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INTELLIGENT WAVE INC.

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Securities Code: 4847

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

**The corporate governance of INTELLIGENT WAVE INC. (hereinafter referred to as the “our company”) is described below.**

## [I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information](#)

### [1. Basic Views](#)

Our company pursues “to provide safety and convenience for the information society of tomorrow” as its management philosophy, and in accordance with that philosophy, our company aims to contribute to society by boosting our enterprise value by promoting a business that “provide IT infrastructure that is swift, secure, high-quality, and highly convenient” as its management policy.

The system developed by our company is the IT infrastructure indispensable for society, because of which a product of high standards is being demanded in order to successfully execute high speed and safe transactions with the stability of the system being a necessary condition. Our company boasts of many developmental achievements and safe operations, and we believe the trust we have gained from these results will continue to support our company’s business and become its developmental foundation.

Our company’s management policy will be to meet the expectations of our stakeholders by expanding our company’s business foundation by offering an IT infrastructure that will continue to be trusted by more customers.

Our company is promoting the strengthening of our management supervisory function by appointing independent outside directors and outside auditors, as well as placing the Nomination and Compensation Committee, which will be comprised mostly of these independent executives, under the Board of Directors.

Further, our company’s basic policy will be to guarantee transparency in management by fairly and quickly disclosing any valuable information necessary for the understanding of our company’s management and business status, as well as promoting dialogue with the marketplace. In addition, training for increasing employees’ awareness of compliance will be thoroughly conducted in order to comprehensively enhance our corporate governance.

### [【Reasons for Non-compliance with the Principles of the Corporate Governance Code】](#)

#### [【Principle 4-11 Preconditions for Ensuring the Effectiveness of the Board of Directors and the Board of Auditors】](#)

Our company’s Board of Directors is comprised of 2 people whose major business career was in our company’s parent company, 2 people whose major business career was in the present company and 2 independent outside directors.

Our company does not have major businesses or trading partners overseas and does not have any directors who are foreign nationals. Further, our company does not have any female directors.

However, the current Board of Directors is composed of members who are well versed in our company’s business and

possess expertise necessary for management, so we believe that there are no problems with the guaranteeing of scale and effectiveness. Further, as the candidates for directors are not selected based on gender or nationality, we believe that, depending on the progress of business in the future, it is possible for someone other than a Japanese male to become a director in our company.

#### **【Disclosure Based on Principles of the Corporate Governance Code】**

##### **【Principle 1-4 Cross-Shareholdings】**

###### **<Policies and Way of Thinking Regarding the Reduction of Cross-Shareholdings>**

Our company owns listed shares as cross-shareholdings with the aim of expanding its business and strengthening its relations, but it has a policy of examining the appropriateness of possession of shares when necessary and reducing owned shares if it is judged that the continued ownership of said shares will not contribute to the improvement in value of our company or the issuing company.

###### **<Details of Check of Appropriateness of Cross-Shareholdings>**

Our company performs a quarterly evaluation on the business conditions of each issuing company of our owned shares, evaluating its future prospects and its relevance to our company's business, and comprehensively discusses the medium/long-term economic rationality of the ownership of said shares. We make an effort to examine the risk and return in holding the shares as concretely as possible using indices such as capital cost. Further, in the case our company decides to sell its owned shares, our company discloses the details of the examination process as much as possible.

###### **<Standards for Exercising Voting Rights Involving Cross-Shareholdings>**

Our basic policy on exercise of voting rights is to contribute to the expansion of our business, strengthen relations between both parties, and the increase in enterprise value of both parties. Further, our company follows this policy when holding discussions regarding proposals.

In the future, if the number of cross-shareholdings increases significantly or the like, our company plans to take appropriate measures in accordance with its policy on exercise of voting rights, such as preparing other standards for the exercising of voting rights.

##### **【Principle 1-7 Related Party Transactions】**

Regarding the transactions between related parties, our company makes sure to conform to the Companies Act and in-house regulations as well as accounting standards related to the disclosure of related parties. In case a transaction between related parties takes place, it is determined by a resolution of the Board of Directors, in accordance with the "Regulations for the Board of Directors."

Further, regarding directors and auditors, the circumstances of the transactions are submitted through an "Investigation Report on Transactions Between Related Parties," which are then inspected by an accounting auditor.

##### **【Principle 2-6 Roles of Corporate Pension Funds as Asset Owners】**

Our company has been a member of the Japan Computer Information Service Employees' Pension Fund since April 2011, and the Pension Fund entrusts the management of our pension assets to a management institution.

The Pension Fund stipulates that decisions regarding the component ratio of pension assets shall be made by people with

expertise on the subject and experience, who perform regular market valuation regarding management circumstances and results.

#### 【Principle 3-1 Full Disclosure】

##### (1) Company Objectives (e.g., Business Principles), Business Strategies and Business Plans

Our company pursues “to provide safety and convenience for the information society of tomorrow” as its management philosophy, and aims to boost our enterprise value and contribute to society by promoting a business that “provide IT infrastructure that is swift, secure, high-quality, and highly convenient” as its management policy.

Our company is engaged in system development using our online, real time network connection technology for credit card settlements and stock exchange as its strength, and offers systems to its client companies. The system developed by our company is IT infrastructure indispensable for society, because of which a product of high standards is being demanded in order to successfully execute high speed and safe transactions with the stability of the system being a necessary condition. Our company boasts of many developmental achievements and safe operations, and we believe the trust we have gained from these results will continue to support our company and become its developmental foundation.

Our company’s management policy will be to meet the expectations of our stakeholders by expanding our company’s business foundation by offering IT infrastructure that will continue to be trusted by more customers.

##### (2) Basic Views and Guidelines on Corporate Governance

Please refer to “1. Basic Views” of this report.

##### (3) Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors

Regarding the compensation for the directors, a discussion is held by the Nomination and Compensation Committee, which is an advisory committee under the Board of Directors, after which the compensation is determined by the Board of Directors, within the compensation limit agreed upon at the Shareholders’ General Meeting. The Nomination and Compensation Committee is comprised of all 5 outside executives, a representative director, and others, which guarantees an outside perspective due to the majority of the committee being comprised by outside executives, and after consultation with the directors, topics related to the nomination and compensation of directors are deliberated on, after which all opinions are summarized and reported to the Board of Directors.

Regarding the compensation for each director, the compensation for a full-time director is comprised of a fixed monthly compensation, a bonus based on performance and a share-based compensation, and the compensation for outside directors and part-time directors is comprised of only a fixed monthly compensation not based on performance. The fixed monthly compensation amount is calculated using a standard compensation table established for each position according to in-house regulations, and then taking into consideration the various responsibilities and tasks carried out by the individual. Regarding the bonus based on performance, in order to accurately reflect the performance during the fiscal year, our company uses a compensation system that calculates the bonus using a coefficient based on position, with operating profit being used as an index. Further, in order to boost the degree of responsibility of a director towards their performance, the bonus based on performance is set to account for 30% of the total compensation. Further, regarding the share-based compensation, based on the 34<sup>th</sup> Shareholders’ General Meeting held on September 27, 2017, a restricted stock compensation plan was introduced with an annual amount limited to 10 million yen, an annual share limit of 20,000 shares and a share transfer period limit of 3 years.

#### (4) Board Policies and Procedures in the Appointment/Dismissal of the Senior Management and the Nomination of Directors and Auditors Candidates

Regarding the nomination of senior management, a director, an auditor or an executive officer, a wide variety of candidates from both inside and outside our company are selected at the Nomination and Compensation Committee, which is an advisory committee under the Board of Directors, out of whom candidates with excellent personality along with the ability to make precise and fair decisions regarding the management of our company, an abundance of experience and outlook, or knowledge and expertise on our company's business and the industry, or academic knowledge, are selected and the opinions are summarized, after which the candidate is reported to the Board of Directors. Regarding candidates for auditors, the candidate is also reported to the Board of Company Auditors and after earning the consent of the Board of Company Auditors, the nomination of each candidate is decided by the Board of Directors.

Regarding the policies and procedures for the dismissal of senior management, if a representative director, a director or an executive officer is found to have committed a serious violation of the law, or have performed an act which gravely damaged the reputation or reliability of our company, or displayed a serious lack in business performance, or did not fulfill duties and needs to be dismissed, the Board of Directors will resolve the dismissal of the person in question after appropriate deliberation on the matter. Further, in case a director is facing dismissal, the matter will be brought up at the Shareholders' General Meeting.

#### (5) Explanation regarding Individual Nominations and Dismissals when the Board of Directors Nominate and Dismiss Senior Management, and Nominate Candidates for Directors and Auditors in accordance with the above Section (4)

The reason for the nomination of individual candidates for directors and auditors is recorded and explained in the Shareholders' General Meeting's reference documents included in the convocation notice for the Shareholders' General Meeting. Further, the reason for the dismissal of a representative director is disclosed in a timely manner along with a written explanation. Further, should a situation arise which necessitates the dismissal of a director or an auditor, the reason for the dismissal will be recorded and explained in the Shareholders' General Meeting's reference documents, like the procedure at the time of nomination.

The Shareholders' General Meeting's reference documents are available on our company's website.

([https://www.iwi.co.jp/ir/general\\_meeting/](https://www.iwi.co.jp/ir/general_meeting/))

Documents for timely disclosure are available on the Timely Disclosure Information Service (TDnet) as well as our company's website.

(<https://www.iwi.co.jp/ir/material/>)

#### 【Supplementary Principle 4-1-1 Roles and Responsibilities of the Board】

Our company established the Board of Directors as an organ that would discuss and take decisions on important administrative matters, as well as supervise the execution of the tasks of each director. Until now, the Board of Directors was comprised of 10 directors (including 2 independent outside directors), but the structure of the Board of Directors was revised with the aim of clarifying responsibilities concerning the supervision of management and task execution, and as of the day this report was submitted, the Board of Directors is comprised of 6 directors (including 2 independent outside directors). Our company stipulates that the Board of Directors will see to the appropriate fulfillment of the following responsibilities.

1. Detailing the visions for business strategies and such
2. Discussing and executing measures that will contribute to an increase in enterprise value based on a spirit of wholesome

entrepreneurship

### 3. Performing highly effective supervision on directors or executive officers

The following are the details of the performance of the Board of Directors in FY 6/2020.

Regular Board of Directors' meetings are held every month, but extraordinary meetings are also held as needed, with 18 such meetings having been held this term.

Further, every Board of Directors meeting is attended by all directors, and the average duration of these meetings is around one hour. Auditors also attend the Board of Directors' meetings, with all the auditors having attended each meeting this term with the exception of one auditor being absent from one meeting.

During FY 6/2020, the Board of Directors voted on a total of 54 important administrative matters, including those on research and development or capital investment, new products, financial affairs, organizational restructuring and management personnel affairs, the personnel system for employees, and the establishment of the governance system.

Regarding proposals on research and development or capital investment, a project that was considered to be of high importance out of contents and scale was discussed and voted on. Regarding proposals on financial affairs, the approval for account settlement and budgets, as well as the acquisition and disposal of treasury stocks were voted on.

Further, regarding earnings forecasts, the state of business progress and the state of individual developmental matters, task execution of each director was supervised by individually discussing and deliberating on 84 different reported matters. These reported matters included reports and discussion regarding general risks related to our company and business, and risk analysis and countermeasures for this term following the spread of COVID-19 were advised.

For both resolutions and reported matters, mainly independent outside directors requested details explanations from directors in charge, and there was aggressive exchange of opinions on matters of discussion.

Our company established and operates management meetings with the aim of stimulating and enhancing debate during the Board of Directors' meetings.

In management meetings, which are attended by all directors, executive officers and auditors, supplementary information on the backgrounds of matters to be brought up at the Board of Directors' meeting as well as information necessary to understand the points of discussion are explained by executive officers, the head of each department, the business supervisor and other related personnel within our company. Further, reports on the state of progress and related risks concerning research and development projects already in progress and individual development projects, technical knowledge and information related to our company's products and services are explained, which helps the directors and auditors deepen their understandings on such subjects. As they are a form of coordination of information meant to raise the quality of discussion at the Board of Directors' meetings, the management meeting does not have any decision-making authority and no decisions are made.

In FY 6/2020, management meetings were held a total of 11 times with 24 topics of discussion, and the duration of each meeting was about one hour. The major topics of discussion were reports on matters of research and development such as development of the next-generation versions of our company's products, and plans for new business and their state of progress, along with reports on the state of ongoing individual development projects, taking up 20 topics of discussion. In addition, overseas travel for the purposes of new business and new product development were reported and ideas were exchanged.

Some topics of discussion at the management meetings for FY 6/2020 are later introduced at the Board of Directors' meetings and voted on after sufficient and efficient discussion. We believe the establishment and operation of management meetings will enhance our corporate governance, especially debates at the Board of Directors' meetings, and contribute to an

appropriate decision-making process.

**【Principle 4-8 Effective Use of Independent Outside Directors】**

Out of 6 directors, our company nominates 2 independent outside directors. The independent outside directors take part in management from an objective standpoint, and each of them uses their expertise to offer appropriate advice and recommendations, fulfilling important risk management and management supervision roles through debates at the Board of Directors' meetings and performing their tasks efficiently during decision-making with high explanatory abilities.

**【Principle 4-9 Independence Standards and Qualification for Independent Outside Directors】**

Please refer to "Independent Executives" of this report.

**【Supplementary Principle 4-11-1 Composition of the Board of Directors, Way of Thinking Related to Diversity and Scale】**

When appointing directors, we choose individuals considered to be highly capable personnel with expertise and experience necessary to facilitate precise and swift decision-making in the Board of Directors, and when appointing auditors, we choose individuals considered to be highly capable personnel with expertise and experience necessary to debate at the Board of Auditors' conferences and supervise directors.

In practical terms, the current compositions of the Board of Directors and Board of Auditors are well balanced with guaranteed effectiveness, but our company is taking initiatives to evaluate the effectiveness of its Board of Directors and increase effectiveness using appropriate self-assessment questionnaires.

**【Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Auditors】**

In case an outside director or an outside auditor holds a concurrent position as an executive for another listed company, our company confirms that their involvement with the given company is to a reasonable extent so as to not affect their duties in our company. Further, the state of major concurrent positions including executives in another company are disclosed in the convocation notices of Shareholders' General Meetings and securities report.

Other than the auditor Hiroshi Sato, who is an outside auditor for IBC Co., Ltd. and an outside auditor for Terilogy Co., Ltd., the auditor Noboru Takebayashi, who is representative director and president of DXA Co., Ltd., an auditor for webrage CO., LTD. and an auditor for bravesoft inc., and the auditor Masayuki Horie, who is an outside auditor for NEC Networks & System Integration Corporation and a permanent trustee of Japan Society for Systems Audits, president of the Japan Auditing Association, and an auditor for Japanese Internal Control Research Association, there are no directors or auditors who hold concurrent positions in other listed companies.

**【Supplementary Policy 4-11-3 Analysis and Evaluation of the Effectiveness of the Board】**

In order to evaluate the overall effectiveness of the Board of Directors, our company entrusted an external institution with a questionnaire survey targeted at all directors and auditors, and received a report on the results.

A questionnaire survey held in February 2020 showed that all executives wanted to further enhance the debates at the Board of Directors' meetings, for example, by prior sharing of information such as the relation between the business environment and our company's business strategy and technical information, which can serve as background for various measures and prove to be effective during their discussion, along with suggestions on document layout, management of the proceedings, etc.

Our company is making efforts to enhance debate at the Board of Directors' meetings by redefining separately established

management meetings as an opportunity for executives to share information, with reporting and explanation of information related to broad-ranging items to be discussed. Further, our company has taken steps to optimize management and strengthen information management by facilitating the reading and sharing of documents for Board of Directors' meetings by introducing tools for paperless meetings and online meetings. Our company is promoting an increase in efficiency for Board of Directors through the above steps.

**【Supplementary Principle 4-14-2 Training Policy for Directors and Auditors】**

Our company is making an effort to increase the quality of our directors and auditors through participation in various seminars about corporate governance, internal controls, compliance, etc. and organizing workshops, with the aim of cultivating knowledge deemed necessary for each director and auditor to be able to properly fulfill the responsibilities and duties expected of them.

**【Principle 5-1 Policy for Constructive Dialogue with Shareholders】**

(Policies)

Our company engages in the transmission of information with the principle that all of our stakeholders, including shareholders and investors, are provided with information related to our company's management policy, business strategy and financial affairs that is (1) Accurate, (2) Fair, (3) Timely and (4) Easy to Understand.

Further, our company is promoting the English translation of disclosed documents and reports, and the disclosure of English brief financial reports, quarterly reports and convocation notices for Shareholders' General Meetings takes place simultaneously with the disclosure of the original Japanese documents. The English translations of documents to be disclosed timely and financial results briefing documents are also disclosed simultaneously with the original Japanese documents. Financial results briefing sessions for institutional investors are held every quarter, and the minutes of the speeches made during the briefings are disclosed in both Japanese and English. Since the translation of securities report take time, these are disclosed quickly as soon as the translations are complete.

Reports on our company's initiatives regarding ESG issues, which are of interest to our investors, are produced in both Japanese and English, and are disclosed on our company's website, etc.

(System)

(1) Our company has appointed supervisors who concurrently serve as IR managers. The representative directors also proactively participate in dialogue and promote constructive discussions in order to facilitate investor relations activities.

(Specific Examples)

- Periodically holding briefings for individual investors

Participation in company briefings for individual investors held in Osaka and other regional cities

- Periodically holding briefings for institutional investors

Holding briefings after the release of quarterly and term-end financial results

- Organizing individual meetings with domestic and overseas institutional investors as needed
- Attendance at IR conferences held overseas, organizing individual meetings with local institutional investors
- Enhancement of information disclosure

Issuing of business report, production of English and Japanese versions of sustainability reports, information disclosure through our company's website

- Disclosure of English translations of quarterly summary, brief financial statements, and reference material for briefing financial results

(2) The IR supervisor reports the contents of the dialogue with shareholders and others to the representative directors as necessary.

(3) Our company makes efforts to appropriately disclose information in accordance with our IR policy, and thoroughly manage insider information to prevent information leakage in accordance with the “Regulations on the Prevention of Insider Trading.”

## 2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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### 【Status of Major Shareholders】

Name	No. of Shares Owned	Percentage [%]
Dai Nippon Printing Co., Ltd.	13,330,700	50.61
Kazuhiko Adachi	2,382,900	9.05
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	857,924	3.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	549,600	2.09
Intelligent Wave Employee Shareholding Association	512,300	1.94
Japan Trustee Services Bank, Ltd. (Trust Account)	309,500	1.18
Motoichi Mizota	301,000	1.14
Japan Trustee Services Bank, Ltd. (Trust Account 5)	235,900	0.90
Hideki Nishino	209,000	0.79
MUFG Bank, Ltd.	200,000	0.76

Controlling Shareholders (except for parent company)	—
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Parent Company	Dai Nippon Printing Co., Ltd. (Listed: Tokyo) (Code: 7912)
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Supplementary Explanation
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## 3. Corporate Attributes

(1) Listed Stock Exchange and Market Section	Tokyo Stock Exchange First Section
(2) Fiscal Year-End	June
(3) Type of Business	Information and Communications Industry
(4) Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Over 100 and less than 500
(5) Sales (consolidated) as of the End of the Previous Fiscal Year	Over 10 billion yen and less than 100 billion yen



(6) Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10
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#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Our company is making an effort to not damage the interests of minority shareholders when trading with the parent company, by determining fair and appropriate trading conditions based on rational judgement like the case of trading with other clients.

Before engaging in transactions with the parent company, trading conditions are debated and discussed individually by a management board of full-time directors and in-company staff, so as not to leave any omissions. In addition, important transactions with the parent company are reported to the Board of Directors.

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

Dai Nippon Printing Co., Ltd., which is our company's parent company, owns 50.61% of our company's outstanding shares, which makes our company its consolidated subsidiary. Our company is taking business initiatives in coordination with its parent company, utilizing its various strengths in the information system industry, with the common aim of increasing enterprise value.

Out of 6 directors, our company has nominated 2 independent outside directors, and has built and is managing a governance system that preserves and strengthens autonomy and independence in management.

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

### 1. Organizational Composition and Operation

Organizational Form	Company with company auditors
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#### 【Directors】

Maximum Number of Directors Stipulated in Articles of Incorporation	15 (Upper Limit)
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	President
Number of Directors	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Outside Directors Appointed as Independent Executives	2

#### Relationship with our company (1)

Name	Attributes (※)	Relationship with our company (※)										
		a	b	c	d	e	f	g	h	i	j	k
Akira Watanabe	Lawyer								△			

Kenichi Miki	Member of another Company								△			
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※ Items for Selection Regarding the Individual's Relationship with Our Company

※ “○”: The individual falls under the item in question presently or recently, “△”: The individual fell under the item in question in the past

※ “●”: A close relative of the individual falls under the item in question presently or recently, “▲”: A close relative of the individual fell under the item in question in the past.

- a Executive of our company or its subsidiary
- b Executive or non-executive director of the parent company of our company
- c Executive of a sister company of our company
- d Individual or an executive of a company with our company as a major business partner
- e Major business partner or an executive of a major business partner of our company
- f Consultant, an accounting expert or a legal expert receiving large sums of money or other assets from our company outside of executive compensation
- g Major shareholder of our company (in case the major shareholder in question is a corporation, then an executive of the corporation)
- h Executive of a business partner of our company (not falling under either d, e or f) (only for the individual in question)
- i Executive of a company in which an outside executive has a concurrent post (only for the individual in question)
- j Executive of a company to which our company has donated (only for the individual in question)
- k Other

Relationship with our company (2)
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Name	Independent Executive	Supplementary Explanation Regarding Applicable Items	Reason for Appointment of the Outside Director in Question (In case the individual is appointed as an independent executive, the reason for the appointment will also be included)
Akira Watanabe	○	<p>Lawyer of Akira Watanabe Law Firm. Visiting Researcher at the Research Center for Advanced Science and Technology, the University of Tokyo.</p> <p>Our company had previous relationships with Mr. Akira Watanabe as a legal advisor regarding legal affairs, but there are no longer such transactions, and our company has decided to omit the entry of a summary as there is no fear of the relationship impacting the decisions made by shareholders and investors,</p>	<p>Our company decided to appoint Mr. Akira Watanabe as an outside director because he possesses legal expertise as a lawyer with an abundance of academic experience working as a specially-appointed professor at the Research Center for Advanced Science and Technology, the University of Tokyo, which will allow him to participate in management from an objective standpoint and offer appropriate advice and recommendations independent of the senior managements responsible for task execution. As mentioned in the left column, our company had prior relationships with Mr. Akira Watanabe,</p>

		given the scale and quality of transactions.	but there is no fear of any conflicts of interest arising out of them, and since he has met all the requirements to become an independent executive, our company designated him as an independent executive.
Kenichi Miki	○	Mr. Kenichi Miki held the positions of senior managing director and advisor at Daiwa Institute of Research Business Innovation Ltd., from which he retired in April 2017. Our company has transaction relations with Daiwa Institute of Research Business Innovation Ltd., but it has decided to omit the entry of a summary as there is no fear of the relationship impacting the decisions made by shareholders and investors, given the scale and quality of transactions.	Mr. Kenichi Miki possesses experience as a manager and deep knowledge regarding the industry, which will allow him to participate in management from an objective standpoint and offer appropriate advice and recommendations independent of the senior managements responsible for task execution. As mentioned in the left column, Mr. Kenichi Miki held the positions of senior managing director and advisor at one of our company's client companies, but as he has since retired from both these positions, there is no fear of any conflicts of interest arising out of them, and since he has met all the requirements to become an independent executive, our company appointed him as an independent executive.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Yes

	Committee Title	Members	Full-time Members	Company Directors	Outside Directors	Outside Experts	Others	Committee Chairperson
Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	7	2	2	2	0	3	Company Director
Committee Corresponding to Compensation Committee	Nomination and Compensation Committee	7	2	2	2	0	3	Company Director

#### Supplementary Explanation

Our company has established and manages the Nomination and Compensation Committee as an advisory committee to the Board of Directors, based on the “Nomination and Compensation Committee Regulation.” The Nomination and Compensation Committee is comprised of 5 outside executives and a representative director, which guarantees an outside perspective due to the majority of the committee being composed of outside executives, and after consultation with the directors, topics related to

the nomination and compensation of directors are deliberated on, after which all opinions are summarized and reported to the Board of Directors. Such a structure and management of the Nomination and Compensation Committee contributes to the autonomy and objectivity of the functions of the Board of Directors related to the nomination and compensation of directors, as well as the strengthening of accountability.

The Nomination and Compensation Committee held 3 meetings during FY 6/2020, with each meeting lasting for about one hour. The adoption of an executive officer system, nomination of director candidates and executives, and a review of the compensation system for full-time directors were discussed and debated on as major topics.

After an exchange of opinions among the members at the meeting, the Nomination and Compensation Committee reports the results to the Board of Directors, and the Board of Directors conducts a vote on the following items.

As the term of office for all the directors (10 directors) are about to expire, the Board of Directors voted to reduce the number of directors by 4 and nominate 6 director candidates. In addition, the Board of Directors voted to adopt an executive officer system and appoint 6 executives including executives concurrently serving as directors.

Further, with the expiration of the term of office for 1 auditor and retirement of 3 auditors, the Board of Directors voted to appoint 4 auditor candidates.

Regarding the auditor candidates, after earning the consent of the Board of Auditors, the nomination of each candidate was decided by the Board of Directors.

Regarding the compensation system, the Board of Directors voted for a review of the compensation system for FY 6/2021, where the ratio of the performance-based compensation will increase from 21% to 30% due to a reduction in the monthly fixed compensation and an increase in compensation based on performance as a result of a review of the bonus calculation method. Further, in order to increase the correlation with the results in business performance, the Board of Directors voted to change the index for business performance correlation from income before taxes to operating profit for FY 6/2021.

#### 【Regarding Auditors】

Establishment of a Board of Auditors	Established
Total Number of Auditors as per the Articles of Incorporation	5
Number of Auditors	5

#### Cooperation among Auditors, Accounting Auditors and Internal Audit Department

A cooperative relation with accounting auditors is maintained by holding an exchange of opinions and interviewing to gather information when necessary, witnessing audits in certain situations, etc. and any problems that arise are discussed and resolved as they appear.

Auditors formulate an annual auditing plan and carry out the auditing of necessary items in cooperation with the Internal Audit Department. Further, auditors periodically hold exchange meetings with the Internal Audit Department for information and opinions related to internal controls, to share the evaluation on the effectiveness of the internal controls.

State of Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Outside Auditors Appointed as Independent Executives	3

Relationship with our company (1)
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Name	Attributes (※)	Relationship with our company (※)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroshi Sato	Member of a Different Company										△			○
Noboru Takebayashi	Member of a Different Company													○
Masayuki Horie	Member of a Different Company													○

※ Items for Selection Regarding the Individual's Relationship with our company

※ “○”: The individual falls under the item in question presently or recently, “△”: The individual fell under the item in question in the past

※ “●”: A close relative of the individual falls under the item in question presently or recently, “▲”: A close relative of the individual fell under the item in question in the past

- a Executive of our company or its subsidiary
- b Non-executive director or accounting consultant of our company or its subsidiary
- c Executive or non-executive director of the parent company of our company
- d Auditor of the parent company of our company
- e Executive of a sister company of our company
- f An individual or an executive director of a company with our company as a major business partner
- g A major business partner or an executive director of a major business partner of the listed company
- h A consultant, an accounting expert or a legal expert receiving large sums of money or other assets from our company outside of executive compensation
- i A major shareholder of our company (in case the major shareholder in question is a corporation, then an executive director from the corporation)
- j Executive of a business partner of our company (not falling under either f, g or h) (only for the individual in question)
- k Executive of a company in which an outside executive has a concurrent post (only for the individual in question)
- l Executive of a company to which the listed company has donated (only for the individual in question)
- m Other

Relationship with our company (2)
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Name	Independent Executive	Supplementary Explanation Regarding Applicable Items	Appointment of the Outside Auditor in Question (mandatory)
Hiroshi Sato	○	Outside auditor, IBC Co., Ltd. Outside auditor, Terilogy Co., Ltd. No special relationship with our company	Our company believes Mr. Hiroshi Sato can strengthen our auditing ability through his personal history as a manager of a company in the same industry as our company, along with an abundance of expertise and wide-ranging knowledge. There is no fear of any conflicts of interest arising

			with shareholders, and he has met all the requirements to become an independent executive.
Noboru Takebayashi	○	President and CEO, DXA Co., Ltd. Auditor, webrage CO., LTD. Auditor, bravesoft inc. No special relationship with our company	Mr. Noboru Takebayashi has managerial experience like working as a director, and our company nominated him because we believe he can strengthen our auditing ability through extensive knowledge and experience in the IT industry as well as wide-ranging knowledge, along with being able to offer appropriate advice and recommendations from an objective and independent standpoint as an outside auditor in other companies. There is no fear of any conflicts of interest arising with shareholders, and he has met all the requirements to become an independent executive.
Masayuki Horie	○	Professor, College of Commerce, Nihon University Outside auditor, NEC Networks & System Integration Corporation Permanent trustee, Japan Society for System Audits President, Japan Auditing Association Auditor, Japan Internal Control Research Association No special relationship with our company	As a university professor, Mr. Masayuki Horie has deep knowledge mainly related to IT internal controls and IT auditing in business management, and our company nominated him because we believe he can offer appropriate advice and recommendations from an objective and independent standpoint as President of the Japan Auditing Association, along with having experience as an outside auditor in other companies. There is no fear of any conflicts of interest arising with shareholders, and he has met all the requirements to become an independent executive.

#### 【Independent Executives】

Number of Independent Executives	5
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Other Items Related to Independent Executives
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Our company judges that outside directors and outside auditors will have autonomy, when they do not fall under any of the following items.

(1) An individual, or an executive director of a company with our company as a major business partner (Note 1)

A major business partner receives more than 5% of their annual consolidated sales from transactions with our company during one of the 3 most recent fiscal years (Note 2).

(2) A major business partner or an executive director thereof of our company (Note 1)

A major business partner receives more than 5% of their annual consolidated sales from transactions with our company during one of the 3 most recent fiscal years (Note 2).

(3) A consultant, an accounting expert or a legal expert receiving large sums of money or other assets from our company outside of executive compensation

Large sums of money or other assets is defined as anything with a monetary value greater than 10 million yen per year.

(4) An individual who fell under any of the above items (1) to (3) anytime in the past 3 fiscal years (Note 2)

(5) An individual within the second degree of kinship to an individual who falls under any of the following items ① to ④

① An individual who falls under any of the above items (1) to (4)

② An executive director of a subsidiary of our company (Note 1)

③ A director of a subsidiary of our company who is not an executive director (For cases when outside auditors are nominated as independent executives)

④ An executive director of our company, or an individual who falls under the above item ① or ② in the past 3 fiscal years (Note 2)

(6) A major shareholder of our company or an executive director thereof (Note 2)

A major shareholder is defined as anyone who directly or indirectly owns more than 10% of our company's voting rights.

(Note 1) An executive director is defined as anyone who meets the standards set in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act.

(Note 2) The starting point for calculation will be the point when a proposal for appointment submitted to the Shareholders' General Meeting is adopted.

#### **【Incentives】**

State of Implementation of Incentive Policies for Directors

Other

#### Supplementary Explanation

The compensation for a full-time director is comprised of a fixed monthly compensation, a bonus based on performance and a share-based compensation. Regarding the bonus based on performance, in order to accurately reflect the performance during the fiscal year, our company uses a compensation system which calculates the bonus using a coefficient based on position, with operating profit being used as an index. Further, in order to boost the degree of responsibility of a director towards their performance, the bonus based on performance is set to account for 30% of the total compensation.

Further, regarding the share-based compensation, based on the 34<sup>th</sup> Shareholders' General Meeting held on September 27, 2017, a restricted stock compensation plan was introduced for directors, excluding outside directors and part-time directors, to strengthen shared interest with shareholders by promoting the holding of shares of our company by directors, with an annual amount limited to 10 million yen, an annual share limit of 20,000 shares and a share transfer period limit of 3 years.

Individuals to Receive Stock Options

#### Supplementary Explanation

## 【Compensation for Directors】

### State of Disclosure (of Individual Compensation for Directors)

Individual Compensation not Disclosed

#### Supplementary Explanation

Our company disclosed the total amount of executive compensation as follows in “State of Corporate Governance, etc.” of the securities report (FY 6/2020).

(Details of Compensation for Directors)

(1) Total amount of compensation for each executive division of the submitting company, the total amount of each type of compensation and the number of executives receiving the compensation

① Directors (excluding outside directors)	Total amount of compensation	7 directors	68,021 thousand yen
② Auditors (excluding outside auditors)	Total amount of compensation	1 auditor	8,935 thousand yen
③ Outside Executives	Total amount of compensation	5 outside executives	25,380 thousand yen

(2) Total amount of consolidated compensation for each executive of the submitting company

Not recorded, as there are no individuals with a total amount of compensation greater than 100 million yen

(3) Important items within employee salary for employees concurrently serving as executives

Total amount 72,315 thousand yen

Executives to receive this compensation 6

Description Compensation for duties as head of division/department

### Policy on Determining Remuneration Amounts and Calculation Methods

Established

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

For information on compensation for directors, please refer to “I 1. 【Disclosure Based on Principles of the Corporate Governance Code】 【Principle 3-1】 (3) Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors” of this report.

The compensation for auditors is calculated within the auditor compensation limit and the compensation for each individual auditor is determined at a meeting of auditors.

## 【Support System for Outside Directors (Outside Auditors)】

In case outside auditors request assistants in their duties, our company responds to that request by allocating appropriate personnel.

#### Other Items

Our company has adopted an advisory system for full-time directors and in accordance with a vote by the Board of Directors, there are cases where the retired president is appointed as a special advisor, with other full-time directors being appointed as advisors.

Special advisors and advisors do not participate in any management decision-making and our company believes that from a



point of view of offering advice and recommendations based on extensive knowledge and technical skill in our company's work, along with strengthening relations with customers, they are effective for the business activities of our company.

All matters relevant to the operation of an advisory system were organized and in December 2017, these were enacted and enforced as the "Advisory Regulations," after which the term for special advisors was set at 2 years and the term for advisors was set at 1 year. Further, matters like appointment, dismissal, compensation, and treatment related to the advisory system are managed based on the same regulations.

As of the day this report was submitted, neither a special advisor nor an advisor has been registered.

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

(1) Our company reviewed the structure of the Board of Directors with the aim of clarifying the responsibilities of management supervision and business execution and adopted an executive officer system in September 2020. As a result of the adoption of the system, a more flexible and efficient business execution, along with an improvement in the organizations business execution abilities, is expected.

For information regarding the activities of the Board of Directors, please refer to 【Disclosure Based on Principles of the Corporate Governance Code】 of this report.

(2) Our company has 5 auditors (including 3 outside auditors) and there is one full-time auditor. Based on the audit standards, auditing policies and auditing plans formulated by the Board of Auditors, each auditor will attend important meetings such as Board of Directors' meetings, managements meetings, etc., audit the decision making and management procedures of the Board of Directors, and audit the state of business execution of each department as well as the state of business execution of directors through periodic interviews with each director, including the representative director, as well as senior manager of each department, along with auditing reports from the Internal Auditing Department. Further, auditors will carry out financial audits by auditing the legality of the financial report system, accounting, financial statements etc., along with receiving periodic reports from accounting auditors. In order to make sure auditors can perform their tasks smoothly, auditing members (1 member holding a concurrent post) will support the auditors in the execution of their tasks.

In FY 6/2020, a Board of Auditors' meeting was held once or more every month, and the attendance status of each auditor is as follows.

Name	Total Number of Meetings	Total Number of Meetings Attended
Masaharu Shirasugi	18	18
Hiromasa Ogawa	18	18
Kyoji Onishi	18	18
Michiharu Sakurai	18	17
Hiroshi Sato	18	18

The Board of Auditors held 4 meetings with accounting auditors. At these meetings, opinions were exchanged on the annual auditing plan, the review of quarterly results as well as other individual issues.

The Board of Auditors' meetings involved confirmations on the auditing policy, auditing plans, documents for approval, financial audits, decisions on the approval for compensation for accounting auditors and reappointment, and discussions related

to the resolutions on creating audit reports, along with an exchange of opinions on the rationality of management decisions, the state of progress for large-scale development projects and risk management. Further, the Board of Auditors holds periodic interviews with directors and the senior management of each department, and 48 such interviews were held in FY 6/2020. In addition, as part of the diversification of workstyles, the Board of Auditors is actively taking initiatives towards the utilization of online meetings.

The activities of full-time auditors include the attending of important meetings, browsing of important documents, coordination with the Internal Audit Department, gathering of company information, along with daily confirmation of the state of management and risk management.

(3) An Audit Department in charge of internal audits was established as an exclusive organization under direct control of the representative director and president, and as of the day this report was submitted, the department has 2 full-time members.

In accordance with the “Internal Audit Regulations,” the Audit Department holds individual interviews after clarifying its audit policies and important auditing matters by formulating an internal audit plan, completes auditing procedures through the inspection of documents and analysis on transition in numerical documents, and reports and notifies the president, auditors and the audited department of the results of the audit every time it performs an internal audit. If a potential for improvement is detected in any part of the internal auditing process, corrective measures are implemented and the results of the corrections are properly confirmed, guaranteeing the appropriateness of the tasks.

In FY 6/2020, the important auditing matters for this term were established, an internal audit plan was formulated based on these matters and their auditing was commenced after obtaining the approval from the president at the start of the term. An operational audit of each department, a financial audit of the accounting department and an audit and follow-up related to protection of personal information were carried out. An interview was held with each audited department through a prior written survey and inspection of relevant documents, which was focused on understanding the problems faced by each audited subject while preserving the quality of auditing. The results of the audit were summarized in audit work papers and audit reports, and the defects, issues and matters being addressed are classified into matters with potential for improvement, matters under observation and matters under consideration, the expected date of completion is clearly defined, and their state of progress is continuously verified as a follow-up.

The president is reported every time an audit is conducted through an internal audit report. The Board of Auditors and audited departments are also notified of the contents of the report. Further, the Audit Department holds regular monthly briefings with the president, with 12 such briefings having been held this term. These briefings include reports on the schedule and state of progress of the audits, explanation of the results of the audit as well as reports on the results of the monitoring independently performed by the Audit Department based on monthly financial results.

The Audit Department facilitates periodic exchange of opinions with auditors and accounting auditors and debates on the internal audit plan, contents of the internal audits, state of improvement on matters for correction and future internal audit policies, which improve the effectiveness of the internal audits.

Further, the chief auditor, as the reviewer of the internal control reporting system related to financial reports, checks the state of adherence to laws and company regulations, state of risk management and the state of the financial report system and the maintenance and operation of important task processes through the evaluation of the internal controls. By auditing and supervising tasks through both the internal audit and internal control review, our company is making an effort to enhance and optimize supervision.

Three interactive dialogues were held with the Board of Auditors in FY 6/2020, where debates with full-time auditors and

outside auditors were held on the state of internal auditing, explanation on matters with the potential for improvement and improvement in the quality of internal audits. Further, the exchange of opinions took place from time to time with an accounting auditor during auditor visits to the internal controls related to financial reports. Through such coordination between auditors and accounting auditors, our company took initiatives to improve the efficiency of internal audits and enhance and optimize the contents of the audit.

(4) Our company selected BDO Sanyu & Co. as accounting auditors and created an environment where auditing can be performed from a fair and impartial standpoint based on the auditing contract. The names of the certified public accountants responsible for our company's financial auditing during the continuous auditing period for the auditing corporation in question as well as their assistants for auditing tasks are as follows.

① Continuous Auditing Period

15 Years

② Certified Public Accountants Responsible for Financial Auditing

Nobuhito Iwata

Michiaki Inoue

③ Assistants for Auditing Tasks

The assistants for our company's financial auditing are comprised of 3 certified public accountants, 3 successful applicants of the Certified Public Accountant Examination and 1 other member.

(5) For information related to nomination, please refer to "I 1. 【Disclosure Based on Principles of the Corporate Governance Code】 【Principle 3-1】 (4) Board Policies and Procedures in the Appointment/Dismissal of the Senior Management and the Nomination of Directors and Auditors Candidates" of this report. Further, for information related to determination of compensation, please refer to "II 1. 【Compensation for Directors】 Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" of this report.

(6) In cases where legal decisions are necessary, our company receives appropriate advice and guidance from our legal advisor and the tax accountant in charge.

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

Our company has established a corporate governance system consisting of a Board of Directors and a Board of Auditors. As of the day this report was created, our company has appointed 5 people as independent executives, and ensures management decision-making under objective and neutral supervision by having these independent executives attend the Board of Directors' meetings. Further, the current system of coordination between independent outside directors and the Board of Auditors makes management supervision from an external point of view possible and ensures appropriate governance, which is why our company believes in the effectiveness of the current structure and was the reason our company selected it.

## III Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Facilitate Smooth Exercise of Voting Rights

	Supplementary Explanations
Allowing Electronic Exercise of Voting Rights	Our company utilizes “Electronic Exercise of Voting Rights” operated by Mizuho Trust & Banking Co., Ltd., which serves as our company’s shareholder name-list administrator. The utilization of this service solves many inconveniences faced by investors who could not attend the Shareholders’ General Meetings, which could not be solved by the conventional method of exercising voting rights on paper, such as time wasted in mailing your voting form, not being able to vote in time due to delays in postal service, etc., and electronic means of voting also make the tallying of votes on our company’s side easier and more fair.

## 2. IR Activities

	Supplementary Explanations	Presentation by Representative
Preparation and Publication of Disclosure Policy	Our company has established “IR Policy” as its basic policy for information disclosure, which has been disclosed on our website.	
Regular Investor Briefings for Individual Investors	Our company holds periodic briefings for individual investors. Our company also participates in company information sessions for individual investors held in various locations, including Tokyo and Osaka.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Our company holds periodic briefings for analysts and institutional investors. Our company also holds financial results briefings after the release of quarterly and term-end results.	Yes
Posting of IR Materials on Website	IR information: <a href="https://www.iwi.co.jp/ir/index.htm">https://www.iwi.co.jp/ir/index.htm</a> (financial results, securities report, reference material for briefing our company, etc. have been uploaded)	
Establishment of Department and/or Manager in Charge of IR	Our company has installed a manager with a concurrent position who is in charge of the management and planning office.	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	As IR Policy, our company’s basic policy on information disclosure and information transmission have been uploaded on our website.  Our company engages in the transmission of information with the principle that all of stakeholders, such as shareholders and investors, are provided with information related to our company’s management policy, business strategy and financial affairs that is (1) Accurate, (2) Fair, (3) Timely and (4) Easy to

	Understand.
Implementation of Environmental Activities, CSR Activities etc.	Our company has established a “Corporate Code of Conduct” with its first priority being societal contribution, which has been uploaded on our website, and each employee has been informed of it through company training courses with business initiatives being taken towards its implementation. Further, as part of its CSR activities, our company sponsored the “U-22 Programming Contest” for students under 22 years of age and the “National Technical College Programming Contest” for students enrolled in technical colleges, with the aim of nurturing the leaders of the next generation’s information society.
Development of Policies on Information Provision to Stakeholders	<p>Our company discloses information appropriately and swiftly in accordance with the Companies Act, the Financial Instruments and Exchange Act, Timely Disclosure Rules specified by stock exchanges, etc. From the viewpoint of fair disclosure, our company forbids the transmission of undisclosed valuable information, and makes sure that all market participants can obtain valuable information that can affect their investment decisions in a fair manner.</p> <p>Information disclosure set forth in the Timely Disclosure Rules is publicly available through TDnet (Timely Disclosure network) and carried out through press releases to various mass communication companies. Further, information available on TDnet is swiftly transmitted from our company’s website and “Shareholder Communication” is distributed to all shareholders, along with being notified of the state of progress of the business.</p>

#### IV Matters Related to the Internal Control System

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

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, as basic policy of the system that ensures the appropriateness of the tasks of our company and corporate group, the Board of Directors voted on “Basic Policy for Developing an Internal Control System” as follows.

The “Basic Policy for Developing an Internal Control System” also contains regulations related to subsidiaries, but as of the writing of this report, our company has no such subsidiary.

##### Basic Policy for Developing an Internal Control System

##### (1) Systems to Ensure that the Execution of Duties by Our Directors and Employees Conforms to Laws and Articles of Incorporation

Our company has established the “Basic Policy on Compliance” and “Corporate Code of Conduct” to make sure our directors and employees strictly adhere to laws and articles of incorporation, and work towards the establishing of social

responsibility and corporate ethics.

Further, our company maintains a “Compliance Manual” which it uses as teaching material during company training courses for the dissemination of information with the aim of preserving and improving the Compliance System.

In addition, our company expects all executives (referring to directors and auditors, who will be referred to as ‘executives’ for the rest of the report) and employees to submit a “Fiscal Year Pledge” at the beginning of the fiscal year in order to boost the awareness for compliance.

As a basic stance against anti-social forces, our company absolutely cuts any ties with any anti-social forces by clearly declaring our “Basic Policy on Compliance,” “Corporate Code of Conduct” and “Compliance Manual,” taking a resolute stance against these forces, and even notifying and coordinating with the police, its legal advisor and external expert institutions (National Center for Removal of Criminal Organizations) if necessary.

In accordance with the “Internal Audit Regulations,” the Audit Department periodically confirms that company tasks are being executed while strictly adhering to laws, articles of incorporation and company regulations, and reports its findings to the president.

## (2) Systems Related to the Preservation and Management of Information Concerning the Execution of Duties by Directors

Based on company regulations including the “Document Management Regulations,” which has a legal basis, the treatment of information concerning task execution of our directors and other important information, ranging from the creation of documents including electromagnetic records, preservation, management to disposal, are clearly defined, and our company makes sure these can be viewed by directors, auditors, accounting auditors, and others, when necessary.

## (3) Regulations Related to the Management of Risk of Loss, and Other Systems

In order to minimize the various risks related to the general business activities of our company and group companies, along with loss and negative effects due to unforeseen events, our company established “Risk Management Regulations,” “Detailed Regulations on Risk Management” and “Risk Management Committee Regulations,” and created a risk management committee system that monitors the risk control of each management board responsible for managing significant risks in our company’s management and business, as well as the state of risk management for each management board.

## (4) Systems to Ensure the Efficiency in Execution of Duties by Directors

Our company holds regular Board of Directors’ meetings every month and extraordinary Board of Directors’ meetings when necessary, which involve decision-making on important managerial matters and supervision of the state of task execution of each director, along with facilitating mutual understanding between each director, thereby ensuring efficiency in the execution of tasks. Further, the Board of Directors’ meetings also involve the manager for the business task department entrusted with business execution by the Board of Directors being seated with the Board of Directors and reporting the state of business execution in the department they are in charge of.

Other than the Board of Directors’ meetings, our company also periodically holds meetings attended by directors, auditors, executives, and others, meetings held by the director-general and other meetings necessary in the course of work, facilitating task execution through precise and efficient decision-making.

## (5) Systems to Ensure the Appropriateness of Tasks in the Business Group Consisting of Our Company, Parent Company and Subsidiaries

Our company ensures the appropriateness of tasks as a member of the DNP Group, based on the “Basic Regulations on DNP Group Compliance Management” established by our parent company, Dai Nippon Printing Co., Ltd. (hereinafter referred to as DNP).

Further, various regulations, including the “Regulations on Management of Affiliated Companies,” have been put in place at our company for its subsidiaries and affiliated companies, and in accordance with such policies and regulations, our company will facilitate appropriate business management with transparency as a corporate group while respecting the autonomy of each of its affiliated companies. Further, our company will create the following systems ① to ④ in order to ensure appropriateness of tasks for its subsidiaries

① Our company’s directors will receive reports on matters related to task execution at subsidiaries by attending periodic meetings with the presidents of subsidiaries, the subsidiaries’ Board of Directors’ meetings and other such important meetings as required.

Further, the Accounting Department of the Business Management Head Office of our company, which is in charge of management tasks for subsidiaries, will receive reports related to task execution from each department of the subsidiaries.

② Our company’s “Risk Management Regulations” will also apply to its subsidiaries, and our company will put in place a system in which subsidiaries will independently manage risks faced during their business activities.

③ Our company’s executives and employees will hold concurrent positions as directors and such in our company’s subsidiaries, and our company will promote subsidiaries’ business operation based on the affiliated companies’ management policy as well as ensure optimization of task execution in the subsidiaries by being indirectly involved in the management of the subsidiaries.

④ Our company will make its subsidiaries adhere to the “Corporate Code of Conduct” and “Basic Policy on Compliance” which all other affiliated companies have to adhere to as well, and ensure a system conforming to laws and the articles of incorporation. Further, in accordance with “Internal Audit Regulations,” our company’s Audit Department will put in place a system that ensures appropriate auditing and will guide the execution, inspection, evaluation and improvement of the subsidiaries’ business operation.

(6) In Case Our Company’s Auditors Request an Employee to Assist in their Tasks, Matters Related to the Concerned Employee, Matters Related to the Concerned Employee’s Independence from Directors and Matters Related to Ensuring the Effectiveness in the Concerned Employee’s Compliance to the Auditors

In case auditors request for an employee to assist them in their tasks, our company responds to that request by allocating appropriate personnel.

The employees who perform tasks after receiving necessary orders from auditors will secure independence from the directors on account of the task in question and the personnel shift, performance evaluation and disciplinary actions for the employees in question require a prior consent from the Board of Auditors.

Further, in order to ensure effectiveness in carrying out instructions from auditors, orders from auditors will be given priority, information necessary for auditing will be collected, and the state of task execution will be appropriately reported to the auditors.

(7) Systems for Directors and Employees to Report to Auditors, and Systems for Directors, Auditors and Employees of Subsidiaries to Report to Our Auditors

In the event that directors, auditors and employees of our company and its subsidiaries discover facts that can cause

immense damage to our company, or malpractices related to task execution, or significant facts about violation of the law or the articles of incorporation, or other major facts related to compliance, they must report them to our company's auditors immediately.

The person who reported these facts will be offered the utmost protection and confidentiality in accordance with the "Regulations for the Protection of Whistleblowers."

#### (8) Matters Related to Procedures for Advance Payment or Reimbursement of Costs from the Execution of Tasks by Auditors, and Policies for Handling Costs or Obligations from the Execution of Tasks

In case an auditor of our company requests advance payment of costs from the execution of their tasks, our company will immediately respond to that request unless it is considered that advance payment is unnecessary for the execution of the auditor's tasks.

#### (9) Other Systems to Ensure Effective Auditing by Auditors

Our company's auditors attend the Board of Directors' meetings and other such important meetings, where they offer advice and recommendations.

Further, the auditors inspect documents for approval, reports etc., understand the overall status of company management, work towards mutual understanding with the president and accounting auditors when necessary, engage in periodic exchange of opinions and boost the effectiveness of audits through coordination with the Audit Department.

#### (Status of Development of the Internal Control System)

##### (1) Status of the Compliance System

In order to develop a compliance system, our company created the "Basic Policy on Compliance," "Corporate Code of Conduct" and a "Compliance Manual," and has made them public and notified all related parties by uploading them on our website, putting them up on our company bulletin board, and forwarded them to the inter-office mail of each employee. Further, our company has also created the "Regulations for the Protection of Whistleblowers" and has installed and is operating a highly effective internal reporting system using external institutions.

All company personnel have been notified of the prevention of insider trading in particular, by putting relevant regulations in place and implementing company training courses. Instructional training to preserve and improve employees' awareness of compliance is also part of all company training courses and is being systematically implemented.

##### (2) Status of the Risk Management System

In order to develop a risk management system, our company created the "Risk Management Regulations," "Detailed Regulations on Risk Management" and "Risk Management Committee Regulations," and through the enforcement of these regulations, we will grasp significant risks in management and business on a daily basis, establish various management boards responsible for necessary countermeasures, and discuss and implement policies to minimize the losses and negative effects should any of the management boards in question face any unforeseen circumstances. Further, the Risk Management Committee, which has directors as its members, monitors each management board to make sure their state of risk management is satisfactory, and maintains and operates a system to give instructions to each management board and report to the Board of Directors whenever necessary.

##### (3) Status of the Information Security Management System

With regard to the information security management system, our company has put together regulations, has prepared



specific countermeasures for individual tasks as its standards, and is expecting flawless adherence to information security through inspections. Further, our company has put together and is operating a management system which controls all forms of information regardless of the media in which the information is published, by putting together regulatory systems related to protection of credit card numbers and other personal information as established in laws on personal information and installment sales, regulations on the prevention of insider trading and document management regulations.

#### (4) Matters Related to Internal Control of Accounting Auditors

Matters related to internal control regarding financial reports, our company retains effectiveness of the development and operations statuses regarding company-wide internal controls, internal controls on account settlement and financial processes, internal controls on business processes and general IT control.

#### (5) Matters Related to Systems for Ensuring the Appropriateness of Business Operation in the Business Group Comprising of Our Company, Parent Company and Subsidiaries

In order to ensure appropriateness of business operation in the DNP business group, our company put together various regulations including “Regulations on Management of Affiliated Companies” which are based on the “Basic Regulations on DNP Group Compliance Management,” independently established necessary systems and procedures with reference to business contents, scale etc. in accordance with those policies and regulations, and facilitates appropriate business management with transparency for its subsidiaries and related companies including local overseas corporations while respecting their autonomy.

Further, in accordance with Internal Audit Regulations, our company’s Internal Audit Department has put together a system to ensure appropriate auditing, and is responsible for its execution, inspection, evaluation and improvement.

## 2. Basic Views on Eliminating Anti-Social Forces and the Progress of Development

### (Basic Views on Eliminating Anti-Social Forces)

Our company takes a firm stance against anti-social forces, which endanger the order and safety of civil society, and our company’s basic policy is to cut all ties with any anti-social forces by notifying and coordinating with external expert institutions such as the police, its legal advisor, etc. when necessary.

### (Progress of Development Towards the Elimination of Anti-Social Forces)

#### (1) Progress of Development

- ① Our company declared that “We will take a resolute stance against anti-social forces” in its “Basic Policy on Compliance,” which has been uploaded to our website and notified to all related parties inside and outside our company.
- ② Creation of the “Compliance Manual” and notification through putting it up on our company bulletin board and forwarding them to the inter-office mail of each employee
  - a. The Anti-Organized Crime Law is one of the laws mentioned in “Basic Stance” which must be adhered to, and it has been clearly specified that strict action will be taken against all employees who violate this law.
  - b. “Confrontation with Anti-Social Forces” has been included in “Code of Conduct in Society,” which specifically instructs all executives and employees in the following manner: “All executives and employees must take a resolute stance against anti-social forces. They must take a firm stance against demands from corporate racketeers in particular, and prevent the provision of profits from assets in relation to the exercising of shareholder rights at all costs. Further, they also need to eliminate all relationships which might be considered non-transparent collusive relationships. In the unlikely event that one should unintentionally form a relationship of any sorts with such organizations or individuals, they must swiftly report it to the general affairs department of the business management head office and receive appropriate

instructions on what steps are to be taken moving forward.”

- ③ Creation of “Regulations on Countering Anti-Social Forces,” “Detailed Regulations on Countering Anti-Social Forces” and a “Manual on Countering Anti-Social Forces” and Notification to All Employees

Our company has put in place regulations to prevent all of its executives and employees from having relationships with and providing benefits to anti-social forces, which have been put up on our company bulletin board. Further, the “Manual on Countering Anti-Social Forces” is being used as teaching material during company training courses, and all executives and employees are being informed of specific methods to counter anti-social forces. Further, our company is promoting all its trading partners to conclude the “Memorandum on the Elimination of Anti-Social Forces.”

## (2) In-company System and Response

- ① The head of the Business Management Section has been appointed as the general response supervisor.
- ② The General Affairs Division Chief of the Business Management Section has been appointed as the supervisor in charge of coordination with the Supervisor for the Prevention of Unreasonable Demands, the police and other external expert institutions (National Center for Removal of Criminal Organizations)
- ③ As noted in “Detailed Regulations on Countering Anti-Social Forces,” the General Affairs Department of the Business Management Section will be responsible for the collection and management of information related to anti-social forces. Further, participation in external seminars on the elimination of anti-social forces will be mandatory for employees in the General Affairs Department of the Business Management Section, which are also being utilized as teaching material for company training courses in an effort to collect information.
- ④ The “Manual on Countering Anti-Social Forces,” with its elucidation on specific examples and countering methods, is used as teaching material for company training courses.
- ⑤ The above-mentioned contents were incorporated into company-wide training courses, and are systematically implemented.

## V Others

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	No
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Supplementary Explanation
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### 2. Other Matters Concerning Corporate Governance System

(Outline of the Timely Disclosure System)

#### (1) Basic Policy Regarding Timely Disclosure

Our company recognizes that it has an important responsibility towards its stakeholders, including shareholders and investors, for fair, equal, accurate and swift disclosure of important company information that will form the basis for their investment decisions. In order to fulfill its social responsibility as a listed company, our company will continue to work towards timely disclosure in accordance with related laws, regulations established at stock exchanges etc., and information disclosure in accordance with “Fair Disclosure Rules.”

#### (2) Internal Company Systems Related to Timely Disclosure

① Information Related to Material Facts

The Board of Directors will hold deliberations on material facts, and once enough votes are attained, the procedures for disclosure will be implemented by the supervisor for information disclosure.

② Information Related to Incidental Facts

The business management section will confirm reports on incidental facts from each department, immediately report them to the supervisor for information disclosure and review the importance of disclosure according to disclosure standards. In cases where disclosure is considered necessary, the supervisor for information disclosure will immediately report to the President, and disclose them.

③ Information Related to Financial Results

After confirmation of the contents of information related to financial results at the Board of Directors' meeting, the supervisor for information disclosure will implement procedures for their disclosure as quarterly brief financial statements, brief financial statements, quarterly report, securities report, etc.

④ Other Facts which will Significantly Affect Management and Tasks

The supervisor for information disclosure and Business Management Section will grasp internal company information, review whether matters reported from each department need to be disclosed, and in case disclosure of a matter is considered necessary, the supervisor for information disclosure will immediately report it to the President as well as the Board of Directors, and implement procedures for disclosure.

(3) Monitoring of the Timely Disclosure System

The Audit Department confirms the status of our company's timely disclosure system and the public announcement of essential matters through internal audits. The results of the internal audits are reported to the President and the Audit Department coordinate with auditors, creating a system to monitor the operation of the timely disclosure system.