

Corporate Governance Report

Last Update: December 17, 2021

EXEO Group, Inc.

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The corporate governance of EXEO Group, Inc.(the “Company”) is described below.

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

1. Basic Views

The Company and its subsidiaries (the “Group”) aim to maintain the full trust of shareholders and all other stakeholders by operating with integrity and a high standard of transparency. To this end, we recognize that establishing and maintaining an organizational structure and management systems through which corporate governance can effectively function is an important management issue. Moreover, it is our basic policy to make ongoing improvements to strengthen corporate governance mechanisms that are suitably tailored to the Group’s circumstances, including the assessment of structures for monitoring management in light of changes in social conditions, laws and other developments.

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

[Update](#)

The Company has implemented all principles of Japan's Corporate Governance Code (June 11, 2021 revision).

[Disclosure Based on the Principles of the Corporate Governance Code]

[Update](#)

[Principle 1.4: Cross-Shareholdings]

With respect to regular stocks listed on domestic or foreign stock exchanges which are held for reasons other than pure investment purposes, the Company reassesses the benefits of holding each individual stock every year, quantitatively verifying dividend income and related returns and also conducting a careful qualitative examination as to whether the shareholding contributes to improvement in the Company's corporate value. The Company will continue to hold stocks if verification results show that holding them is beneficial and seek to reap the benefits from holding them. However, if the benefits of holding shares have diminished, the Company will seek improvement in the situation for a time but will consider selling the stocks if there is no prospect of improvement. The benefits of shareholdings are reassessed through verification of each individual stock by the Board of Directors and the Management Council.

Regarding the exercise of voting rights associated with cross-shareholdings, the Company votes in favor of proposals which will enhance corporate value and votes against proposals judged detrimental to corporate value.

Misconduct, compliance breaches and activities which pose a serious problem to ESG initiatives are deemed detrimental to corporate value. The Company judges whether to vote in favor or against proposals based on a careful case-by-case examination of such activities and each proposal.

[Principle 1.7: Related Party Transactions]

The Company categorizes competitive transactions and conflict-of-interest transactions between Directors and the Company as matters to be approved by the Board of Directors and checks and manages competitive transactions, conflict-of-interest transactions, related party transactions and important concurrent positions in other companies or organizations every period.

[Supplementary Principle 2.4.1]

Under the Diversity & Inclusion Declaration, the Company is working to develop a corporate culture and workstyle reforms, creating opportunities for diverse human resources to participate actively, and supporting such human resources. The Company is committed to assigning active roles to diverse human resources, including women, those who joined the Company as mid-career employees, and non-Japanese.

Information about the Company's diversity promotion policy, details about its specific initiatives, and the status of promotion of diversity is available at its website.

https://www.exeo.co.jp/en/company/sustainability/#csr_diversity

In the global business (including overseas subsidiaries), the ratio of non-Japanese managers is around 80%. In addition, the ratio of those who joined the Company as mid-career employees among all managers is higher than 30%.

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

The Retirement Pension Asset Management Committee composed of the General Manager of the Corporate Planning Division, the General Manager of the Accounts & Finance Division, the General Manager of the Human Resources Department, trade union officials as representatives of beneficiaries and others determines the policy for management of pension assets and conducts regular monitoring to ensure reasonable management of pension assets.

Regarding operation of the corporate pension plan, the organization in charge has human resources with the necessary experience and qualifications and also provides training, and the Company comprehensively evaluates and monitors the pension operator, taking factors such as performance and investment policy into consideration.

[Principle 3.1: Full Disclosure]

I) The Company conducts business operations in line with its corporate philosophy "Cultivating Technological Capabilities, Seeking Affluence and Contributing to Society" and with integrity and transparency as its basic code of conduct for management.

The Company also announced its 2030 Vision and Medium-term Management Plan in May 2021.

In line with its 2030 Vision "Engineering for Fusion - Engineering connecting everything in society to the future," the Group will practice ESG management and help solve social issues through innovation and engineering, aiming to be a corporate group that is needed in Japan and around the world.

Please refer to the Company's website (Management Policy section on the Investor Relations page) for details of the 2030 Vision and FY2025 results targets and other details under the Medium-term Management Plan.

II) The Group aims to maintain the full trust of shareholders and all other stakeholders by operating with integrity and a high standard of transparency. To this end, we recognize that establishing and maintaining an organizational structure and management systems through which corporate governance can effectively function is an important management issue. Moreover, it is our basic policy to make ongoing improvements to strengthen corporate governance mechanisms that are suitably tailored to the Group's circumstances, including the assessment of structures for monitoring management in light of changes in social conditions, laws and other developments.

III) "Board policies and procedures in determining the remuneration of the senior management and directors" are as stated in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight [Remuneration for Directors/Executive Officers] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

IV) The Company adopts the following method for the nomination of director candidates. After deliberation by the Nomination Committee, which is an internal organ of the Board of Directors, the Representative Director recommends individuals of outstanding character and insight who possess high ethical standards, the

power to implement reforms, leadership and other qualities, and the Board of Directors deliberates the suitability of the candidates, makes an informal decision and refers the matter to the General Meeting of Shareholders.

The Board of Directors determines the appointment and dismissal of Representative Directors and Directors with special titles.

When a Director needs to be dismissed, the Board of Directors puts a proposal for the dismissal of such Director before the General Meeting of Shareholders.

The Company adopts the following method for the nomination of Audit & Supervisory Board Member candidates. The Representative Director recommends individuals with the deep insight needed to fulfil the role of Audit & Supervisory Board Member, including experience of corporate management and specialist knowledge about finance and accounting and, obtains the consent of the Audit & Supervisory Board before referring the matter to the General Meeting of Shareholders.

V)The Company discloses the reasons for nominating Director and Audit & Supervisory Board Member

[Supplementary Principle 3.1.3]

[Sustainability initiatives]

Information about the Company's sustainability initiatives is available at its website.

<https://www.exeo.co.jp/en/company/sustainability/>

[Initiatives on human capital and intellectual properties]

The Company is working on developing and reinforcing its human resources, the most important management resource of a company. In July 2021, the Company established the Human Resources Development Division and has since been proceeding with human resources deployments and development planning across the entire Group with consciousness of total optimization.

The Company has also been proactive in making inventions that contribute to safety and efficiency improvement and has considerable achievements in this respect. At the same time, the Company has enhanced initiatives in intellectual properties, including employee training on the importance of such properties.

The Company discloses information about some of its intellectual properties and contents of its human resources strategy in the Medium-Term Management Plan.

<https://www.exeo.co.jp/en/ir/keiei.html>

[Supplementary Principle 4.1.1]

The Company's Board of Directors mainly makes decisions on the execution of important business provided for in laws and regulations and the Rules of the Board of Directors and oversees Directors' execution of duties. The Responsibility Rules and other regulations clearly stipulate the scope of delegation to senior management.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

The Company strives to secure independent officers in accordance with Article 436-2 and Article 445-4 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. (TSE) and the independence criteria ("Listing Guidelines") of the TSE.

The reasons for appointment of each independent officer are as stated in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight" below.

[Supplementary Principle 4.10.1]

The Company has set up the Nomination Committee and the Compensation Committee, each consisting of Directors including Independent Directors elected by the Board of Directors, thus raising common understanding of criteria for the evaluation and compensation of each Director, etc. in its efforts to improve the oversight function.

Independent Directors constitute the majority of each committee.

(Succession planning)

The Company recruits and invites management human resources from outside the Group as well as internally. From among them, the Representative Director selects a person who can contribute to the sustainable development of the Company with deep understanding of the Group's philosophy and management vision, as well as a high sense of ethics and leadership, as their successor. The decision is made through deliberations by the Nomination Committee and the Board of Directors.

[Supplementary Principle 4.11.1]

The Company seeks to energize the Board of Directors and improve governance by ensuring balance and diversity in the composition of Directors in terms of career history, field of expertise and suchlike.

The knowledge, capabilities, etc. of each Director are described in the Convocation Notice of the General Meeting of Shareholders. Skills matrix of Independent Directors is disclosed in the integrated report.

The Company believes that the number of Directors on the Board allows it to respond quickly and accurately to a dramatically changing environment and it has sought to speed up decision-making still further through the adoption of an Executive Officer system.

The Company's policy and procedure for the appointment of Directors are as stated in "Principle 3-1 (IV)" above.

[Supplementary Principle 4.11.2]

The extent of concurrent positions held by Directors and Audit & Supervisory Board Members is reasonable, allowing them to fulfil the roles and responsibilities expected of them.

The Company annually discloses important concurrent positions held by Directors and Audit & Supervisory Board Members and the main activities of Outside Officers in the Convocation Notice of the General Meeting of Shareholders.

[Supplementary Principle 4.11.3]

To enhance the function of the Board of Directors and corporate value, the Company evaluates the effectiveness of its Board of Directors based on the results of questionnaire surveys among all Directors and Audit & Supervisory Board Members, which are collected and analyzed by an external organization to ensure objectivity and discussed at meetings of the Board of Directors. It has been confirmed that the Company's Board of Directors has adequate scale and composition and is appropriately operated to ensure proper decision-making on important management agenda and supervision of business execution.

From June 2020, the Company decreased the number of Directors from fifteen to twelve and increased the number of Independent Outside Directors from three to four. Furthermore, from June 2021, the Company increased the number of Independent Outside Audit & Supervisory Board Members by one in an effort to strengthen governance. The Company also continued to take measures such as distributing materials for meetings of the Board of Directors earlier, enhancing preliminary explanations for Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, and having Independent Outside Directors conduct onsite inspections. The Vector Meeting, which is designed to discuss divisions' business strategies in early stages and to align their directions, discussed fifteen topics in fiscal 2020. In discussions at meetings of the Board of Directors, Outside Officers actively make comments from an independent perspective and the Company recognizes that the benefits they bring in strengthening the effectiveness of the Board of Directors are steadily becoming evident.

At the same time, based on the results of the latest board evaluation, the Company has been sharing opinions towards further strengthening corporate governance, including the need to review agenda items to be submitted to the Board of Directors to ensure time for discussion, share information on new investment projects earlier and monitor the recovery of investments, and fully discuss initiatives to address ESG considerations, the SDGs and otherwise improve sustainability.

Going forward, based on these results of board evaluation and opinions, the Company's Board of Directors will fully consider measures for improving its effectiveness and continue to implement initiatives for enhancing its functions.

[Supplementary Principle 4.14.2]

Directors and Audit & Supervisory Board Members strive to improve their knowledge and skills independently and also take part in outside training and receive officer training on an ongoing basis.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

The Company's Corporate Planning Division is in charge of investor relations, with full-time staff dedicated to dialogue with shareholders. The Company attaches importance to communication with shareholders and investors and adopts a basic policy of working to increase understanding about the Group, striving to be fairly evaluated and trusted through open general meetings of shareholders and proactive IR activities to facilitate understanding.

[Supplementary Principle 5.1.2]

I) The Company has three full-time staff members in charge of IR in its Corporate Planning Division and the officer in charge of corporate planning is designated as the officer in charge of IR.

II) The staff in charge of IR attend important meetings and exchange opinions with relevant business units as appropriate to gather the information they need to engage in constructive dialogue on matters such as business performance, the progress of various measures, and operating strategies for the future.

III) Twice a year, the Company holds financial results briefings for institutional investors and securities analysts at which the Representative Director explains the business results and other matters. The Company also holds business briefings and field briefings to increase understanding about the Company's business activities and its technological and field capabilities.

IV) The Company gathers questions and opinions about dialogue as appropriate and provides direct feedback to senior management, which is then utilized mainly in reviews of the Company's management.

V) The Company has established an Guideline on Prevention of Insider Trading and Basic Guidelines for IR Activities to ensure management of insider information.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders] [Update](#)

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,932,200	13.47
Custody Bank of Japan, Ltd. (Trust Account)	11,891,100	10.73
ESOP Association of EXEO Group, Inc.	4,274,863	3.86
SUMITOMO LIFE INSURANCE COMPANY	2,296,980	2.07
Sumitomo Realty & Development Co., Ltd.	2,081,600	1.88
SSBTC CLIENT OMNIBUS ACCOUNT	1,941,210	1.75
Custody Bank of Japan, Ltd. (Mitsui Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	1,834,000	1.65
JAPAN POST INSURANCE Co., Ltd.	1,605,000	1.45
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank Retrust/Sumitomo Electric Industries, Ltd. Retirement Benefit Trust Account)	1,500,000	1.35
Custody Bank of Japan, Ltd. (Trust Account 7)	1,465,200	1.32

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Construction
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with an Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yasushi Kohara	From another company												
Naoko Iwasaki	Academic												
Tatsushi Mochizuki	Other												
Keiji Yoshida	From another company												

* Categories for "Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" 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 of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount 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 client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/ Audit & Supervisory Board Member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasushi Kohara	○	<p>(Corporations or other organizations at which the director was an executive)</p> <p>Toyota Motor Corporation Toyota Tokyo Corolla Co., Ltd. Osaka Toyota Motor Co., Ltd.</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Kohara has no special interest which will affect the Company's decision-making.</p>	<p>Mr. Kohara has abundant experience and insights in corporate management through his posts at the Toyota Group, and has provided appropriate advice and suggestions in important management decisions of the Company, appropriately fulfilling his role as Outside Director. The Company expects he will continue to contribute to strengthening the oversight function of the Board of Directors and provide advice from a broad managerial perspective and therefore reappointed him as an Outside Director.</p> <p>The Company also nominated Mr. Kohara as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p>
Naoko Iwasaki	○	<p>(Corporations or other organizations at which the director was an executive)</p> <p>Waseda University (present position) International Academy of CIO Japan (present position) Nanyang Technological University, Singapore (present position) Ministry of Internal Affairs and Communications (present position) Chair of APEC Smart Silver Innovation Committee (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Ms. Iwasaki has no special interest which will affect the Company's decision-making.</p>	<p>Ms. Iwasaki is an international first-line researcher and expert on utilization of ICT in areas such as international relations, national and local government administration, disaster response, and BCP, aging of society, and the promotion of active roles for women, and has provided appropriate advice and suggestions in important managerial decisions on the Company, appropriately fulfilling her role as an Outside Director. The Company expects she will continue to contribute to strengthening the oversight function of the Board of Directors and provide appropriate advice from a broad managerial perspective and therefore reappointed her as Outside Director. The Company also nominated Ms. Iwasaki as an Independent Officer as she does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing</p>

			Guidelines.
Tatsushi Mochizuki	○	<p>Corporations or other organizations at which the director was an executive)</p> <p>Ministry of Internal Affairs and Communications Cabinet Office Mie Prefecture Japan Agency for Local Authority Information Systems Institute of Scientific Approaches for Fire & Disaster National Association Chairpersons of Town and Village Assemblies (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Mochizuki has no special interest which will affect the Company's decision-making.</p>	<p>Mr. Mochizuki has been involved in key positions such as central government ministries and local governments for many years. Having insights accumulated through his career, he has provided appropriate advice and suggestions in important management decisions of the Company, appropriately fulfilling his role as Outside Director. The Company expects he will continue to contribute to strengthening the oversight function of the Board of Directors and provide appropriate advice from a broad managerial perspective and therefore reappointed him as Outside Director.</p> <p>The Company also nominated Mr. Mochizuki as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p>
Keiji Yoshida	○	<p>(Corporations or other organizations at which the director was an executive)</p> <p>JFE Engineering Corporation Japan Water Steel Pipe Association</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Yoshida has no special interest which will affect the Company's decision-making.</p>	<p>Mr. Yoshida has abundant experience and insight in corporate management as an executive officer at JFE Engineering Corporation and other companies. The Company expects he will contribute to strengthening the oversight function of the Board of Directors and provide appropriate advice from a broad managerial perspective and therefore appointed him as Outside Director.</p> <p>The Company also nominated Mr. Yoshida as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

Committee's Name	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
All Committee Members	7	7
Full-time Members	0	0
Inside Directors	3	3
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Directors	Inside Directors

Supplementary Explanation [Update](#)

The Company set up the Nomination Committee and the Compensation Committee as the Board of Directors' internal committees to further enhance its corporate governance. The Nomination Committee discusses the selection and appointment of candidates for Directors and the Compensation Committee discusses the compensation and bonuses for Directors and other matters. These committees report to the Board of Directors. The information in "Committee's Name, Composition, and Attributes of Chairperson" above reflects the situation in FY2021. The composition of the committees in FY2021 is as follows.

Nomination Committee

(Chairperson) Tomohiro Kurosawa, Director

(Members) Directors Hideo Higuchi and Kenji Asano and Outside Directors Yasushi Kohara, Naoko Iwasaki, Tatsushi Mochizuki, and Keiji Yoshida

Compensation Committee

(Chairperson) Yuichi Koyama, Director

(Members) Directors Kouichi Mino, and Takafumi Sakaguchi, and Outside Directors Yasushi Kohara, Naoko Iwasaki, Tatsushi Mochizuki, and Keiji Yoshida

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board members	5

Cooperation among Audit & Supervisory Board members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members strive for effective cooperation in order to form a fair audit opinion, cooperating with the accounting auditor through the exchange of opinions at the time of formulation of the fiscal year plan for accounting audits and regular meetings such as report meetings about quarterly and fiscal year audits, and cooperating with internal audit business units through the exchange of opinions at the time of formulation of the fiscal year plan for internal audits and regular meetings such as report meetings on business audits.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tomoko Aramaki	CPA													
Shinnosuke Yamada	CPA													
Kimiko Takahashi	Lawyer													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/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 client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Tomoko Aramaki	○	(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive) Century Audit Corporation Ministry of International Trade and Industry	Ms. Aramaki has abundant experience and expertise in finance and accounting as a Certified Public Accountant and Tax Accountant, and the Company believes that she will appropriately perform her duties as Audit & Supervisory

		<p>IBM Japan, Ltd. Aramaki CPA Office (present position) PARIS MIKI HOLDINGS, Inc. Conference Committee on Asset Management by Japan Pension Service Member of Outside Expert Committee, Organization for Postal Savings, Postal Life Insurance and Post Office Network (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Ms. Aramaki has no special interest which will affect the Company's decision-making.</p>	<p>Board Member. The Company therefore appointed her as an Outside Audit & Supervisory Board Member. The Company also nominated Ms. Aramaki as an Independent Officer as she does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p>
Shinnosuke Yamada	○	<p>(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive) Asahi & Co. KPMG AZSA & Co. The Japanese Institute of Certified Public Accountants Shinnosuke Yamada CPA Office (present position) T&D Holdings, Inc. (present position)</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other organizations, the Company judges that Mr. Yamada has no special interest which will affect the Company's decision-making.</p>	<p>Mr. Yamada has abundant experience and expertise in finance and accounting as a Certified Public Accountant, and the Company believes that he will appropriately perform his duties as Audit & Supervisory Board Member. The Company therefore appointed him as an Outside Audit & Supervisory Board Member. The Company also nominated Mr. Yamada as an Independent Officer as he does not meet the criteria for judging that a conflict of interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.</p>
Kimiko Takahashi	○	<p>(Corporations or other organizations at which the Audit & Supervisory Board Member was an executive) KPMG Minato Audit Firm Mitsui Company Kimiko Takahashi Law Firm (present position) The Japanese Institute of Certified Public Accountants</p> <p>Since no major business or other relationship exists between the Company and the above corporations or other</p>	<p>Ms. Takahashi has abundant experience and expertise in finance and accounting as a Certified Public Accountant and attorney-at-law, and the Company believes that she will appropriately perform her duties as Audit & Supervisory Board Member. The Company therefore appointed her as an Outside Audit & Supervisory Board Member. The Company also nominated Ms. Takahashi as an Independent Officer as she does not meet the criteria for judging that a conflict of</p>

		organizations, the Company judges that Ms. Takahashi has no special interest which will affect the Company's decision-making.	interest with common shareholders might arise, as set out in the TSE's Listing Guidelines.
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[Independent Directors/ Auditors]

Number of Independent Directors/Auditors	7
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Matters relating to Independent Directors/Auditors

The Company has designated all outside officers who fulfill the requirements for independent officers as independent officers.

[Incentives]

Incentive Policies for Directors	Other
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Supplementary Explanation

At the 65th Ordinary General Meeting of Shareholders held on June 21, 2019, it was resolved to introduce a system of remuneration for granting restricted shares to Directors in order to provide them an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and eligible Directors, in place of stock options.
It was approved that the annual amount of remuneration for performance-linked restricted stock shall not exceed ¥50 million and the annual amount of remuneration for continuous service-linked restricted stock shall not exceed ¥50 million.

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The Amount of Remuneration and Related Payments to Directors and Audit & Supervisory Board Members in FY2020						
Officer Classification	Total amount of remuneration, etc. (¥ Millions)	Total amount by type of remuneration, etc. (¥ Millions)				Number of eligible officers (persons)
		Monetary remuneration		Non-monetary		
		Base compensation	Bonus	compensation Restricted stock	Stock options	
Directors (excluding Outside)	324	151	123	47	2	10

Directors)						
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	40	40	-	-	-	3
Outside Directors	36	36	-	-	-	4
Outside Audit & Supervisory Board Members	15	15	-	-	-	3

(Note) 1. The above figures include two directors and two Audit & Supervisory Board Members (including one Outside Audit & Supervisory Board Member) who retired at the conclusion of the 66th Ordinary General Meeting of Shareholders held on June 24, 2020.

2. The above figures do not include four directors who receive no remuneration.

3. No new stock options were granted in the current fiscal year.

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

The Company's basic policy concerning the decision-making about compensation for directors and its calculation is to effectively incentivize executives to contribute to increasing corporate value and improving short, medium and long-term performance and to maintain a level for securing outstanding talent who will drive the business of the Group as the leading information and communication network company.

The specific policy concerning the decision-making about compensation and its calculation is deliberated by the Compensation Committee, which is comprised of directors including independent directors selected by the Board of Directors, and then determined by resolution of the Board of Directors to secure the transparency and fairness of the decision-making process.

Compensation for Directors consists of base compensation, bonuses, and restricted shares. Details are as shown below.

The base compensation is a fixed amount set for each position appropriately considering business environment and industry standards.

The bonuses are basically linked to the fiscal year's performance of consolidated income and determined by comprehensively taking into account the business environment and other elements. The Company uses consolidated operating income and consolidated net income as indicators for calculating bonuses to get Directors to be responsible for consolidated performance in its entirety as management team members.

Restricted shares are composed of performance-linked restricted shares and continuous service-linked restricted shares. Performance-linked restricted shares are basically linked to the degree of achievement of medium-to-long term consolidated income performance targets and are allotted to Directors according to position to give them medium to long-term incentives towards achieving sustainable growth of corporate value and to have them share the same value with our shareholders. The consolidated performance indicator for the performance-linked restricted shares is consolidated operating income, which is directly linked to the achievement of targeted performance and common value shared with our shareholders. The lifting of the restriction on continuous service-linked restricted shares is conditional upon Directors remaining in the position of Director or other certain positions continuously for a given period.

Compensation for Outside Directors and Audit & Supervisory Board Members consists solely of fixed base

compensation, reflecting their independence from the Company's business execution.

[Supporting System for Outside Directors and/or Auditors]

The Company strives to cooperate effectively with Outside Directors and Outside Audit & Supervisory Board Members through the provision of various materials and explanations by relevant business units to enable appropriate decision-making and the formation of opinions.

[Retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.)]

Information on retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Fuminori Kozono	Counselor	Business federation activities, CSR	[Form of employment] Part-time [Remuneration] Yes	June 21, 2019	November 2024
Osamu Murakami	Honorary advisor	Business federation activities, CSR	[Form of employment] Part-time [Remuneration] No	June 27, 1997	No fixed term of office
Shunji Kaibuchi	Honorary advisor	Business federation activities, CSR	[Form of employment] Part-time [Remuneration] No	June 27, 2003	No fixed term of office
Seiji Takashima	Honorary advisor	Business federation activities, CSR	[Form of employment] Part-time [Remuneration] Yes	June 23, 2008	No fixed term of office
Kunio Ishikawa	Honorary advisor	Business federation activities, CSR	[Form of employment] Part-time [Remuneration] Yes	June 21, 2013	No fixed term of office

Number of retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.)	5
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Others

1. Counselors and honorary advisors are appointed by resolution of the Board of Directors.
2. Counselors and honorary advisors have no involvement whatsoever in the execution or oversight of the Company's business.

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

The Company has also adopted an operating officer system to separate the management decision-making and supervisory function and business execution function to achieve prompt and appropriate decision-making and business execution, while further strengthening our corporate governance.
The Board of Directors makes decisions on important matters and supervises business execution, while

operating officers execute operations based on the Board of Directors' decisions. Furthermore, the Company has a Management Council in place that discusses important business execution matters.

In addition, the Company set up the Nomination Committee and the Compensation Committee as the Board of Directors' internal committees to further enhance its corporate governance. The Nomination Committee discusses matters such as the nomination of Director candidates and the dismissal of Directors. The Compensation Committee discusses the compensation and bonuses for Directors and other matters. These committees report to the Board of Directors.

Internal audits consist mainly in business audits and all the business units of the Company and Group companies are audited. In their audits, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, ask Directors and others about their execution of duties and audit business operations and property at major business sites and subsidiaries.

3. Reasons for Adoption of Current Corporate Governance System

The Company opted to be a company with an Audit & Supervisory Board. The Company adopted such a system judging that it can ensure appropriate corporate governance under a system where Audit & Supervisory Board Members and the Audit & Supervisory Board attend meetings of the Board of Directors and other important meetings and ask the Board of Directors and others about their execution of duties and conduct audits of business operations and property at major business sites and group companies from a fair and impartial perspective in accordance with an audit policy and audit plan.

The Company believes that the function and role of Outside Directors and Audit & Supervisory Board Members is to oversee and supervise the Company's management from an independent and neutral perspective by making comments in light of their extensive experience and deep insights. The Company also believes that Outside Audit & Supervisory Board Members fulfil a management supervisory function by drawing on objectivity, high levels of expertise and perspectives gained from extensive experience and deep insight in their audits.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Starting from the 51st Ordinary General Meeting of Shareholders (June 2005), the Company began dispatching convocation notices for the general meeting of shareholders earlier. Furthermore, starting from the 60th Ordinary Meeting of Shareholders (June 2014), the Company began publishing the convocation notice on its website, the Voting Rights Electronic Exercise Platform and the TSE's website before dispatching the notice to shareholders.
Scheduling Annual General Shareholders Meeting Avoiding the Peak Day	Starting from the 50th Ordinary General Meeting of Shareholders (June 2004), the Company began scheduling the ordinary general meeting of shareholders to avoid peak dates.
Allowing Electronic Exercise of Voting Rights	The Company introduced electronic voting from the 51st Ordinary General Meeting of Shareholders (June 2005) and shareholders can now exercise their votes through a smartphone, computer or other device that can connect to the Internet.
Participation in Electronic Voting Platform and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Their Voting Rights	Starting from the 53rd Ordinary General Meeting of Shareholders (June 2007), the Company participated in the Voting Rights Electronic Exercise Platform operated by ICJ Co., Ltd. to facilitate voting by institutional investors.
Providing Convocation Notice in English	The Company publishes an English version of the convocation notice (condensed version) on its website and the TSE's website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company discloses Company information in a timely and appropriate manner and actively engages in IR activities, to increase understanding about the Company among shareholders, investors and other stakeholders, to ensure a fair evaluation, and to build trust.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds two briefing sessions a year to explain the financial results for the first two quarters and the full-year financial results. The briefings are held during the one-week period following the financial results announcement and each is attended by dozens of institutional investors and securities analysts.	Yes
Regular Investor Briefings for Overseas Investors	The Representative Director visits overseas institutional investors in Europe, North America and other regions every year to explain business trends, results and other important matters. In recent years, teleconferences and conference calls have been held due to the effects of the COVID-19 pandemic.	Yes
Posting of IR Materials on Website	The Company posts various IR materials on its website throughout the year, including summaries of consolidated financial results, presentation materials, and monthly orders received, in addition to the "About Us," "Our Business," "Investor Relations" and "Topics" sections. The Company also has an English website for overseas	

	shareholders and investors and posts various materials in English.	
Establishment of Department and/or Manager in Charge of IR	The Company has three full-time members of staff in charge of IR in the Corporate Planning Division.	
Other	<p>The Company actively conducts meetings with institutional investors and securities analysts in Japan and overseas throughout the year and endeavors to give them an accurate understanding of business trends, business results and other important matters.</p> <p>In addition to the financial results briefings conducted twice a year, the Company creates opportunities for the Representative Director to explain business trends, business results and other important matters to Japanese institutional investors and securities analysts directly.</p> <p>The Company also holds business briefings, onsite tours and briefings for individual investors as necessary.</p>	

3. Measures to Ensure Due Respect for Stakeholders Update

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Group conducts business operations in line with its basic CSR policy and corporate philosophy "Cultivating Technological Capabilities, Seeking Affluence and Contributing to Society" and with integrity and transparency as its basic code of conduct for management.</p> <p>To realize this Group philosophy, the Group pursues engagement with stakeholders and, whilst identifying issues, works with them to collaboratively create a better society.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>Coexistence with the global environment is a social responsibility of corporations and is a significant element in creating a sustainable society. The Group engages in business activities as a company that offers customer-satisfying solutions based on its core IC networking technologies. The Group therefore pays careful attention to coordination with the environment in its business activities and endeavors to reduce the environmental impact that inevitably accompanies such activities.</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company recognizes that information disclosure is an important management issue and that disclosing information in an appropriate manner is essential in order to obtain the understanding of all stakeholders. Accordingly, the Company actively discloses information judged to be important (financial and non-financial) via its website, its integrated report and other means, in addition to disclosures required by law.</p>
Other	<p>With the aim of swiftly and flexibly responding to increasingly diverse customer needs, developing business and improving operating results, Team EXEO promotes diversity and inclusion aiming to foster a culture of mutual acceptance of a wide range of values regardless of characteristics such as gender, belief, nationality, disability, sexual orientation or gender identity. The Company has established a Diversity Promotion Office within the Human Resources Development Division to effectively and systematically roll out various measures.</p>

IV. Matters Related to the Internal Control System

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

Update

The Group's basic corporate philosophy is "cultivating technological capabilities, seeking affluence and contributing to society," and every Director and employee of the Group will practice corporate management with integrity and transparency to realize this.

The Group's basic policy on systems to ensure that business is conducted appropriately, as resolved by the Company's Board of Directors, is as follows.

(1) System to Ensure that Execution of Duties by Directors and Employees Conform to Laws, Regulations, and the Articles of Incorporation

- The Group considers compliance with laws and regulations, social norms and corporate ethics a management priority and establishes a compliance program as a framework for strengthening compliance, and Directors put the compliance program into practice themselves and also raise awareness about compliance among employees. Employees execute business with integrity in accordance with said program.
- The Company also establishes a whistleblowing system to prevent or quickly resolve any issues related to compliance.
- The Group takes a resolute attitude against antisocial forces and other groups which potentially pose a threat to social order and safety, dealing with them as an organization in cooperation with lawyers, the police and other specialist external organizations.

(2) System Regarding Storage and Management of Information on Directors' Execution of Duties

- Information on Directors' execution of duties is stored and managed appropriately in accordance with the Rules Concerning the Management of Documents and Recordings.
- Persons responsible for managing documents stipulated in said rules promptly submit such information for Audit & Supervisory Board Members to view upon request.

(3) Rules Concerning the Management of Risk of Loss and Other Systems

- The Group has in place a risk management system overseen by the President and seeks to enhance the system in accordance with the Rules Concerning Risk Management.
- Risk management business units assess the identification and evaluation of risks and measures taken to address them by each business unit and seeks to promote risk management.
- Internal audit business units conduct audits from an independent standpoint.

(4) System to Ensure the Efficient Performance of Duties by Directors

- The President sets groupwide targets shared by Directors and employees and seeks to raise awareness about them, and each business unit formulates specific measures they must implement to achieve the targets and obtains the approval of the Board of Directors.
- Directors, including the President, also use all organized gatherings as an opportunity to exchange information and provide instructions and support to facilitate business execution.
- With regard to the performance of duties, internal systems are used to manage the progress of business plans and the Board of Directors conducts regular reviews.

(5) System to Ensure Appropriateness of Operations in the Group Consisting of the Company and Its Subsidiaries

- The Company ensures the reliability and appropriateness of financial reporting by Group entities through the development of system for reporting in an appropriate manner and mechanisms for assessing performance on a regular and ongoing basis in accordance with the Group's basic policy for internal controls over financial reporting.
- Under the Company's Rules on Subsidiaries' Operations, Group entities must report their operating results, financial position and other important management information to the Company and obtain the Company's approval.
- The Company formulates Risk Management Rules for groupwide risk management and manages Group risk in a comprehensive and integrated manner.
- The Company establishes the Group Compliance Risk Control Standard and develops systems, business processes, etc. as the bases that enable each Group company to engage in compliance promotion activities more surely under unified rules which fulfill standards required by society.
- To ensure the efficient performance of duties by the Directors of Group entities, the Company formulates a

Group Medium-Term Management Plan and establishes business units to oversee Group business and it also strives to ensure smooth business operations through Group President meetings and other means.

- The Company prepares a Group Compliance Manual to raise compliance awareness among all Directors, Audit & Supervisory Board Members and employees of Group entities.
- The Company seeks to instill compliance awareness by providing compliance training every year for the Directors, Audit & Supervisory Board Members and employees of Group entities.
- The Company's internal audit business units conduct audits of the effectiveness and appropriateness of business at each group entity.

(6) Matters Concerning Employees When an Audit and Supervisory Board Member Requests That Employees Assist with His/Her Duties

- Upon a request from Audit & Supervisory Board Members for the appointment of employees to assist them in their duties, the Company establishes an organization which is independent from business execution and belongs exclusively to Audit & Supervisory Board Members.

(7) Matters Concerning the Independence of the Employees Specified in (6) from Directors, and Matters Intended to Ensure the Effectiveness of Instructions Given to Such Employees

- The Company shall obtain the approval of the Audit & Supervisory Board for any personnel change, personnel evaluation or disciplinary action involving employees who assist Audit & Supervisory Board Members and such employees shall not hold concurrent positions in other business units and shall be subject to the sole command of Audit & Supervisory Board Members.

(8) Systems of Reporting to Audit & Supervisory Board Members by Directors and Employees and Other Systems Regarding Reporting to Audit & Supervisory Board Members

- Directors and employees report to the Audit & Supervisory Board in a timely and appropriate manner in accordance with the Audit & Supervisory Board Reporting Rules.

(9) System for Reporting to the Company's Audit & Supervisory Board Members by Directors, Audit & Supervisory Board Members and employees of Subsidiaries, and People who Have Received Reports from Them

- When a Director, Audit & Supervisory Board Member or an employee of a Group entity is asked to report matters concerning their execution of business by Audit & Supervisory Board Members of the Company, they shall make a report promptly and appropriately.
- The Company's risk management business units hold report meetings to report to the Company's Audit & Supervisory Board Members on a regular basis and report on the current status of compliance, risk management and other matters within the Group.

(10) System for Ensuring That Personnel Who Make a Report Under Paragraph (9) Do Not Receive Unfavorable Treatment Due To Such Report

- The Company prohibits the disadvantageous treatment of Group's Directors, Audit & Supervisory Board Members or employees who make a report to the Company's Audit & Supervisory Board Members on the basis that they made such a report.

(11) Policies concerning the procedure for advance payment or reimbursement of expenses that arise with regard to the execution of duties of an Audit & Supervisory Board Member or any other processing of expenses or obligations that arise with regard to the execution of duties

- When Audit & Supervisory Board Members ask the Company to process expenses or obligations deemed necessary for the performance of their duties, the Company promptly pays such expenses or processes such obligations.

(12) Other Systems for Ensuring the Effective Audit by Corporate Auditors

- The Company guarantees Audit & Supervisory Board Members the opportunity to conduct interviews with Directors and employees and Audit & Supervisory Members also conduct regular meetings with the President and audit corporation to exchange opinions.

2. Basic Views on Eliminating Anti-Social Forces

The Company takes a resolute attitude against antisocial forces and other groups which potentially pose a threat to social order and safety, dealing with them as an organization in cooperation with lawyers, the police and other specialist external organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
-	

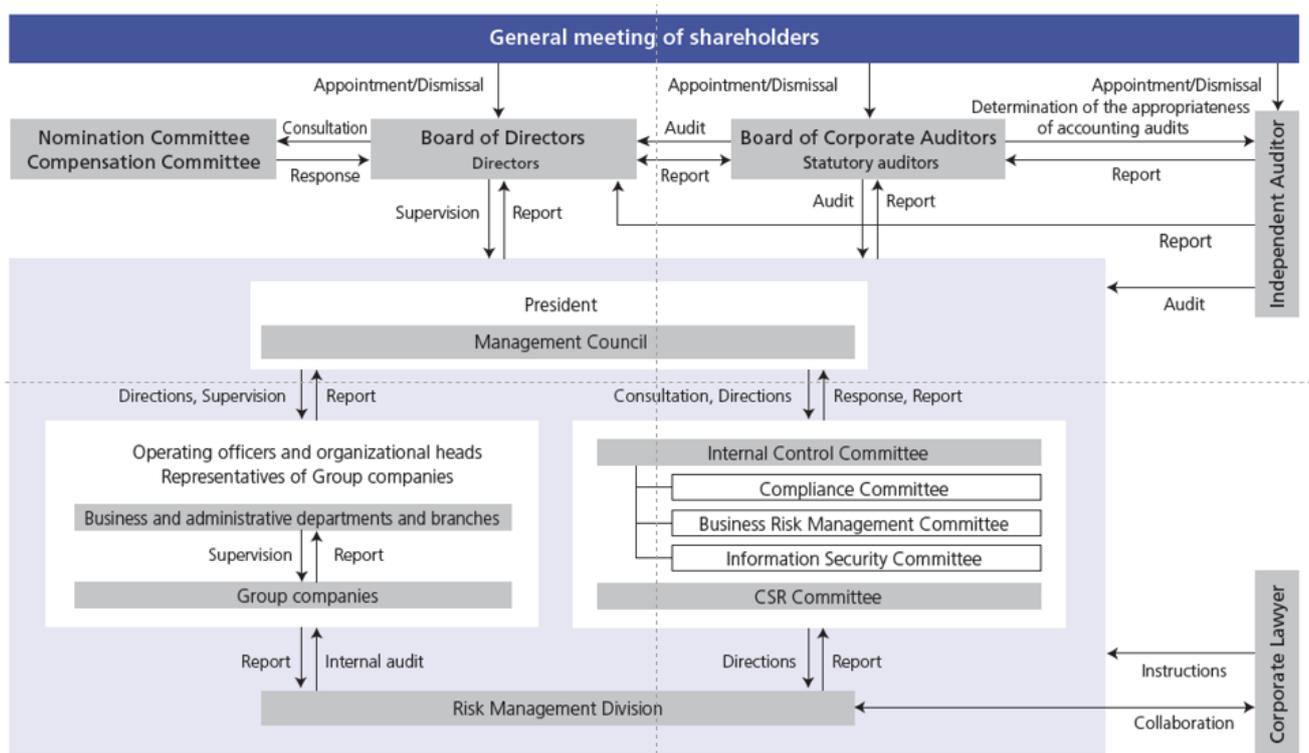
2. Other Matters Concerning to Corporate Governance System

Overview of Timely Disclosure System

The Group discloses important decisions and financial information in an appropriate manner at the time the resolution or decision is made by the Board of Directors or other decision maker. The Company also discloses information about material emerging facts promptly upon recognition of their emergence.

In addition, the Company actively discloses information judged to affect investors' investment decisions and strives to increase management transparency.

The Company's information disclosure procedures were registered with the TSE's Timely Disclosure network (TDnet) and then also posted on the Company's website.



• Timely disclosure system

