

Final update: December
22, 2025

SHOFU INC.

Representative Director, President & COO
Tetsuo Takami

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Securities code :7979
<https://www.shofu.co.jp>

The status of the Company's corporate governance is as follows.

I Basic policy on corporate governance and capital structure, business attributes and other basic information

1. Basic corporate governance policy

We are engaged in corporate activities in a field of high public nature under the management philosophy of "contribution to dentistry through innovative business activities". The Company believes that it is essential to fulfill its social responsibilities in order to carry out such corporate activities in a sustainable manner. In order to fulfill its social responsibility, the Company believes that it is necessary to maintain sustainable growth over the medium to long term by enhancing its corporate governance. Accordingly, the Company will enhance its corporate governance in line with the following basic policies.

1. The Company shall respect the rights of shareholders and substantially secure their rights.
2. Consider the interests of stakeholders, including employees, customers, business partners, creditors, and local communities, and appropriately cooperate with stakeholders.
3. Actively disclose company information.
4. The Board of Directors shall appropriately fulfill the roles and responsibilities necessary to fulfill its fiduciary responsibility and accountability to shareholders.
5. The Company shall have constructive dialogue with shareholders.

Reasons for non-compliance with the principles of the Corporate Governance Code

· Supplementary Principle 5-2-1

The Group's business consists of the Dental Business, Nail Care Business, and Other Businesses, with the mainstay Dental Businesses accounting for approximately 94% of net sales.

In the Fifth Medium-Term Management Plan, which began in the fiscal year ending March 31, 2025, the Company has confirmed that it will clarify its business strategy for the global market for each product segment in the Dental Business and establish an R&D, production, and domestic and overseas sales structure based on the business strategy. However, although the Board of Directors has discussed the Nail Care Business, etc., it has not been able to formulate a policy regarding the business portfolio, and the status of the review of the business portfolio has not been disclosed.

The Group plans to review our business portfolio during the period of the Fifth Medium-Term Management Plan and will also consider the disclosure of our basic policy regarding our business portfolio and the status of the review.

Disclosures required by the principles of the Corporate Governance Code

Principle 1-4 Strategic-shareholdings

The Company has established a "Basic Policy on Policy Ownership of Listed Stocks" and a "Basic Policy on the Exercise of Voting Rights in Relation to Stocks Held as Policy Holdings," which are disclosed in the Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

The Board of Directors specifically examines each strategic-shareholding to assess the appropriateness of its holding purpose and whether the return associated with holding the stock are commensurate with its capital cost.

In addition, the Company will strive to reduce strategic-shareholdings for which the significance and appropriateness of holding are deemed to be limited, through careful explanations to the companies concerned.

In exercising voting rights for strategic-shareholdings, the Company exercises its voting rights based on a comprehensive assessment of the rationale for the agenda of the investee companies from the perspective of enhancing corporate value.

Principle 1-7 Related party transactions

In the event of a competing transaction or conflict of interest between the Company's directors and the Company, such transaction shall be implemented upon resolution of the Board of Directors.

The Company shall annually provide a comprehensive report to the Board of Directors and complete other necessary procedures for transactions with related parties, including major shareholders, affiliated companies, and others that can be regarded as such.

Other details are disclosed in the Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

• Supplementary Principle 2-4-1

The status of efforts to ensure diversity in the appointment of core personnel, etc. is described in Section III.3. "Other" of this report.

Principle 2-6 Roles of corporate pension funds as asset owners

In order to ensure the proper management of the defined benefit corporate pension plan, the Company has established a Pension Committee consisting of personnel with the necessary knowledge, including those responsible for finance and investor relations, to monitor the status of investment management on a regular basis and implement other initiatives.

Principle 3-1 Full disclosure

• Principle 3-1(i)

The Group's management philosophy (<https://www.shofu.co.jp/contents/hp1998/index.php?No=1998&CNo=1998>; Japanese only) and

The medium-term management plan (<https://pdf.irpocket.com/C7979/RzLT/XcTK/PwkI.pdf>) is explained at briefings held for individual investors and institutional investors and is also disclosed on the Company's website.

• Principle 3-1(ii)

The Group's basic corporate governance policy is disclosed in our Annual Securities Report (<https://pdf.irpocket.com/C7979/CiMB/d2UT/BNRF.pdf>) and in Section 1-1 "Basic Philosophy" of this report.

The Company has also established its Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only) as its basic policy.

• Principle 3-1(iii)

The policies and procedures by which the Board of Directors determines the compensation of directors are described in Section II.1. "Directors' Compensation", "Disclosure of methods to determine compensation or compensation policies" of this report.

• Principle 3-1(iv)

The selection and dismissal of directors are deliberated by the Nomination and Compensation Council in consultation with the Board of Directors, and decisions are made by the Board of Directors based on the recommendations of the Council, which is then submitted to the Ordinary Shareholders' Meeting.

In determining candidates for the Board of Directors, consideration is given to the diversity of knowledge, experience, ability, and other aspects of the composition of the Board of Directors.

The selection and dismissal of senior management is recommended by the Representative Director & President, President Executive Officer in consultation with the Representative Director & Chairman and is decided by the Board of Directors based on the deliberations of the Nomination and Compensation Council and its report.

The selection of candidates for the Audit & Supervisory Board is made by the Board of Directors with the consent of the Audit & Supervisory Board, taking into consideration the diversity of the composition of the Audit & Supervisory Board in terms of knowledge, experience, ability, and other factors.

The policy for making decisions is described in the Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

• Principle 3-1(v)

Previously, we disclosed the reasons for appointment only for outside directors (and other officers), and individual career histories for directors and auditors. However, starting from the 144th Ordinary Shareholders' Meeting, we now include the reasons for appointment for each candidate in the director (and other officer) election proposals within the shareholders' meeting reference materials. Additionally, should any director be removed from office, we will disclose the reasons for such removal.

• Supplementary Principle 3-1-3

With regard to our sustainability initiatives, we disclose our basic sustainability policy and materiality (key issues), as well as ESG information including investments in human capital and intellectual property, through our integrated report (<https://pdf.irpocket.com/C7979/PDLX/ahAa/E4Fm.pdf>) and website (<https://www.shofu.co.jp/contents/hp2011/index.php?No=2043&CNo=2011>; Japanese only).

To analyze the impact of climate change-related risks and opportunities on our business activities and revenues, we calculated our Group's CO2 emissions (Scope 1 and Scope 2) and conducted a scenario analysis based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), disclosing the information in January 2024 (<https://pdf.irpocket.com/C7979/ZoWa/aPxH/kBI2.pdf>; Japanese only).

• Supplementary Principle 4-1-1

Regarding the duties of management, the scope of operations of the departments under their supervision and management is defined in the aforementioned Authority Regulations, enabling clear determination of responsibilities.

The responsibilities of the management team are described in Part I Information on the Company, 4. Corporate Information, 4. Corporate governance (2) Status of directors (and other officers) of our Annual Securities Report.

The decisions of the Board of Directors include the ordinary shareholders' meeting, personnel, organization, stocks, financing, calculations, business restructuring, internal control systems, and other important business operations (including those required by law).

Principle 4-9 Independence standards and qualification for independent directors

At the company, we have established independence criteria tailored to our circumstances, as outlined in the Corporate Governance Guidelines.

(<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

• Supplementary Principle 4-10-1

The concept of independence, authority, and role of the Nomination and Compensation Council are described in the supplementary explanation of Status of establishment of voluntary committees, composition of members, and attributes of the chair in Section II.1. Organization structures and organizational operations, Directors of this report.

• Supplementary Principles 4-11-1

At the 148th ordinary shareholders' meeting held on June 24, 2020, the Company increased the number of directors from eight to nine with the aim of strengthening its management and corporate governance structure, and currently has nine directors, including four outside directors (of which three are independent outside directors).

The Company's Board of Directors has compiled its views on the balance of knowledge, experience, and abilities, diversity, and size of the Board of Directors as a whole, along with policies and procedures for the election of members of the board of directors, which are disclosed in the Company's Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

In addition, after identifying the skills and other attributes that the Company's board of directors should possess in light of its management strategy, a skills matrix listing the knowledge, experience, and abilities of each director is prepared and included in this report.

The independent outside directors (and outside auditors) include one person with management experience at other companies.

· Supplementary Principle 4-11-2

To date, each officer has devoted the time and effort required to properly fulfill their role and responsibilities to the duties of director and auditor.

In the past, information has been disclosed in the Business Report (*Jigyo Houkokusho* <https://www.shofu.co.jp/ir/contents/hp1330/index.php?No=913&CNo=1330>; Japanese only) when officers serve concurrently as the officers of other companies, as this is a significant concurrent position for each officer. The Group will continue to disclose this information in the future.

· Supplementary Principle 4-11-3

In accordance with the Company's "Corporate Governance Guidelines," the effectiveness of the Board of Directors as a whole is analyzed and evaluated annually in order to enhance the effectiveness of the Board of Directors and increase corporate value.

The events are disclosed on the Group website (<https://pdf.irpocket.com/C7979/Z6af/RVMC/dsnY.pdf>).

· Supplementary Principle 4-14-2

Training will be provided as appropriate for knowledge and information required during and after the appointment.

The information is disclosed in the Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

Principle 5-1 Policy for constructive dialogue with shareholders

The Company has established a "Policy for System Development and Initiatives to Promote Constructive Dialogue with Shareholders,

The information is disclosed in the Corporate Governance Guidelines (<https://www.shofu.co.jp/contents/hp1987/index.php?No=1608&CNo=1987>; Japanese only).

The status of dialogue with shareholders is disclosed on the Company's website (<https://www.shofu.co.jp/ir/contents/hp1870/index.php?No=2452&CNo=1870>; Japanese only).

Action to implement management that is conscious of cost of capital and stock price

Status of action	Disclosure of initiatives (update)
Existence of English disclosure	Available
Date of update	May 9, 2025

Note for action to implement management that is conscious of cost of capital and stock price

Since fiscal year 2015 (ending March 31, 2016), the Company has set ROE as one of the targets of its medium-term management plans and has been promoting management with an awareness of improving capital efficiency in addition to expanding business scale and improving profitability. In recent years, our ROE has exceeded our cost of shareholders' equity and PBR has generally been above 1x, but we recognize that our PBR and PER are inferior to the average of our competitors and the industry classification to which we belong, and that we face challenges mainly in the market's evaluation of us. This is reflected in a lower PER than in the past, and we believe the challenges lie particularly in the perception gap with investors regarding our Group's growth story and the high liquidity risk of the Company's stock.

Based on this recognition, the Company will work to achieve sustainable growth and increase its corporate value over the medium to long term by "further improvement in returns on capital by promoting initiatives to achieve the ¥50 billion annual sales target," "pursuing initiatives to improve stock market liquidity," "fostering growth expectations through proactive IR activities," "clarification of capital strategy and enhancement of shareholder returns," and "stepping up of corporate governance.

For more information on the Group's "Measures to achieve cost of capital and share price conscious management", please see the May 9, 2025 press release, "Measures to achieve cost of capital and share price conscious management (UPDATE)" ([jIEd.pdf](#)) and is also disclosed on the Company's website (<https://www.shofu.co.jp/ir/contents/hp1633/index.php?No=1187&CNo=1633>; Japanese only).

2. Capital structure

Percentage of shares held by foreign investors

More than 10% but less than 20%

Major shareholders **Updated**

Name	Number of shares held (shares)	Ownership interest (%)
Mitsui Chemicals, Inc.	7,160,000	20.11
The Master Trust Bank of Japan , Ltd. (Trust account)	3,177,000	8.92
Japan Custody Bank, Ltd. (Trust account)	1,600,900	4.49
The Bank of Kyoto, Ltd.	1,424,862	4.00
Nippon Life Insurance Company	1,292,862	3.63
The Shiga Bank, Ltd.	1,204,800	3.38
GOVERNMENT OF NORWAY	1,087,900	3.05
NORTHERN TRUST CO.(AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	896,000	2.51
SCREEN Holdings Co., Ltd.	660,000	1.85
Shofu Employee Stock Ownership Association	613,300	1.72
Existence of (a) controlling shareholder(s)	-----	
Existence of parent company	None	

Supplementary explanation

3. Business attributes

Stock exchange and section	Tokyo Prime
Fiscal year end	March
Sector	Precision instruments
Number of employees at the most current end of fiscal year (consolidated)	More than 1,000
Net sales (consolidated)	More than ¥10 billion but less than ¥100 billion

Number of consolidated subsidiaries at the most current end of fiscal year	More than 10 but less than 50
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4. Guidelines related to protection of minority shareholders in transactions with controlling shareholders

5. Other particular conditions that may materially affect corporate governance

II Business management business organization and other corporate governance systems regarding decision-making, execution of duties and oversight of management

1. Organizational composition and operation

Organizational form	Company with an audit & supervisory board
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Directors

Number of directors stipulated in Articles of Incorporation	9
Term of office stipulated in articles of incorporation	1 year
Chairman of the Board of Directors	Chairman (excluding cases where concurrently serving as President)
Number of directors	9
Appointment of outside directors	Appointed
Number of outside directors	4
Number of independent directors out of outside directors	3

Relationship with the Company (1)

Name	Attribution	Relation with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kiichi Suzuki	From another company							△	△			
Daizo Nishimura	Certified Public Accountant											
Junko Yaguchi	From another company											
Kaori Matsue	From another company							○	○			

* Categories for "Relationship with the Company"

* "○" when the director currently 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 currently falls or has recently fallen under the category, "▲" when a close relative of the director fell under the category in the past

- a Executive of the Company or its subsidiaries
- b Non-executive director or executive of a parent company
- c Executive of a fellow subsidiary of the Company
- d A party who has a significant business relationship with the Company or an executive thereof
- e A party with whom the Company has a significant business relationship or an executive thereof
- f Consultant, accounting professional, or legal professional who receives large amounts of monetary consideration or other property from the Company besides compensation as a director
- g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h Executive of a party with whom the Company has a business relationship (excluding persons categorized as any of d, e, or f above; the director himself/herself only)
- i Executive of a company between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)
- j Executive of a party that received a donation from the Company (the director himself/herself only)
- k Other

Relationship with the Company (2)

Name	Independent director	Supplementary information	Reasons for appointment
Kiichi Suzuki	○	Kiichi Suzuki had been a Senior Managing Director of Mitsui Chemicals, Inc. which is a major shareholder of the Company. Mitsui Chemicals, Inc. is a major shareholder of the Company, holding 20% of the Company's stocks, and the Company has received one outside director from Mitsui Chemicals, Inc. Although there are transactions between the Company and Mitsui Chemicals, the transactions account for less than 1% of the Company's consolidated net sales.	Kiichi Suzuki has extensive experience and expertise as a corporate manager, having served in the past as a Senior Managing Director of Mitsui Chemicals, Inc., and important business partner of the Company. As an outside director, he appropriately oversees the Company's management by providing advice based on his experience and expertise. We believe that he will continue to provide appropriate oversight of our management from an objective standpoint as an outside director and contribute to the enhancement of our corporate value through his advice based on his experience and insight as an experienced manager. Although he was an executive officer of a major shareholder of the Company until March 2013, we believe that there is no conflict of interest with general shareholders at this time.

Daizo Nishimura	○	-----	As a certified public accountant and tax accountant, he is well versed in finance and accounting and has sufficient expertise to exercise governance oversight of corporate management. As an outside director, Daizo Nishimura appropriately oversees the Company's management by providing advice based on his experience and expertise. We believe that he will continue to provide appropriate oversight of our management from an objective standpoint as an outside director and contribute to the enhancement of our corporate value through his advice based on his experience and expertise. He has no business or personal relationships with the Company at present or in the past, and there is no risk of a conflict of interest with general shareholders, and we believe that he is independent.
Junko Yaguchi	○	-----	She has a deep knowledge of the equity and capital markets based on his many years of experience working at securities companies and managing a company that operates a media business for investors. She was appointed as an outside director because the Group believes that she will provide appropriate oversight of our management and contribute to the enhancement of our corporate value through advice based on her experience and expertise. She has no business or personal relationships with the Company, there is no risk of a conflict of interest with general shareholders, and we believe that she is independent.
Kaori Matsue		Kaori Matsue is an executive officer of Mitsui Chemicals, Inc. which is a major shareholder of the Company. Mitsui Chemicals, Inc. is a major shareholder of the Company, holding 20% of the Company's shares, and the Company has one outside director from Mitsui Chemicals, Inc. Although there are transactions between the Company and Mitsui Chemicals, Inc., the transactions account for less than 1% of the Company's consolidated net sales.	As an executive of Mitsui Chemicals, Inc., an important business partner of the Company, she has in-depth knowledge of quality assurance and responsible care at chemical manufacturers. She was appointed as an outside director because we believe that she will provide appropriate oversight of our management and contribute to the enhancement of our corporate value through advice based on her experience and expertise.
Committee corresponding to nominating committee or compensation committee		Yes	

Status of establishment of voluntary committees, composition of members and attributes of the chair

	Name of committee	Number of members	Full-time members	Internal directors	Outside directors	Outside experts	Others	Chair
Committee corresponding to nominating committee	Nomination and Compensation Council	5	0	2	3	0	0	Outside director
Committee corresponding to compensation committee	Nomination and Compensation Council	5	0	2	3	0	0	Outside director

Supplementary explanation

The Company has established the Nomination and Compensation Council as an advisory body to the Board of Directors in order to strengthen the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors. The Council is composed of representative directors and independent outside directors. The Board of Directors determines that a majority of the members should be independent outside directors, and the chairman of the Council is elected by the independent outside directors from among themselves. The Nomination and Compensation Council, in consultation with the Board of Directors, deliberates and reports to the board of directors on matters such as the election and dismissal of directors, the selection and dismissal of representative directors and directors with management positions, compensation for directors, and succession planning (including training). The Corporate Governance Guidelines stipulate that the Board of Directors shall respect the report of the Nomination and Compensation Council to the maximum extent possible.

Auditors

Establishment (or not) of an audit & supervisory board	Established
Number of auditors stipulated in Articles of Incorporation	4
Number of auditors	4

Cooperation between auditors, accounting auditors and Internal Audit Department

The auditors receive explanations from the Accounting Auditor regarding audit plans and audit results, and also attend interim audits, year-end audits, and physical inventory audits as needed. Through these and other means, the auditors and the accounting auditor work together to grasp the status of the implementation of accounting audits and to ensure and maintain the appropriateness of financial statements and internal controls. In addition, the auditors exchange audit information and enhance the function of audits by the auditors by receiving explanations and reports on audit plans and audit results as needed from the Internal Audit Department in charge of internal audits. Also, outside directors and auditors regularly exchange information (including information from the Internal Audit Department and the Accounting Auditor, etc.) and hold discussions on management to enhance mutual cooperation. The Internal Audit Department communicates and discusses the results of internal audits with the auditors and the Accounting Auditor as needed and promotes initiatives to enhance the audit function under their cooperation.

Appointment of outside auditors	Appointed
Number of outside auditors	2
Number of independent auditors out of outside auditors	2

Relationship with the Company (1)

Name	Attribution	Relation with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoko Yamada	Certified Public Accountant													
Hiromi Mukai	Attorney-at-law													

* Items regarding relationship with the Company

* If the director currently or recently applies to an item, mark with "○"; if the director applied in the past, mark with "△".

* If a close relative currently or recently applies to an item, mark with "●"; if a close relative applied in the past, mark with "▲".

- a Executive of the Company or its subsidiaries
- b Non-executive director or an accounting advisor of the Company or its subsidiaries
- c Executive or a non-executive director of a parent company
- d Auditor of a parent company
- e Executive of a fellow subsidiary
- f A party who has a significant business relationship with the Company, or an executive thereof
- g A party with whom the Company has a significant business relationship, or an executive thereof
- h Consultant, accounting professional, or legal professional who receives large amounts of monetary consideration or other property from the Company besides compensation as an auditor
- i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j Executive of a party with whom the Company has a business relationship (excluding persons categorized as any of d, e, or f above; the director himself/herself only)
- k Executive of a company between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)
- l Executive of a party that received a donation from the Company (the director himself/herself only)
- m Other

Relationship with the Company (2)

Name	Independent auditor	Supplementary information	Reasons for appointment
Yoko Yamada	○	_____	As a certified public accountant and tax accountant, she is well versed in finance and accounting and has

			sufficient expertise to exercise governance oversight of corporate management. She was appointed as the Group believes that she will be able to appropriately perform her duties as an outside auditor. She has no business or personal relationship with the Company at present or in the past, and there is no risk of a conflict of interest with general shareholders, and the Group believes that she is independent.
Hiromi Mukai	○	-----	As an attorney-at-law, he is well versed in corporate legal affairs and has sufficient expertise to exercise governance oversight of corporate management. The Group has appointed her as we believe that she will be able to appropriately perform her duties as an outside auditor. She has no business or personal relationship with the Company, there is no risk of a conflict of interest with general shareholders, and the Group believes that she is independent.

Independent directors / auditors

Number of independent directors / auditors

5

Other notes regarding independent directors / auditors

The Company designates all outside directors who meet the requirements for independent directors/auditors as independent directors/auditors.

Incentives

Implementation of measures on incentive allotment to directors

Other

Supplementary information

The Company has introduced a restricted stock compensation system for its directors (excluding outside directors) in place of a stock option scheme, in order to provide them with incentives to continuously improve the Company's corporate value and to further promote value sharing between directors and shareholders.

The Company has also introduced a restricted stock compensation system for the executive officers.

Grantees of stock options

Supplementary information

Directors' compensation

Disclosure of directors' compensation

Individual compensation is not disclosed

Supplementary information

Compensation for directors is disclosed in the Annual Securities Report (<https://pdf.irpocket.com/C7979/CiMB/d2UT/BNRF.pdf>) and the Business Report (*Jigyō Houkokusho*; <https://www.shofu.co.jp/ir/contents/hp1330/index.php?No=913&CNo=1330>; Japanese only) and are also available for public inspection in the IR information section of the Company's website.

Specifically, the total amount of compensation, etc. for directors and auditors for the fiscal year ending March 31, 2025 was ¥291 million for 10 directors (including ¥28 million for 4 outside directors) and ¥48 million for 6 auditors (including ¥12 million for 3 outside auditors). The amount of compensation, etc. for directors includes bonuses of ¥66 million as performance-linked compensation, etc. and non-monetary compensation, etc. of ¥36 million.

Existence of methods to determine compensation or compensation policies

Yes

Disclosure of methods to determine compensation or compensation policies

1) Matters concerning the policy for determining the details of individual compensation of directors

The Company has established a policy for determining the content of compensation, etc. for individual directors (hereinafter, "Determination Policy"). The outline is as follows.

The Company's basic policy is that compensation for directors of the Company shall be a compensation system that sufficiently functions as an incentive to achieve sustainable enhancement of corporate value and is also linked to shareholder interests, and that the compensation for individual directors shall be determined at an appropriate level based on factors such as the abilities and responsibilities required of the Company's officers and the responsibilities for future corporate value enhancement.

Specifically, compensation for directors consists of fixed compensation as basic compensation, and a directors' bonus and directors' restricted stock compensation as performance-linked compensation. However, outside directors are paid only a fixed compensation in view of their duties to supervise and advise management from a standpoint independent of business execution.

· Basic compensation

The basic compensation for directors of the Company is a fixed monthly compensation, which is determined after consultation with the Nomination and Compensation Council based on a comprehensive consideration of levels at other companies according to a survey by an external expert organization, the Company's performance, and the level of employee salaries, in accordance with the position and responsibilities of each director.

· Performance-linked compensation, etc.

Performance-linked compensation, etc. shall be cash compensation reflecting performance indicators (KPIs) in order to motivate directors to enhance the Group's performance and corporate value for each business year, and the amount calculated based on the level of achievement of the consolidated net sales and consolidated operating profit targets for each fiscal year is paid as a bonus at a certain time every year. Target performance indicators and their values shall be set at the time of formulation of the medium-term management plan so that they are consistent with the plan and shall be revised as appropriate in accordance with changes in the environment upon consultation with the Nomination and Compensation Council.

· Non-monetary compensation, etc.

For the purpose of providing directors (excluding outside directors) with incentives to sustainably enhance the Company's corporate value and further promoting value sharing with shareholders through compensation linked to shareholder interests, the Company allocates the Company's common stock with transfer restrictions for a certain period at a certain time every year. When

determining the amount of restricted stock compensation for individual directors, the Company's basic policy is to make decisions based on factors such as the abilities and responsibilities required of directors of the Company and their responsibilities for enhancing corporate value in the future. The number of shares to be allotted is determined for each position within the framework of a resolution of an Ordinary Shareholders' Meeting.

The ratio of compensation for each type of director is determined through consultation with the Nomination and Compensation Council, considering the levels and composition ratios of other companies according to a survey by an external expert organization, and setting the composition so that the higher the position, the lower the weight of fixed compensation.

In addition, the Nomination and Compensation Council is consulted on the draft of the determination policy, and the Board of Directors makes a resolution based on the content of the report.

2) Matters concerning the policy for determining the details of compensation of auditors

Compensation for auditors consists only of fixed compensation to ensure independence and objectivity from management. The level of compensation is commensurate with their roles. It is determined based on the standards of other companies through a survey by an external professional organization. The amount of compensation for each auditor is determined through discussions among the auditors.

3) Matters concerning shareholders' meeting resolutions on the compensation of directors and auditors

The total amount of compensation for directors, including bonuses, was resolved at the 153rd Ordinary Shareholders' Meeting held on June 25, 2025 to be no more than ¥370 million per year (of which no more than ¥50 million for outside directors). As of the close of the said Ordinary Shareholders' Meeting, the number of directors was nine.

In addition, as restricted stock compensation for directors with the aim of providing an incentive to continuously improve the Company's corporate value and to further promote value sharing between the subject directors and shareholders, it was resolved at the 153rd Ordinary Shareholders' Meeting held on June 25, 2025 that the Company shall allot restricted stock to the Company's directors (excluding outside directors) in the amount of ¥70 million per year, separate from the total amount of directors' compensation mentioned above. As of the close of the said Ordinary Shareholders' Meeting, the number of directors (excluding outside directors) was five.

The total amount of compensation for auditors was resolved at the 153rd Ordinary Shareholders' Meeting held on June 25, 2025 to be no more than ¥70 million per year. As of the close of the said Ordinary Shareholders' Meeting, the number of auditors was four (including two outside auditors).

4) Matters concerning delegation of authority to determine the details of compensation for directors and auditors

At the Company, based on a resolution of the Board of Directors, authority is delegated to the Representative Director & Chairman, Noriyuki Negoro, who determines the specific content of the amount of compensation for individual directors.

The content of the authority is to determine the amount of fixed compensation for each director and the amount of bonuses based on the performance of the business of each director in charge. The reason for delegating this authority is that the Representative Director & Chairman (or Representative Director & President and if the position of the Representative Director & Chairman is vacant; the same shall apply hereinafter) is the most appropriate person to evaluate the business of each director while keeping an overview of the performance of the Company as a whole.

The Board of Directors consults the Nomination and Compensation Council about the compensation plan so that the Representative Director & Chairman can exercise the authority appropriately and takes measures such as exercising the authority based on the report. Since the compensation amount for each individual director has been determined through this procedure, the Board of Directors judges that the content is in line with the determination policy.

As for the restricted stock compensation, the Board of Directors will resolve the number of shares to be allotted to each director.

Support system for outside directors (outside auditors)

For outside directors, the General Affairs Department serves as the contact point, distributing meeting materials in advance and providing various communications and information as needed.

For outside auditors, we have established a system whereby meeting materials are distributed in advance, and various communications and information are provided as needed. Additionally, meetings of the Audit & Supervisory Board are held regularly, and full-time auditors provide necessary information to the outside auditors.

Status of retired presidents etc. holding advisory positions (sodanyaku, komon, etc.)

Information on retired presidents etc. holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/position	Responsibilities	Working status and conditions (full-time/part-time, presence or absence of compensation, etc.)	Date when former role as president etc. ended	Term of office
_____	_____	_____	_____	_____	_____
Number of retired presidents etc. holding advisory positions (sodanyaku, komon, etc.)		0			

Others

The Company has adopted a system of advisors, counselors, etc., and currently has one person with experience as an auditor serving as a counselor (Advisor; full-time), but he is not a retired president or representative director. His role is mainly to provide guidance and advice on the divisions he was previously in charge of or on specific operations, and his term of office is, in principle, within two years.

2. Matters pertaining to functions of business execution, audit and supervision, appointment and decisions regarding compensation, etc. (overview of the current corporate governance system)

The Board of Directors meets once a month to make decisions on important matters (including the execution of important management operations) as stipulated in the Companies Act and to supervise the execution of duties by the representative directors and each director. At the 148th Ordinary Shareholders' Meeting held on June 24, 2020, the number of directors was increased from 8 to 9, and the number of outside directors with extensive experience was increased from 2 to 4 (including 3 independent outside directors) in order to strengthen the management system and corporate governance structure. The Company has further clarified the separation of the decision-making function and supervisory function of the Board of Directors from the business execution function, and appointed directors who also serve as a person responsible for business execution as executive officers, thereby speeding up decision-making and clarifying responsibilities. In addition, auditors attend meetings of the Board of Directors and express opinions when necessary.

The Managing Executive Board is an advisory body to the President Executive Officer (hereinafter referred to as the "President") and consists of executive officers at the level of managing executive officer or higher and directors with executive titles. The Managing Directors' Meeting is held every week in principle.

The Managing Executive Board shall examine matters to be submitted to the Board of Directors, make decisions on matters entrusted by the Board of Directors, and other important matters such as strategic matters concerning management.

Two full-time auditors attend the Managing Executive Board. As part of their audits, the auditors verify the legality and appropriateness of matters submitted to the Managing Executive Board and reflect opinions as necessary.

The Company has adopted an Audit & Supervisory Board system. The Audit & Supervisory Board, which consists of four auditors, (as of the end of this fiscal year) including two outside auditors and conducts audits of the execution of duties by directors and the business and financial conditions of the Company and group companies.

The outside auditors are an attorney at law and a certified public accountant. Based on their respective expertise, they monitor management from an objective standpoint, focusing on financial conditions and internal controls.

The Audit & Supervisory Board holds regular meetings every month and extraordinary meetings as necessary to receive reports on important matters related to audits, hold discussions and make resolutions, and exchange opinions.

In addition, the Group Audit & Supervisory Board consisting of the auditors each Group company is held at least twice a year, and each auditor collaborates to strengthen the audit function in order to optimize Group management.

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may enter into contracts with outside directors (and outside auditors) to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the same law, and that the maximum amount of liability for damages under such contracts shall be the amount stipulated by law. Based on this provision, the Company has entered into liability limitation agreements with outside directors and outside auditors.

The Corporate Governance Meeting consists of Representative Director and independent outside directors. In order to ensure the Company's sustainable growth and enhance its corporate value over the medium to long term, the Committee deliberates on management strategies and plans in response to consultation by the Representative Director & President, and reports to the Board of Directors.

Council meets at least twice a year as an advisory body to the Board of Directors. The Nomination and Compensation Council consists of the representative directors and independent outside directors. The Board of Directors has determined that the majority of the members shall be independent outside directors, and that the chairperson shall be determined by mutual election of the independent outside directors. In order to strengthen the fairness, transparency and objectivity of the procedures for the nomination and compensation of directors, in response to inquiries from the Board of Directors, the Nomination and Compensation Council deliberates on matters such as the appointment and dismissal of directors, the appointment and dismissal of representative directors and directors with executive responsibilities, the compensation of directors, and succession planning (including training), and reports to the Board of Directors.

The Management Committee consists of all executive officers President Executive Officer and below, all general managers, and all presidents of domestic subsidiaries, and meets once a month.

In addition to communicating matters to be resolved by the Board of Directors and the Managing Executive Board, the Management Committee holds preliminary discussions among departments, expresses opinions on important matters, and exchanges opinions among members as necessary. However, the Management Committee does not have decision-making authority, and business execution is carried out by executive officers and general managers, who are the members of the Management Committee.

The Personnel Committee consists of line general managers (including executive officers), meets monthly to deliberate and discuss overall personnel policies, including personnel systems, human resources development, and utilization of human resources.

The Sustainability Committee consists of all executive officers President Executive Officer and below, all general managers, and the presidents of domestic subsidiaries, and meets twice a year in principle. The Sustainability Committee deliberates on the formulation of basic sustainability policies, strategies, and plans, as well as the setting of target indicators, and monitors the status of initiatives.

The Information Security Committee consists of all executive officers, President Executive Officer and below, all general managers, and all presidents of domestic subsidiaries, and meets once a year in principle. The Information Security Committee deliberates on information security, including the formulation of basic information security policies, strategies and plans, and the evaluation of the status of compliance with information security policies. Like the Management Committee, it does not have decision-making authority.

The Personnel Committee, Sustainability Committee, and Information Security Committee, like the Management Committee, do not have decision-making authority as committees.

For accounting audits, in addition to audits by auditors, the Company has entered into an audit contract with Ernst & Young ShinNihon LLC. The certified public accountants and assistants who performed the audit are as follows.

Certified public accountants engaged in the audit

Engagement Partners: Hideyuki Goto, Toru Fukutake

Composition of assistants for audit services

6 certified public accountants and 10 others

The selection of candidates for the Board of Directors is based on the candidates' performance, achievements, and abilities, and is decided by the Board of Directors after prior deliberation by the Managing Executive Board. The descriptions of compensation are determined within the range stipulated by resolution of an ordinary shareholders' meeting. Compensation for each director is determined by the Representative Director & Chairman (or the Representative Director & President and if the position of Representative Director & Chairman is vacant), who is authorized by the Board of Directors, and compensation for each auditor is determined through discussions among the auditors. In determining the amount of compensation, the Company takes into

consideration the abilities and responsibilities required of the Company's officers, as well as their duties to enhance the Company's corporate value in the future and determines an overall appropriate amount of compensation. In addition, the Nomination and Compensation Council deliberates in consultation with the Board of Directors and submits its recommendations to the Board of Directors.

Although there are no employees dedicated to supporting the work of auditors, we believe that we have a system in place to support the audits of auditors by deepening cooperation with the Internal Audit Department, which is in charge of internal audits, and the accounting auditors. For details, please refer to the "Cooperation between auditors, accounting auditors and Internal Audit Department."

3. Reason for adopting the current corporate governance system

The Company has established a compliance system and an "Audit Office" in charge of internal audits to ensure the effectiveness and adequacy of internal controls. In addition, four of the nine members of the board of directors are outside directors (and outside auditors) in order to provide objective and diverse perspectives in supervision and decision-making, thereby strengthening the supervisory function and improving the quality of decision-making. In addition to the supervisory function of the board of directors, the board of auditors, of which 2 out of 4 are outside auditors, is strengthening its management monitoring function by checking the execution of duties by directors and the business and financial conditions of the Company and its group companies.

III Implementation of measures for shareholders and other stakeholders

1. Status of implementation of measures to vitalize the shareholders' meetings and facilitate smooth execution of voting rights

	Supplementary explanation
Early notification of shareholders' meetings	In principle, a convocation notice is sent out three weeks prior to the meeting in order to give shareholders sufficient time to consider ordinary meeting proposals and to encourage them to exercise their voting rights.
Scheduling of shareholders' meetings to avoid 'concentrated/peak days'	To enable as many shareholders as possible to attend ordinary shareholders' meetings, we make every effort to schedule the meetings approximately two days prior to the concentrated/peak date when many companies hold their meetings.
Electronic execution of voting rights	Exercise of voting rights by electronic means has been permitted since the 149th Ordinary Shareholders' Meeting.
Participation in electronic voting platforms and other initiatives to improve the voting environment for institutional investors	The Company has adopted the electronic voting platform operated by ICJ, Inc. to improve the environment for institutional investors to exercise their voting rights.
Availability of English translation of ordinary shareholders' meeting notice	Starting with the 144th Ordinary Shareholders' Meeting, English translations of the convocation notice (narrowly defined convocation notice and reference documents for the ordinary shareholders' meeting) are posted on TDnet and the Company's website.

Other	To ensure that shareholders have sufficient time to consider the agenda items, the Company posts the convocation notice on TDnet and the Company's website prior to the dispatch of the convocation notice.
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2. IR activities

	Supplementary explanation	Explanation by representative directors
Convene periodic briefing for individual investors	In order to increase the number of shareholders and expand the base of shareholders, we hold regular information meetings for individual investors. A total of 5 meetings were held in Fukuoka, Tokyo, and Kyoto in the fiscal year ended March 31, 2025. Since the first briefing for individual investors in July 2006, we have held 98 briefings for individual investors, with a total of 19,289 individual investors in attendance. In recent years, we have also been using various media to disseminate information. Our IR activities for individual investors are conducted with the aim of not only introducing our company as an investment opportunity, but also to broadly communicate the importance of dental care as it relates to people's health, and we strive to disseminate information related to dental care to the extent possible.	Yes
Convene periodic briefing for analysts and institutional investors	Based on descriptions of the full year and second quarter financial results, the Company holds biannual financial results briefings for analysts and institutional investors. The Executive Officer in charge of Corporate Planning explains the financial results, and the Representative Director & President personally explains the medium- to long-term strategies. Although we do not hold financial results briefings for the first and third quarters, the Group prepares supplementary explanation materials similar to the presentation materials (Japanese and English versions) and disclose them on our website. In addition, we hold technical briefings in the form of small meetings in response to requests from analysts and institutional investors, although these briefings are held irregularly.	Yes
Disclosure of IR documents on the website	The Company's website features IR information, including the latest news releases, various management indicators, earnings summaries, Annual Securities Reports, financial results briefing materials, integrated reports, reports to shareholders, legal disclosure documents, notices of convocation and resolutions of Ordinary Shareholders' Meetings, and the Articles of Incorporation, etc., in an effort to ensure information disclosure to investors and fair disclosure.	

IR related divisions (personnel)	While the Group have not established a dedicated IR department, the Corporate Planning Department is responsible for IR activities. IR Officer: Fumitaka Yamazaki, Director, Senior Managing Executive Officer (Corporate Planning). IR contact: tel +81 075-561-1282 / e-mail ir@shofu.co.jp
Other	Regarding the implementation of one-on-one meetings with analysts and institutional investors, the Company regularly visit analysts and institutional investors or utilize online platforms to explain our company description, performance trends, medium- to long-term strategy, shareholder returns, and other matters. For the fiscal year ending March 31, 2025, the Company conducted our first overseas roadshows (Europe, twice, 8 days in total, 23 institutions). Additionally, we respond to interview requests from counterparties as needed, although the information we can provide may be limited depending on the timing. These explanations are primarily handled by the officer in charge of Corporate Planning, and for the fiscal year ending March 31, 2025, we conducted 262 meetings (including 112 with foreign investors). Details are posted on our website under "Dialogue with Shareholders and Investors." (https://www.shofu.co.jp/ir/contents/hp1870/index.php?No=2452&CNo=1870 ; Japanese only)

3. Initiatives concerning respect for stakeholders

	Supplementary explanation
Setting forth provisions in the internal regulations concerning respect for stakeholders' positions	The Company has established a "Code of Conduct" to respect the positions of various stakeholders and to earn their trust in the implementation of our management philosophy and policies, and we promote activities to enhance corporate value based on high ethical standards.
Promotion of environmental preservation activities and CSR activities	The Company has established an environmental policy and is engaged in activities to continuously improve its environmental management system. The description of our activities is disclosed in our Integrated Report.

Other

1. Approach to ensuring diversity in the appointment of core personnel

Under our management philosophy of “contribution to dentistry through innovative business activities,” we are committed to improving the health and quality of life (QOL) of people around the world. In today’s society, where the needs and values of stakeholders—including patients and users—are increasingly diverse, we believe that realizing our management philosophy requires embracing a wide range of perspectives and values. In particular, we recognize the importance of ensuring diversity among core personnel, such as managers who support directors and executives. We are actively recruiting diverse talent, developing policies to promote the success of such personnel, and fostering an internal environment and management training that enable each individual to maximize their unique characteristics and abilities.

2. Diversity in core personnel appointments: Current status and voluntary measurable targets

(1) Current status of core personnel (as of March 2025):

- ① Ratio of female managers: 3.9%
- ② Ratio of non-Japanese managers: 0.0%
- ③ Ratio of mid-career hire managers: 20.4%

(2) Voluntary, measurable targets for diversity in core personnel appointments

While we have appointed individuals to managerial positions based on the results of personnel evaluations and demonstrated aptitude, we recognize that the current ratios of female and non-Japanese managers are not sufficient. Over the medium to long term, we aim to increase these ratios beyond the current levels described above.

3. Policies and Implementation Status for Human Resource Development and Internal Environment Improvement to Ensure Diversity

(1) Policies and initiatives for the development of core female human resources and improving the internal environment

To promote female employees to management positions, the Company has set a target of increasing the female recruitment ratio to 30% or more. In addition to working to form a population of women who can serve as core human resources by utilizing recruitment media that lead to active applications by women, the Company actively provides opportunities for female employees to participate in career education. In addition, to create a comfortable working environment for everyone regardless of gender or attributes, the Company has put in place various systems such as nursing care leave that allows employees to balance work and life events such as childcare and nursing care, measures to shorten working hours for childcare, and nursing care leave. In addition, the Company also conducts training for management who decide on promotion to managerial positions.

(2) Policies and initiatives for the development of core foreign human resources and improving the internal environment

We value people regardless of nationality and hire non-Japanese, but we have not yet promoted any to management positions. In addition, the Company will work to build an organization and develop human resources that allow diverse individuals to make the most of their abilities, and provide equal opportunities for remuneration, education, promotion opportunities, etc., regardless of nationality. However, the Group’s policy is to broaden the base of foreign human resources through personnel exchanges with overseas subsidiaries of the Group and the hiring of foreign students.

(3) Policies and initiatives for the development of core human resources for mid-career recruits and improving the internal environment

At the Company, the percentage of mid-career recruits in managerial positions is 20.4%. Since the percentage of mid-career recruits has increased in recent years, it is expected that the percentage of mid-career recruits in managerial positions will increase in the future. In the future, the Company will continue to provide equal remuneration, education, and promotion opportunities for both mid-career recruits and new-grad recruits. In addition, the Company's policy is to actively promote the mid-career recruitment of human resources necessary to secure diversity, such as women and foreign nationals, as well as human resources in fields and specialized fields that are lacking in the Company's business.

IV Matters regarding internal control system

1. Basic approach to internal control system and its development

In accordance with Article 362 of the Companies Act and Article 100 of the Regulations for Enforcement of the Companies Act, the Company has established a basic policy on internal control and put in place a system to ensure the appropriateness of business operations.

We are engaged in corporate activities in a field of high public nature under the management philosophy of "contribution to dentistry through innovative business activities". In addition, in order for a company to continue to exist soundly, it is essential to fulfill its social responsibility as a company, and this is more strongly required for companies such as the Company that operate in fields with a high public nature. Therefore, as part of its efforts to fulfill its corporate social responsibility, the Company has decided to promote management that emphasizes compliance and has established the following internal control system.

(1) Systems to ensure that the execution of duties by directors, executive officers and employees complies with laws and regulations and the Articles of Incorporation

The Company has established the "SHOFU Group Code of Conduct" in order to put its management philosophy into practice and has clarified the standards required of officers (including executive officers; the same shall apply hereinafter) and employees of SHOFU. In addition, the Company has established an Ethics Committee chaired by the President Executive Officer, and has constructed, operated and maintained a system for officers and employees to comply with laws and regulations, the Articles of Incorporation and internal regulations and to have common ethical values. In addition, the Company shall not have any relationship with antisocial forces that pose a threat to the order and safety of citizens.

Furthermore, in order to ensure compliance-oriented management, the Company has established the Internal Audit Department under the direct control of the President Executive Officer and enhance the checking system by coordinating internal audits by the Internal Audit Department and audits by the Audit & Supervisory Board. At the same time, the Company has established an internal reporting system and strives to detect misconduct at an early stage by clearly indicating that the person making the report will not be treated disadvantageously.

(2) Systems for retention and management of information related to the execution of duties by directors

With respect to information related to the execution of their duties, the directors shall appropriately store and manage such information by specifying the storage period, storage method, etc. according to the nature of the information in the "Regulations of the Board of Directors," "Regulations of the Managing Executive Board" "Regulations of Approval Process," "Rules for Internal Information Management," and "Rules for Document Handling," which are separately provided.

(3) Rules and other systems for management of risk and loss

To appropriately manage the risks of the SHOFU Group, we promote risk management through the Management Committee, which deliberates on the execution of important matters that may impact management, in accordance with the Basic Risk Management Policy and related regulations. The Management Committee identifies and assesses risk factors and implements necessary measures to avoid and minimize risks. In addition, we collaborate with company-wide committees such as the Sustainability Committee, Quality Control Committee, Information Security Committee, and Fire and Disaster Prevention Management Committee to ensure appropriate responses to risks.

In addition, when it is necessary to respond to newly arising risks, the Company shall promptly designate a person responsible for responding to such risks and take necessary measures. Furthermore, through internal audits, the Company will identify risks and review measures to deal with risks in order to make continuous improvements to the system.

(4) Systems to ensure the efficient execution of duties by directors and executive officers

The Company shall hold a regular meeting of the Board of Directors once a month to make decisions on important matters and supervise the status of business execution by directors.

In order to strengthen corporate governance, the Company has established the Corporate Governance Meeting to discuss management strategies and plans, etc., and the Nomination and Compensation Council, an advisory body to the Board of Directors, deliberates on matters such as the appointment and dismissal of directors, compensation, and succession planning, thereby ensuring fairness, transparency, and objectivity.

Directors shall properly execute their duties in accordance with laws and regulations and the Articles of Incorporation, as well as the decision-making authority stipulated in the "Regulations of the Board of Directors," the "Regulations of the Managing Executive Board," and the "Administrative Authority Regulations" with respect to important matters.

In addition, the Company has introduced an executive officer in charge system and an executive officer system in order to ensure efficient execution of duties through prompt decision-making. Under the guidance and supervision of the Board of Directors and executive officers in charge, executive officers execute their duties by exercising the authority delegated to them.

In addition, the Company has established the Managing Executive Board, consisting of executive officers of managing executive officer level or higher and directors with responsibilities. The Managing Executive Board shall examine matters to be submitted to the Board of Directors, make decisions on matters entrusted by the Board of Directors, and other important matters such as strategic matters concerning management. The Managing Executive Board shall also consider, draft and manage the execution of important management issues such as medium-to long-term management plans and annual management plans, in

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order to facilitate business activities and improve management efficiency.

Decisions on the execution of the duties described above shall be made by means in accordance with the "Regulations of Approval Process".

(5) Systems to ensure proper and appropriate corporate operations of the Company and its group companies

In order to enhance the corporate value and management efficiency of the Group as a whole and fulfill its social responsibility, the Company has established the "Affiliated Company Management Regulations," under which the parent company and its subsidiaries provide instructions and orders, maintain close cooperation, provide management and guidance, and ensure the appropriateness of operations as a corporate group. These shall be supervised by the Corporate Planning Department.

In addition, the "SHOFU Group Code of Conduct" will be applied to the Company and all of its subsidiaries in Japan and overseas to strengthen the compliance system of the entire Group.

The Company and its subsidiaries shall ensure the appropriate operation of the establishment, evaluation and reporting of the "Internal Control of Financial Reporting" system as stipulated in the Financial Instruments and Exchange Act.

In addition, for subsidiaries, the Internal Audit Department of the Company shall conduct internal audits, and the auditors shall conduct audits. Each subsidiary shall regularly report to the Company on the status of its business execution and financial conditions, etc.

(6) Matters related to employees assigned to assist auditors in the execution of their duties and matters related to the independence of such employees from directors

When an auditor requests the assignment of an employee to assist with his / her duties, the assignment shall be delegated to an employee designated by the auditor. The performance evaluation of such employees shall be carried out with the consent of the Audit & Supervisory Board. Any transfer of such employees shall be subject to the consent of the Audit & Supervisory Board.

(7) Systems for directors, executive officers and employees reporting to auditors, other systems for reporting to auditors, and other systems for ensuring effective audits by auditors

Directors shall report the status of the execution of duties to the Audit & Supervisory Board. In addition, auditors may attend meetings of the Board of Directors and other important meetings, and request reports from directors, executive officers and employees as necessary. Furthermore, the auditors shall conduct audits by investigating related departments and Group companies and confirming approval documents for important matters, and receive reports from directors, employees, etc. of subsidiaries as necessary. Directors, executive officers and employees shall report to the Audit & Supervisory Board in the event of matters that may cause significant damage to the Company. The Board of Directors shall establish a system whereby a person who has made a report to an Audit & Supervisory Board Member is not treated disadvantageously on the grounds of making such report. The Audit & Supervisory Board Members shall receive explanations from the accounting auditor of the Company regarding the contents of the Accounting Audit and exchange information with the Accounting Auditor.

The Audit & Supervisory Board work closely with the Internal Audit Department and the Accounting Auditor, in addition to providing sufficient information and exchanging opinions with each other, including with Audit & Supervisory Board Members of subsidiaries.

The Audit & Supervisory Board Members may request the Company to pay expenses, etc. necessary for the execution of their duties, and may appoint outside experts at the expense of the Company as necessary.

2. Basic policy to eliminate antisocial forces and its development

In order to prevent involvement in corporate activities by antisocial forces and to protect against related harm, our “Code of Conduct” clearly declares a complete severance of all relationships with antisocial forces that threaten the order and safety of civil society. As part of this framework, the General Affairs Department Manager serves as the person responsible for preventing improper demands, and the General Affairs Section of the General Affairs Department acts as the central point of contact for such matters. We also participate in initiatives such as the Kyoto Prefecture Center for the Promotion of the Elimination of Violence and promote cooperation and information exchange with relevant authorities and local companies. Furthermore, we include “organized crime exclusion clauses” in standard contracts with suppliers and distributors and are committed to thoroughly excluding such antisocial forces from our business relationships.

V Other

1. Adoption of anti-takeover measures

Adoption of anti-takeover measures

Not adopted

Supplementary information

At the meeting of the Board of Directors held on April 10, 2025, the Company resolved not to continue and to abolish the 'Policy on countermeasures to large-scale purchases of the Company's shares, etc. (Takeover defense measures),' the effective period of which will expire at the conclusion of the 153rd Ordinary Shareholders' Meeting to be held on June 25, 2025. In connection with this, at the meeting of the Board of Directors held on June 11, 2025, the Company resolved to partially amend the 'Basic policy on composition of persons who control decision-making over the Company's financial and business policies' as stipulated in the Regulations for Enforcement of the Companies Act. The basic policy regarding control of company after the conclusion of the 153rd Ordinary Shareholders' Meeting to be held on June 25, 2025, will be as follows.

(1) Overview details of basic policy

We believe that those who have control over decisions regarding the Company's financial and business policies should fully understand our corporate philosophy, the sources of our corporate value, and the relationships of trust with the stakeholders who support the Company. Such individuals are desirable as they contribute to securing and enhancing the Company's medium- to long-term corporate value, and ultimately, the common interests of shareholders.

The Company believes that, in the event a third party makes a large-scale purchase or proposal to purchase our stocks (hereinafter referred to as a “Large-Scale Purchase, etc.”), the final decision on whether to accept such an action should be made based on the collective will of all our shareholders. Furthermore, if a large-scale purchase, etc. is made with respect to the Company, and if such an action contributes to our corporate value and, by extension, the common interests of shareholders, we do not intend to oppose it.

However, some large-scale purchase activities may pose a clear risk of infringing upon the Company's corporate value or the common interests of shareholders or may effectively force shareholders to sell their stocks. Such actions may not contribute to

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corporate value or the common interests of shareholders. The Company believes that individuals or entities engaging in such large-scale purchase activities are inappropriate as parties controlling decisions regarding the Company's financial and business policies.

(2) Overview of special initiatives to effectively utilize the Company's assets, form an appropriate corporate group, and otherwise realize the basic policy on corporate control

The Company is committed to enhancing medium- to long-term corporate value by upholding our corporate philosophy of 'contribution to dentistry through innovative business activities' and adhering to the guiding principles of 'emphasizing quality while expanding quantity' and 'embracing challenges brought by change.' In addition, the Group is striving to improve business performance by significantly shifting the allocation of management resources overseas and focusing on the expansion of our overseas business. At the same time, we are working to strengthen our corporate governance framework, thereby aiming to enhance corporate value and, ultimately, the common interests of shareholders.

(3) Overview of measures to prevent decisions on the Company's financial and business policies from being controlled by inappropriate parties in light of the basic policy regarding control of company

The Company is committed to securing and enhancing our corporate value, and consequently, the common interests of shareholders over the medium to long term. In the event that any party conducts or seeks to conduct a large-scale purchase of our shares, we will, in accordance with the 'Guidelines for Corporate Takeovers' (Ministry of Economy, Trade and Industry, August 31, 2023), require the provision of all necessary and sufficient information to enable our shareholders to make an appropriate decision regarding the propriety of such large-scale purchase. In addition, we will disclose the opinions and other relevant statements of our Board of Directors and strive to ensure that our shareholders have the necessary time and information to consider the matter. We will take appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

(4) Decisions by the Board of Directors of the Company regarding specific measures and reasons for such decisions

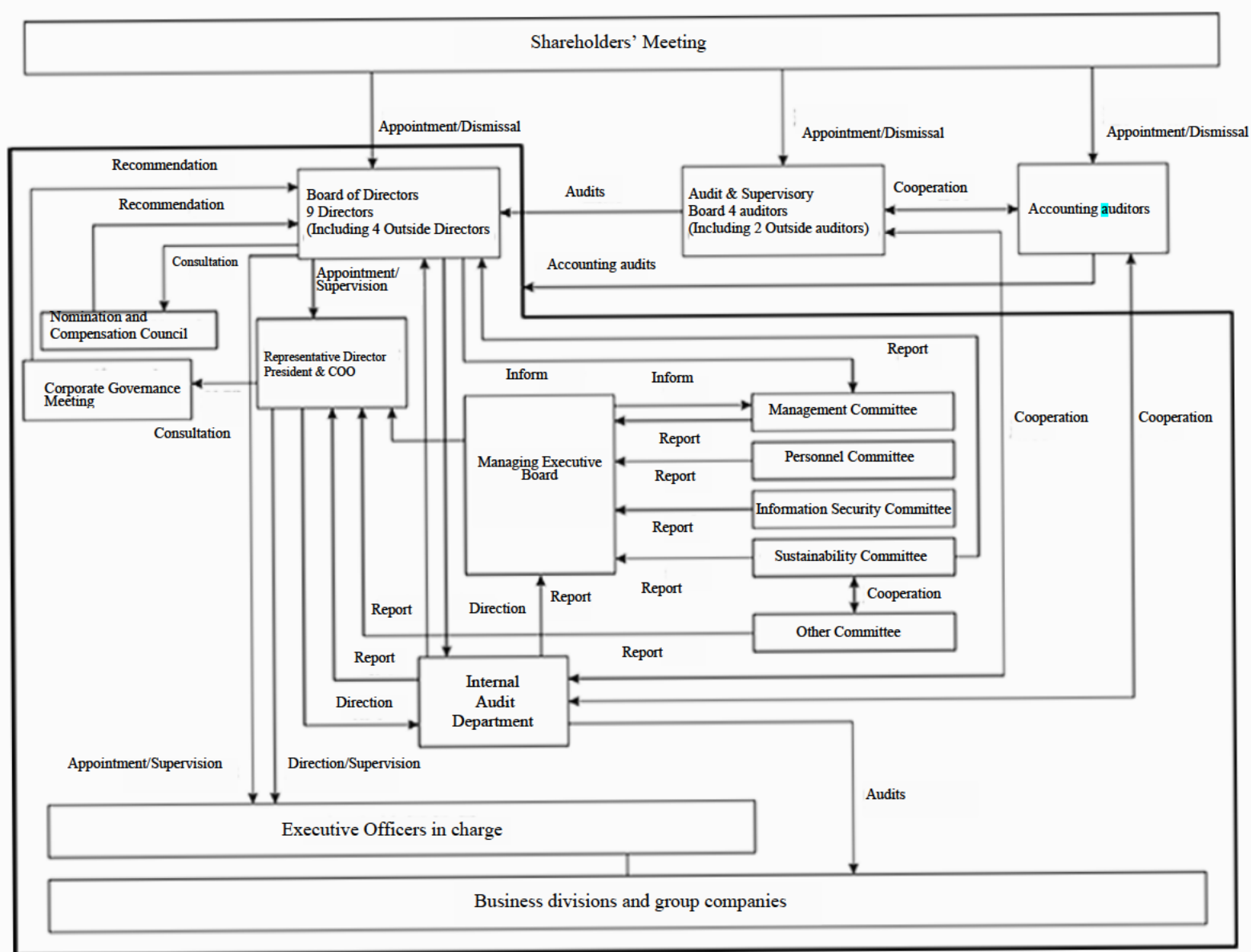
The initiatives described in (2) are specific measures aimed at enhancing the Company's medium- to long-term corporate value and, by extension, the common interests of shareholders, and they contribute to the realization of our basic policy. Furthermore, the initiatives described in (3) are intended to ensure that shareholders have sufficient information and time for consideration in order to decide whether or not to respond to large-scale purchase actions, thereby securing the common interests of shareholders. Accordingly, the above initiatives are consistent with the Company's basic policy, do not impair the common interests of shareholders, and are not intended to maintain the positions of officers.

2. Other matters regarding corporate governance systems, etc.

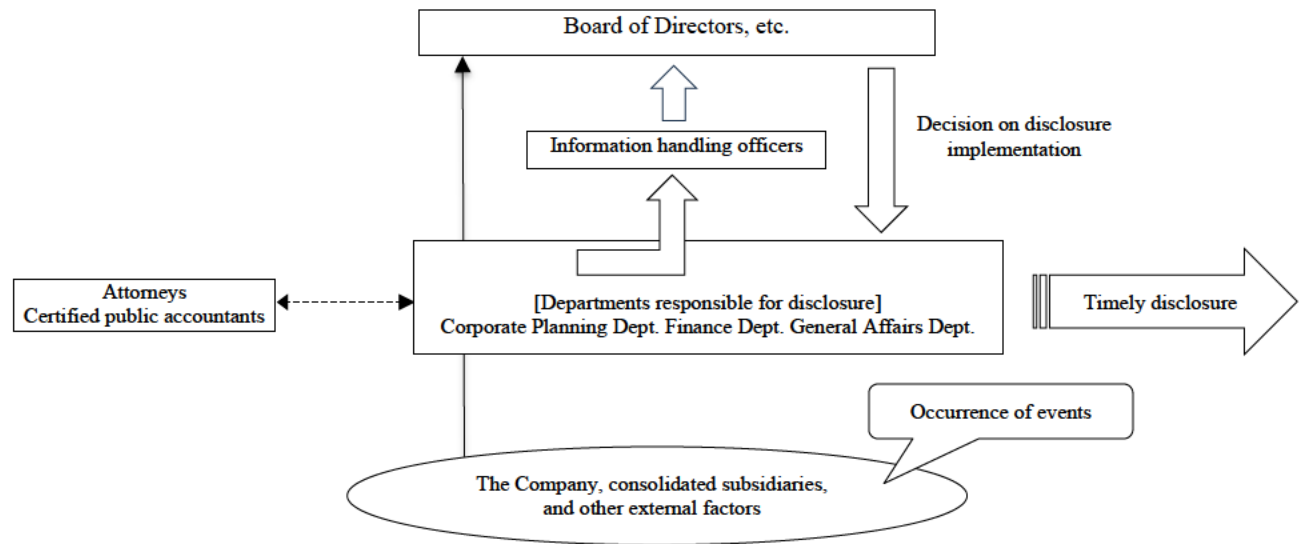
By disclosing various corporate information in a timely, appropriate and proactive manner, the Company intends to enhance the checking function from the outside, including shareholders, and enhance the transparency of management.

By disclosing various types of corporate information in a timely, appropriate, and proactive manner, we aim to further enhance external oversight functions from shareholders and other stakeholders, thereby increasing management transparency. The Company ensures that important information within the Group is consolidated into one of the following departments: the Corporate Planning Department, the Finance Department, or the General Affairs Department. Accordingly, whenever any of these three departments obtains material information that may be subject to timely disclosure, the department in charge of disclosure discusses the matter, reports it to the person responsible for information handling and the representative director, and determines the appropriate response.

【Schematic diagram of the Company's corporate governance system】



【Schematic diagram of timely disclosure system】



Note 1: → indicates the flow of material information such as proposals for the Board of Directors.

Note 2: ⇔ indicates the flow of material information that has been determined to require disclosure.

Note 3: In implementing disclosure, advice is received from attorneys and other professionals as appropriate.

Note 4: The departments responsible for disclosure and each department involved in the occurrence of events have established a system to appropriately prepare for "Progress and Correction Disclosures" regarding disclosed content.

End

Directors' skill matrix

■ Knowledge and experience particularly expected by the Company for each director

		Corporate management	Production, technology & R&D	Sales & Marketing	Global	Finance, Accounting & Human Resources	Governance, Compliance, and Risk Management	Qualifications, etc.
Directors	Noriyuki Negoro	◎	◎	◎			◎	
	Tetsuo Takami	◎		◎			◎	
	Takahiro Umeda	◎				◎	◎	
	Fumitaka Yamazaki	◎	◎			◎		
	Shuji Sonoi	◎	◎		◎			
Outside Directors	Kiichi Suzuki	◎	◎		◎		◎	・ Experienced manager of a listed company
	Daizo Nishimura					◎	◎	・ Certified accountant ・ Tax accountant
	Junko Yaguchi	◎				◎	◎	・ Experienced manager of a listed company
	Kaori Matsue	◎	◎				◎	

※ The above table does not show all of the skills held by each director.

※ Activities as a director are not limited to the items marked ◎.