluation) of our internal control system.

1. System to ensure that execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
 - (1) In order to further raise the awareness about corporate ethics and compliance and exercise supervision across the corporate entities comprising the Company and its subsidiaries (hereinafter, the “CRESCO Group”), the Code of Conduct for Compliance Management shall be defined and standards for activities shall be made clear.
 - (2) The post of compliance supervisor shall be established, compliance education and training for officers and employees shall be regularly provided, and efforts shall be made to thoroughly educate people of the “Code of Conduct for Compliance Management” and to quickly discover problems. Acts violating laws, regulations, the Articles of Incorporation, etc. shall be strictly punished.
 - (3) A whistleblowing system (Compliance Helpline) shall be established for the prevention and early discovery of acts violating laws or regulations as well as rapid and effective responses against them.
 - (4) The Internal Audit Office under the direct jurisdiction of the Audit and Supervisory Committee shall conduct audit regarding issues in the internal system and day-to-day business activities as well as confirm and evaluate the operational status of regulations, the results of which it shall report to Full-time Audit and Supervisory Committee Members and the President and Executive Officer. The Internal Audit Office shall also hold regular meetings and try to exchange information with Accounting Auditors.
 - (5) From the perspective of management transparency, compliance management, and compliance with laws and regulations, the department in charge of accounting & finance and the departments in charge of legal affairs, general affairs and human resources, etc. shall establish a system which enables seeking comments from attorneys-at-law, patent attorneys, certified public accountants, and other external specialists as required and receiving advice and guidance on various day-to-day issues as needed.
 - (6) In regard to elimination of anti-social forces, a declaration is made in the “Code of Conduct for Compliance Management” that the Company “takes a resolute attitude against anti-social forces and groups that pose a threat to the order and safety of civil society” to enforce a firm attitude against anti-social forces and respond accordingly in cooperation with the police and other relevant external organizations.
2. System for storage and management of information regarding execution of duties by Directors
 - (1) Directors shall appropriately store and manage (including disposal) minutes of the general meetings of shareholders, minutes of the Meetings of the Board of Directors, ringi approval documents, various contracts, and other information relating to the execution of their duties in accordance with relevant laws and regulations, the Articles of Incorporation, the “Documentation Management Regulations,” and other internal regulations.
 - (2) Executive Directors shall promote effective information security measures and manage information appropriately and safely in order to ensure the prevention of unauthorized use and leakage of information.
 - (3) The Directors shall establish a system where if a request is made by the Audit and Supervisory Committee or the Internal Audit Office to view information relating to execution of duties, the existence and storage condition of such information is immediately checked to allow viewing of information at any time.
3. Rules concerning management of risk of losses and other systems
 - (1) In managing risk of losses, a department in charge of each area of business (hereinafter, “each responsible division”) shall identify risks and periodically reviews the risks by category, take steps to implement preventive measures, and mitigate such risks.
 - (2) The Directors and Executive Officers managing and supervising each responsible division shall establish and ensure the appropriateness of the risk management system through verifying individual cases specifically as necessary.

- (3) Each responsible division shall widely make known the “Regulations for Risk Management,” other internal regulations, internal and external guidelines, etc. and shall establish a system for monitoring, supervising, and performing training.
 - (4) The Internal Control Committee shall exhaustively and comprehensively control the risk management status of each responsible division in accordance with the “Regulations for Risk Management” and other regulations relating to risk management.
 - (5) The department in charge of promoting the Group’s business shall coordinate with the Internal Control Committee to manage risks across the organization at the CRESCO Group, examine (including monitoring) the status of operation, and provide advice and guidance to each responsible division and the CRESCO Group as needed.
 - (6) Beside auditing the risk management status of each responsible division as well as confirming and evaluating management measures, the Internal Audit Office shall subsequently confirm improvement and corrections to each responsible division and provide advice and guidance to them as needed.
 - (7) The department in charge of general affairs and the department in charge of human resources shall coordinate with each responsible division and establish a system for enabling speedy communication of information and immediate response in the event of a crisis.
 - (8) In the event a critical matter arises, response headquarters shall be established with the President and Executive Officer as the head to appropriately grasp the status and take steps to quickly resolve the situation with support from external specialists.
4. System to ensure efficient execution of duties by Directors
- (1) In order to ensure efficient decision-making by the Board of Directors and Directors, an Executive Officer System shall be introduced to clarify the responsibilities for the execution of business and to execute business efficiently in accordance with the “Executive Officer Regulations,” the “Regulations for Management of Organization and Duties,” and other internal regulations.
 - (2) The Directors and Executive Officers managing and supervising each responsible division shall make decisions on specific measures to be implemented by each responsible division and on the system of efficiently executing business operations including the allocation of authority.
 - (3) The Board of Managing Directors is established as an organ to support speedy, accurate management decisions and shall periodically meet to study and report management issues.
 - (4) The Audit and Supervisory Committee shall conduct audits to determine whether the system to ensure efficient execution of duties by Directors is appropriately established and operated by taking into account the audits performed by the Internal Audit Office.
 - (5) The department in charge of information systems shall put in place internal information systems to provide effective communication functions and secure information security.
5. System to ensure properness of operations at the CRESCO Group composed of the Company and its subsidiaries
- (1) The Code of Conduct for Compliance Management shall be made widely known in close coordination with each subsidiary belonging to (hereinafter, “each Group company”) of the CRESCO Group, and a compliance promotion manager shall be assigned at each Group company as part of the efforts to secure the properness of operations of the corporate group.
 - (2) Directors and/or Auditors shall be dispatched to each Group company as required to improve the soundness and efficiency of the management of the CRESCO Group.
 - (3) While respecting the autonomy of each Group company, matters to be approved by and reported to the Company specified by the “Subsidiaries and Associates Management Regulations” shall be clarified, and their execution status shall be monitored. Each Group company shall obtain approval from the Company prior to making an organizational decision on matters specified in the “Subsidiaries and Associates Management Regulations” and report to the Company about matters specified therein.
 - (4) Each Group company shall establish a system to promptly report violations of laws and regulations, etc. to the Company, if they are found.
 - (5) The department in charge of promoting the Group’s business shall coordinate with the Internal Control Committee to establish a system for the efficient and proper execution, in each Group company, of: consultations among Group companies on internal control for business execution including risk management, sharing of information, communication of instructions and requests, whistleblowing and consultation system, education and training pertaining to compliance promotion, etc.
 - (6) The Internal Audit Office shall conduct investigations and audits from an independent perspective and report the audit results to Full-time Audit and Supervisory Committee Members and the President and Executive Officer of the Company. It shall also send copies of such parts of the report as specified by

- Full-time Audit and Supervisory Committee Members to Representative Directors of each Group company and indicate measures for improvement and advice regarding those measures as needed.
- (7) The department in charge of promoting the Group's business and the Internal Audit Office shall foresee any risk of losses in each Group company through investigations and audits, or if detecting such risk, shall immediately report the details of the risk of losses, the magnitude of losses, the impact on management and other findings to Full-time Audit and Supervisory Committee Members and the President and Executive Officer of the Company as well as to Representative Directors of the CRESCO Group companies.
 6. System concerning employees who assist Audit and Supervisory Committee Members in their duties (hereinafter, the Audit and Supervisory Committee Staff) and matters regarding the securement of the independence of such employees from Directors and the effectiveness of instructions to such employees
 - (1) When the Audit and Supervisory Committee requires Audit and Supervisory Committee Staff, members of the department in charge of legal affairs as an organ to assist the duties of the Audit and Supervisory Committee shall concurrently serve as the Audit and Supervisory Committee Staff.
 - (2) Any appointment, transfer and disciplinary action of the Audit and Supervisory Committee Staff require the prior consent of the Audit and Supervisory Committee.
 - (3) The Audit and Supervisory Committee Staff shall follow the instructions of the Audit and Supervisory Committee in assisting the duties of the Audit and Supervisory Committee and shall have the authority to perform the examination (including monitoring) necessary for the duties. In addition, the Audit and Supervisory Committee Staff shall, when receiving instruction on its duties from the Audit and Supervisory Committee, carry out the assigned operations by giving priority to such operations over other operations and shall not receive instructions or orders from Directors who are not Audit and Supervisory Committee Members regarding the assigned operations.
 7. System for reporting by Directors and employees to the Audit and Supervisory Committee and system for reporting by Directors of subsidiaries, etc., to the Audit and Supervisory Committee
 - (1) In order to ensure effective implementation of duties by the Audit and Supervisory Committee, Directors, Executive Officers and employees shall report, in addition to matters legally required, such matters that can significantly influence business operations of the CRESCO Group and the status and results of business execution to the Audit and Supervisory Committee.
 - (2) Directors and Executive Officers shall, when detecting any fact that poses a risk of causing considerable damage to the company, immediately report the matter to the Audit and Supervisory Committee.
 - (3) The Internal Audit Office and the department in charge of legal affairs shall report the status of internal audits and examinations (including monitoring) performed and the status of reporting through the Compliance Helpline, etc., and details thereof to the Audit and Supervisory Committee.
 - (4) Officers, Executive Officers and employees of each company of the CRESCO Group shall promptly provide reports when requested by the Audit and Supervisory Committee to report matters concerning execution of operations.
 - (5) Officers, Executive Officers and employees of each company of the CRESCO Group shall immediately report to the Audit and Supervisory Committee when detecting a violation of laws and regulations, etc., or a fact that poses a risk of causing considerable damage to the companies of the Group.
 - (6) The Internal Audit Office and the department in charge of legal affairs shall report periodically and timely the status of internal audits, compliance, risk management, etc., at each company of the CRESCO Group to the Audit and Supervisory Committee.
 - (7) Reports to the Audit and Supervisory Committee shall basically be made in good faith and without omission and shall be made whenever necessary and without delay in addition to the periodical reports made. When requested by the Audit and Supervisory Committee, reports shall be made promptly.
 8. System to ensure that persons reporting to the Audit and Supervisory Committee are not treated unfairly due to the reporting made
 - (1) The Company prohibits unfavorable treatment of officers, Executive Officers and employees of the CRESCO Group who have reported to the Audit and Supervisory Committee due to the reporting made.
 - (2) The department in charge of legal affairs strives to raise awareness among Directors, Executive Officers and employees, through providing the opportunity for them to receive education and training regarding how to prevent situations where persons are dissuaded from reporting to the Audit and Supervisory Committee or the Compliance Helpline over concerns of receiving unfavorable treatment.

- (3) The Company ensures to make the prohibition of unfair treatment described in (1) widely known to each company of the CRESCO Group.
9. Matters concerning the policy on procedures for the handling of expenses or liabilities arising from the execution of duties of the Audit and Supervisory Committee Members, such as the prepayment or repayment of expenses arising from the execution of such duties, etc.
 When the Audit and Supervisory Committee Members requests prepayment or repayment, etc., of expenses arising in connection with the execution of duties, the Company shall promptly handle the request except when recognizing that the expenses or liabilities relating to the request are not required for the execution of duties by the Audit and Supervisory Committee Members.
10. Other systems to ensure efficient execution of audits by the Audit and Supervisory Committee
 - (1) Each Audit and Supervisory Committee Member may participate in meetings held within and outside the company if it is necessary to do so for carrying out his/her duties.
 - (2) The Audit and Supervisory Committee may periodically hold meetings for exchanging opinions with the Representative Directors, the department in charge of legal affairs, the Internal Audit Office and the Accounting Auditors, respectively.
 - (3) The Internal Audit Office shall conduct operational audits of the effectiveness of the internal control system and overall operations based on the internal audit plan and shall report the audit results in writing and verbally to Full-time Audit and Supervisory Committee Members, the Audit and Supervisory Committee, and the President and Executive Officer.
 - (4) In order to ensure proper execution of duties by the Audit and Supervisory Committee, Directors and Executive Officers of the CRESCO Group shall assist in properly securing communication and mutual understanding, information collection, etc.
 - (5) Directors and Executive Officers of the CRESCO Group shall cooperate in important examinations of business partners recognized to be necessary by the Audit and Supervisory Committee.
 - (6) The Audit and Supervisory Committee shall, when recognizing the need to do so for executing its duties, establish an environment and system in which the Committee can promote coordination with attorneys-at-law, patent attorneys, certified public accountants and other external specialists.
11. System necessary for ensuring appropriateness and reliability of financial reporting relating to the CRESCO Group
 - (1) For the purpose of ensuring appropriateness and reliability of financial reporting, an internal control system associated with financial reporting shall be established.
 - (2) In order to properly implement the internal control reporting system defined in the Financial Instruments and Exchange Act as part of the internal controls associated with financial reporting, special units (Internal Audit Office, Internal Control Committee, Process Leaders Committee, etc.) shall be put in place within the company and a system shall be established to continuously perform self-assessments and third-party assessments and make improvements and corrections through identifying and recording the status of company-wide internal controls and business processes, etc. of important operating locations.
 - (3) In order to ensure proper and timely financial reporting, the Company shall appoint a department responsible for public relations & IR and shall establish a system to disclose financial statements upon discussion, examination and verification in accordance with the rules relating to information disclosure.
 - (4) The Director in charge of accounting and finance shall also provide guidance to each company of the CRESCO Group companies to ensure that the system associated with financial reporting is properly established and operated.
 - (5) The Director in charge of promoting the Group's business shall periodically report the results of assessments and improvements of the CRESCO Group to the Board of Directors.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

[Basic views on eliminating anti-social forces]

The Company shall cut off any relation with anti-social forces and organizations that pose a threat to the order of civil society and sound corporate activities, take a firm attitude to reject any demand from such organizations and shall not enter into transactions with companies, groups and individuals that have relationships with such organizations. The Company shall also work to coordinate with the police, legal adviser and other external specialized institutions, be a member of the “Conference on how to cope with particular violence,” and take other steps to respond to anti-social forces with a resolute attitude company-wide.

[Progress of related efforts for eliminating anti-social forces]

(1) Progress of establishment of internal regulations, etc.

The Company has declared in its Basic Policy on the Establishment of the Internal Control System and the Code of Conduct for Compliance Management that all officers and employees shall “take resolute action against anti-social forces and organizations that pose a threat to the order and safety of civil society” and has established internal regulations, etc., in the CRESCO Group.

(2) Progress of establishment of internal systems

1. Establishment of a department in charge of handling and appointment of an officer responsible for preventing unjust demands

The Company has a system in place where a member of staff in charge of coping with particular violence and an officer responsible for preventing unjust demands are assigned in the department in charge of legal affairs, and information relating to anti-social forces is controlled to respond properly.

2. Coordination with external specialized institutions

The Company has a system in place to promptly coordinate with external specialized institutions such as the police, legal advisers, Conference on how to cope with particular violence, National Center for Removal of Criminal Organizations, etc., in responding to anti-social forces.

3. Collection and management of information relating to anti-social forces

The officer responsible for preventing unjust demands and the responsible staff in the department in charge of legal affairs periodically obtain information from external specialized institutions and disseminate such information widely within the CRESCO Group as well as manage the information gathered.

4. Establishment of response manual, etc.

The Company has in place a manual, etc., for responding to anti-social forces and makes improvements to such manual, etc., whenever necessary.

5. Implementation of enlightenment activities

The Company provides all officers and employees of companies in the CRESCO Group and workers of partner companies with annual compliance training that includes how to respond to anti-social forces and a monthly self-assessing Compliance Check Sheet to ensure awareness within the CRESCO Group.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
------------------------------------	-------------

Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

■ Timely disclosure system

The status of internal systems relating to timely disclosure of corporate information of the Company is as described below.

(1) Disclosure policy

In order to provide all shareholders and investors with fair and accurate information, the Company discloses information and other important information in a timely manner in accordance with the timely disclosure rules set forth by Tokyo Stock Exchange, Inc. (hereinafter “Timely Disclosure Rules”). In addition, the Company actively discloses information on the CRESCO Group when judging that such disclosure is meaningful.

(2) Disclosure method

The Company discloses information that applies to the Timely Disclosure Rules in accordance with the said rules by providing advance explanations to the Tokyo Stock Exchange followed by registration on TDnet and publicizes the information on the Company’s website.

(3) Internal system

The secretariat of the Board of Directors oversees the consolidation and management of information, including that of the Group, while the department in charge of IR centralizes the organization, management, and final confirmation of disclosed information following approval by the Board of Directors, with the head of the department in charge of IR serving as an officer responsible for handling information. When the secretariat of the Board of Directors becomes aware of any piece of information concerning business, operation or operating performance of a company that may significantly impact investment decisions set forth in the Securities Listing Regulations, etc., it reports the matter to the Representative Directors as well as discusses the matter with relevant departments.

The preparation of disclosure material in accordance with relevant laws and regulations, etc., is primarily the responsibility of the departments in charge of legal affairs, finance, human resources, and IR, which promptly execute disclosure procedures. Disclosure materials are submitted to the Representative Directors after holding discussions on them with relevant departments and are addressed to the Board of Directors for resolution before making the disclosure on a timely and properly basis. In disclosing corporate information, the Company follows the system below depending on the contents of corporate information.

1. Decisions

Based on the Company’s policy to ensure speedy decision-making, important decisions are made, as a general rule, at the periodical meeting of the Board of Directors held once a month and, if necessary, at the extraordinary meeting of the Board of Directors held for that purpose. Material facts decided on are studied to determine the need for disclosure primarily by the manager responsible for handling information in accordance with Timely Disclosure Rules, and efforts are made to promptly disclose the information as needed. The Company works to disclose corporate information in an accurate, fair manner by having the Audit and Supervisory Committee Members attend the Board of Directors’ meetings and further receiving audits and advice from the Accounting Auditors and receiving advice from attorneys-at-law as needed.

2. Facts arising

When a material fact arises, the Director responsible for the respective division shall address and report the matter to the Board of Directors. Facts relating to compliance are deliberated on by the department in charge of legal affairs, and the Director in charge refers and reports the facts to the Board of Directors. The officer responsible for handling information takes the lead in studying the material facts reported and determining the need for disclosure in accordance with the Timely Disclosure Rules, and, if it is determined

that disclosure is necessary, efforts are made to disclose the information quickly. Furthermore, the Company works to disclose corporate information accurately and fairly as needed by receiving audits and advice from the Accounting Auditor and attorneys-at-law.

3. Information on financial results

The department in charge of accounting & finance reviews information on financial results whenever necessary based on monthly financial results and checks the need for revising the financial forecast, and the financial figures to be announced are prepared in the month following the quarterly, interim and year-end financial closing dates. The Company receives audits of the audit corporation while the financial closing operations are concurrently performed by the department in charge of accounting & finance for the quarterly, interim and year-end financial closing periods. Information on financial results to be disclosed is fully addressed to the Board of Directors for deliberation and approval and is disclosed on the date of the meeting of the Board of Directors.

The Audit and Supervisory Committee Members attend the meetings of Board of Directors while separately exchanging information with the audit corporation on a periodical basis. Meanwhile, the Internal Audit Office performs audits of all departments systematically. With these systems in place, the Company works to disclose financial information in a quick, accurate and fair manner.

■ Information management

In regard to the management of information assets of the CRESCO Group, the Company sets forth Basic Regulations for Security, Confidentiality Regulations, Regulations for Insider Trading Prevention, Regulations for Protection of Personal Information and other rules and guidelines that serve as key standards for information management in accordance with the Basic Policy on Information Security and the Regulations for Risk Management and ensures proper information management at the management line level. At the same time, the Company adopts IT controls for especially important business processes for internal control.

■ Enlightenment and guidance

The Company views that, in order to heighten the effectiveness of corporate governance, all of us starting with the top management to all officers and employees of the CRESCO Group must be aware of the importance of heightening the effectiveness. With this recognition, the department in charge of legal affairs takes the lead in establishing the corporate governance system, which includes the group companies, and implementing activities to raise awareness. A monthly self-assessment process using the Compliance Check Sheet is required of all employees in an effort to make relevant rules widely known and enforced. In addition, from the perspective of risk management, the Board of Directors, line organization units, the Internal Audit Office and the department in charge of legal affairs perform monitoring in an effort to prevent accidents from occurring and recurring.

<Skills matrix>

In order to achieve the long-term vision “CRESCO Group Ambition 2030,” the areas in which the Company expects each Director to be proficient are as follows.

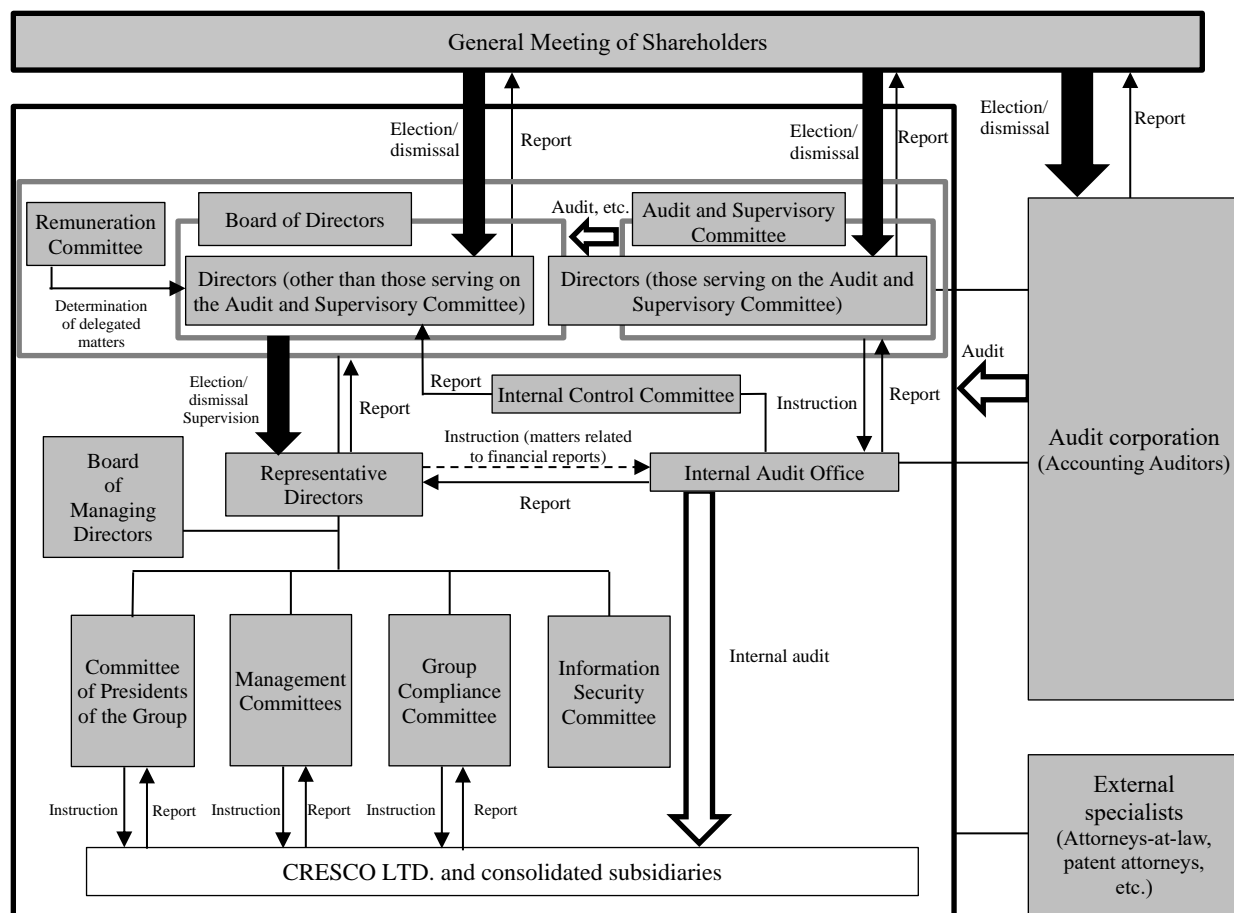
● Major skill ○ Minor skill

Name	Role/responsibility	Area (*)								
		CM	DIT	QC	HD	FA	LR	PM	I	S
Directors										
Hiroyuki Nemoto	Chairman & CEO	●	●	●	○		○	●		
Hiroshi Tominaga	President and Executive Officer	●	●	●	○			○		
Kazuo Sugiyama	Director, Senior Managing Executive Officer	●	●		○	●	○	○		
Junichi Fukui	Outside Director	●			●	●		●		
Yukie Sato	Outside Director	●			●	●		○	○	
Miyuki Sano	Outside Director	●	○	○	●			●	●	
Directors serving on the Audit and Supervisory Committee										
Satoshi Takaishi	Director (Full-time Member of the Audit and Supervisory Committee)	●			●		●		○	
Haruo Sato	Outside Director (Audit and Supervisory Committee Member)	●	●	●	○				●	
Masayuki Maekawa	Outside Director (Audit and Supervisory Committee Member)	●			○	●	●			Certified Public Accountant, Certified Tax Accountant

* Area definitions

Area		Definition
CM	Corporate management	Experience in corporate management
DIT	Digital transformation and IT	Knowledge of digital transformation and IT and systems or experience working in a systems development department
QC	Quality control	Knowledge of quality control or experience working in a quality control department
HD	Human resources management and development	Knowledge of human resources, labor relations, and hiring, or experience working in a human resources department
FA	Finance and accounting	Knowledge of finance and accounting or experience working in an accounting department
LR	Legal affairs and risk management	Knowledge of corporate legal affairs and risk management or experience working in a legal department
PM	Public relations and marketing	Knowledge of market and economic environment and trends, or experience working in public relations and marketing department
I	Internationality	Experience in global business
S	Specialization	Professional qualifications, business-related qualifications, etc.

Overview of Corporate Governance System



Timely Disclosure System

