

Corporate Governance Report

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of CONEXIO Corporation which has been reported to the Tokyo Stock Exchange.

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Last Update: April 28, 2022

CONEXIO Corporation

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

The corporate governance of CONEXIO Corporation (the “Company”) is described below.

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

1. Basic Views

Under the philosophy statement “the Company is to connect people and values,” the Company desires to achieve sustainable growth of enterprise value by contributing to the realization of a secure and comfortable society and deepening the bond of trust with all stakeholders.

As a basic policy to achieve this, the Company recognizes that the ongoing strengthening of corporate governance is an important management issue, and as a company having corporate auditors (Board of Corporate Auditors), in addition to oversight from the Board of Corporate Auditors, the Company has appointed a number of Independent Outside Directors/Corporate Auditors, and as a voluntary advisory body to the Board of Directors, the Company has established the Nomination and Remuneration Committee and the Governance Committee, both composed of members including Independent Outside Directors, and the Ad Hoc Committee, composed of members including Independent Outside Directors and Independent Outside Corporate Auditors, and the like to strengthen management oversight functions. Furthermore, the Company is strengthening its organizational internal checks and balances through the Internal Audit Department and the Internal Control Committee..

In addition, the Company has taken appropriate measures to protect shareholders rights and ensure equality among shareholders in effect and strives to disclose information in a timely and appropriate manner and to have fruitful dialogue with investors.

Based on these basic views and policy on corporate governance, the Company strives to put in place an effective corporate governance system.

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

The Company has complied with all Principles of the Corporate Governance Code.

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

Efforts for the corporate governance taken by the Company are described in the notice of general shareholders meeting, annual securities report, integrated report, the website of the Company, etc., in addition to this Report, for your review.

The disclosure based on the principles of the Corporate Governance Code (other than those applicable to the Prima Market) is as follows:

[Principle 1.4 Strategic-Shareholdings]

1. Policy on reduction of strategic-shareholding

While the Company may acquire shares of business partners as a means of creating business opportunities or strengthening business relationships, the holding of such shares is limited to the minimum amount necessary. If the holding of shares is deemed inappropriate, the Company will sell such shares by taking all factors into consideration, such as the impact on the market.

2. Examination of strategic-shareholding

We appoint a responsible department for each acquired strategic-shareholding and determine whether to invest in a particular investee in comprehensive consideration of the strategic significance or economic rationality (including capital cost).

Listed shares are examined on an issue-by-issue basis once a year by the Board of Directors with respect to the achievement of the purpose of the acquisition, medium- to long-term economic rationality (including capital cost) and future outlook to decide whether to continue to hold such shares.

3. Exercise of voting rights

We recognize the exercise of voting rights pertaining to shares held as strategic-shareholdings as an important means of communication with our business partners. For this reason, we exercise these voting rights appropriately in accordance with the judgment made by the responsible department from the perspective of medium- to long-term growth of the enterprise value of both the Company and the business partner and based on the results of the internal examination.

[Principle 1.7 Related Party Transactions]

Any competitive transaction or conflict of interest transactions with the Company carried out by a director or transactions of any other important related party are subject to internal approval and the approval of the Board of Directors upon deliberation by the newly-established Ad Hoc Committee as necessary in accordance with the provisions of laws and regulations, the articles of incorporation, the board of directors regulations, and other internal regulations.

[Supplementary Principle 2.4.1 Policies and Goals for Ensuring Diversity, Human Resources Development and Internal Environment Development Policies]

In our future business initiatives, we have identified the promotion of diversity and inclusion as an important SDGs management issue, and have set a medium-term goal of "developing a comfortable work environment in which diverse human resources can play an active role". In addition to further promoting diversity, including the promotion the empowerment of women, which we have been working on for some time, we will demonstrate the collective strength of the company as a whole by embracing diverse personalities, values, and ways of working.

• Promotion of women to middle management positions

With the percentage of female employees being above 50%, the Company works to improve the work environment and culture on an ongoing basis for the purpose of helping them to keep a good balance between carrier development/work and family. The Company aims to raise the percentage of women among employees at management positions to 15% by the end of FY2023. To achieve this goal, we will continue to strengthen the development of female employees for potential promotion to managers through female manager training courses and the activities of the Diversity Promotion Committee.

- Promotion of foreign nationals to middle management positions

As the business of the Company is primarily a domestic business, the percentage of foreign nationals among all employees is only around 1%. We will continue to promote excellent employees to management positions without regard to their nationality.

- Promotion of midcareer hires to middle management positions

In the past, the Company's recruitment efforts focused on midcareer hires. For this reason, midcareer hires account for more than half of all employees at management positions. As in the past, we will promote qualified employees to management positions regardless of whether they joined the Company as new graduates or midcareer hires.

- Policy for human resource development

Our policy for human resource development is to develop human resources who can continue to contribute to the society by appropriately grasping changes in the environment and initiating self-transformation through independent thinking. Regardless of whether they joined the Company as new graduates or midcareer hires, we assign employees to appropriate jobs, projects, etc., while providing them with opportunities for educations. In addition, we support the self-realization of employees through their career ownership.

- Policy for internal environment development

The Company promotes the creation of an environment in which human resources of great individuality with diverse background can continue to work for many years while demonstrating their strengths. We will promote the work-life balance by improving, and promoting the proper operation of, relevant programs, such as childcare leave for male employees and work-life balance support program. For our other initiatives, please refer to the Company's website.

(<https://sustainability.conexio.co.jp/social/work/>)

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

While the Company does not have a corporate pension fund plan, the Company has a lump-sum retirement payment plan and additionally introduced a defined contribution plan in April 2021 to help employees' stable asset formation.

[Principle 3.1 Full Disclosure]

1. Company objectives (e.g., business principles), business strategies and business plans

Our objectives (reason for existence) are as follows: Under the philosophy statement "the Company is to connect people and values," we aim to cherish one's feelings, touch customer's heart, and contribute to the realization of a secure and comfortable life and society. For more details of our corporate objectives, please refer to the website of the Company.

<https://www.conexio.co.jp/en/ir/vision/> (in English text)

<https://www.conexio.co.jp/corporate/vision/> (in Japanese text)

For our business strategies and plans, please refer to the website of the Company, our summary financial reports, annual securities reports, results briefing materials, etc.

https://www.conexio.co.jp/en/ir/library/earning/2021/financialreport_FY21Q4.pdf (in English text)

<https://www.conexio.co.jp/corporate/target/> (in Japanese text)

(please refer to "1. Overview of operating results, etc. (3) Outlook" on page 3 of the Appendix)

2. Basic views and guidelines on corporate governance

As stated in I.1. Basic Views of this Report.

3. Policies and procedures in determining the remuneration of the senior management executives and Directors

Please refer to II.1. [Directors] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods of this report.

4. Policies and procedures for the appointment/dismissal of senior management executives and the nomination of candidates for Directors and Corporate Auditors

Please refer to II.2. of this Report.

5. Explanations with respect to the individual appointment/dismissal and nomination

Reasons for nomination of each candidate for Directors and Corporate Auditors are described in the notice of general shareholders meeting.

https://www.conexio.co.jp/en/ir/library/meeting/2020/generalmeeting_210604.pdf(in English text)

https://www.conexio.co.jp/ir/library/meeting/2020/2020001/shoshu_210531.pdf(in Japanese text)

[Supplementary Principle 3.1.3 Initiatives on Sustainability]

1. Initiatives on sustainability

We consider sustainability to be the materialization of our corporate philosophy of “Conexio is to connect people and values” through our business. In the field of communication network, we, with our stakeholders, contribute to the realization of a prosperous society where people respect each other’s human rights. Furthermore, in order to contribute to the sustainable growth of society, we will identify five important issues and implement SDGs management through our main business and specialized fields.

For details of our initiatives, see the Integrated Report, which has been posted on our website.

(<https://www.conexio.co.jp/en/ir/library/integrated-report/2021/>) (in English text)

(<https://www.conexio.co.jp/ir/library/integrated-report/2021/>) (in Japanese text)

2. Investments in Human Capital and Intellectual Property

We believe in the necessity of embracing and respecting the diverse personalities of our employees and aiming for a company where individuals can demonstrate their capabilities to their fullest, thereby demonstrating the total power of the Company as a whole. Based on this belief, we are aiming to realize work-life balance by promoting flexible work-styles and creating workplace environments where each and every individual employee can play an even more active role. Furthermore, we provide education and training programs that leverage in-person and online formats with an eye to strengthening the growth of individual employee and their on-site capabilities. As for intellectual property, in the IoT field of the Corporate Business, we have developed our unique products and have disclosed our research and development expenses in the annual securities report.

For details of our initiatives for human capital, see pp. 43-44 of the Integrated Report.

[Supplementary Principle 4.1.1 scope of delegation to the management]

Matters prescribed by laws and regulations, the articles of incorporation, and board of Directors regulations and other matters equivalent thereto are decided by the Board of Directors. Other matters are delegated to the management and the authority and responsibilities of each individual are clearly defined in accordance with resolutions of the Board of Directors and internal regulations.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

[Supplementary Principle 4.10.1 Appropriate Engagement/Advice of Independent Outside Directors by Establishing Independent Nominating Committee/Compensation Committee]

The Nomination and Remuneration Committee, which consists of the President (chairperson), a Director (part-time), and three Independent Outside Directors, deliberates on the criteria and process for nominating (appointing) candidates for directors/corporate auditors and executive officers, the design of the remuneration system for directors and executive officers, director remuneration, and other matters, and provides its opinions and advice to the Board of Directors. The Committee seeks to improve the supervisory function of the Board of Directors and further enhance its corporate governance function by ensuring objectivity and transparency in procedures related to decisions on nominations, remuneration, and other matters, utilizing the knowledge and advice of a diverse range of Outside Directors and Corporate Officers.

As the majority of the members of the committee are Independent Outside Directors, it is deemed that independence and objectivity from the Board of Directors can be ensured.

[Supplementary Principle 4.11.1 Views on the appropriate balance between knowledge, experience and skills of the Board of Directors as well as on its diversity and size]

Please refer to II.2. of this Report. We have also identified necessary skills of our Directors and Corporate Officers in view of our medium- to long-term management strategies, etc. and have prepared a skills matrix summarizing the technical expertise and experience of each Director/Corporate Officer. This skills matrix is prepared to visualize the area of knowledge and technical expertise of each Director/Corporate Officer and is used to determine candidates for these positions so that they complement with each other in terms of their skills, knowledge, etc., For the skills matrix, please refer to the Company's website.

(<https://www.conexio.co.jp/corporate/governance/skillmatrix.pdf>) (only available in Japanese text)

[Supplementary Principle 4.11.2 Concurrent positions held by Directors and Corporate Auditors]

The Company discloses significant concurrent positions held by each Director and Corporate Auditor, including those at other listed companies, in the notice of general shareholders meeting.

[Supplementary Principle 4.11.3 Evaluation of the Board of Directors]

The Company regards efforts to improve the effectiveness of the Board of Directors as an important part of continuous improvement of corporate governance. As part of these efforts, the Company conducts an effectiveness assessment in principle once a year, and the effectiveness assessment for the fiscal year ended March 31, 2021 was conducted as follows: Disclosure for the fiscal year ending March 31, 2022 is scheduled for late June 2022.

(Effectiveness assessment process)

The effectiveness assessment was conducted under the leadership of the Governance Committee, which is a voluntary advisory committee to the Board of Directors and is chaired by an Independent Outside Director, and the results of the assessment were discussed and reviewed by the Board of Directors.

(Effectiveness assessment results)

After confirming that the responses to questionnaire items were generally appropriate through the assessment process outlined above, the Company concluded that the effective functioning of the Board of Directors is ensured. The Company concluded that all three of the following points that were identified in FY2020 as future steps to be taken have been addressed, and were evaluated as having been generally improved.

1. Approach to decision-making
2. Enhancement of provision of non-financial information
3. Improvement of materials for Board of Directors' meetings (Ongoing)

In FY 2021, a number of open-ended fields were again used to receive diverse opinions and suggestions, and the Company recognized room for improvement with respect to the following four points. Having received new opinions and suggestions on "1. Approach to decision-making," and "3. Improvement of materials for Board of Directors' meetings," the Company acknowledged it as an ongoing issue.

1. Enhancement of the nomination process
2. Approach to decision-making (Ongoing)
3. Strengthened promotion of environmental, social and governance (ESG) initiatives and the Sustainable Development Goals (SDGs)
4. Improvement of materials for Board of Directors' meetings (Ongoing)

(Future steps)

Based on assessment results mentioned above, in response to the recommendations received from the Governance Committee for further improvement of the functioning of the Board of Directors, the Board of Directors decided to work on "Improvement of materials for Board of Directors' meetings" as an ongoing issue, and in addition, on the following matters:

1. Enhancement of the nomination process

We will formulate an objective and transparent succession plan by clarifying the process up to the selection with the aim of implementing more effective succession plans which have been formulated by the Nomination and Remuneration Committee up until present.

2. Approach to decision-making (Ongoing)

We will further enhance opportunities to discuss management issues from a medium/long-term perspective and continue building an environment that facilitates decision-making on management strategy, etc.

3. Strengthened promotion of ESG initiatives and the SDGs

We will provide more opportunities for discussion on the Company's efforts related to sustainability, establish basic policy and other frameworks, and promote efforts to increase quality and quantity of disclosure.

For details, please refer to "Summary Results of Effectiveness Assessment of the Board of Directors of CONEXIO" disclosed on June 30, 2021.

https://www.conexio.co.jp/ir/ir-news/2021/210630_02.pdf

(only available in Japanese text)

[Supplementary Principle 4.14.2 Training policy for Directors and Corporate Auditors]

The Company conducts the following training to provide Directors and Corporate Auditors with knowledge and corporate information that are necessary for them to fulfill their respective roles and responsibilities. Training for Directors and Corporate Auditors are conducted based on the training policy and plan deliberated by the Governance Committee and determined by the Board of Directors:

- Providing lectures and training by external experts (lawyers) on laws and regulations that are relevant to the business of the Company, corporate governance and compliance topics.
- Arranging participation in seminars offered by external organizations for the acquisition of knowledge of management, accounting, legal affairs, etc., that are necessary for persons holding a position of Director/Corporate Auditor.
- Conducting training, briefing, and on-site visits for newly elected Outside Directors and Corporate Auditors to understand the history, business, and business strategy of the Company.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

Policy for the internal arrangements and initiatives to promote constructive dialogue with shareholders

- (1) Dialogue with shareholders is supervised by the President and the General Manager, Administration Group and also in charge of investor relations to promote active dialogue and timely and appropriate information disclosure. It is also our policy to require the presence of Outside Directors and Corporate Auditors at an interview with a shareholder to a reasonable extent if such presence is requested by the shareholder.
- (2) The department in charge of investor relations exchanges information with corporate planning, general affairs, finance, accounting, and legal affairs departments as appropriate on a daily basis under the system of organic coordination.
- (3) As a means of enhancing the opportunities to have direct dialogue with shareholders other than interview on an individual basis, the Company conducts regular results briefings for institutional and individual investors.
- (4) Opinions and concerns of shareholders identified through the dialogue with shareholders are summarized by the department in charge of investor relations and reported to the Board of Directors and departments in charge as necessary for the sharing and effective use of such information.
- (5) Insider information is strictly managed in accordance with internal regulations. To prevent the leakage of earnings information and ensure fairness, dialogue with investors is restricted during the quiet period for investor relations activities, which starts on the first day of the month immediately following the end of each quarter and ends on the date of the announcement of financial results (quarterly or annual).

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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[Status of Major Shareholders] [Revised]

Name / Company Name	Number of Shares Owned	Percentage (%)
ITOCHU Corporation	26,996,000	60.34
HIKARI TSUSHIN, Inc.	3,350,200	7.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,395,500	5.35
NCSN-SHOKORO LIMITED	1,233,600	2.76
GOLDMAN SACHS INTERNATIONAL ()	766,120	1.71
SIL, Inc.	716,800	1.60
UH Partners 2, Inc.	707,100	1.58
CONEXIO Employee Stock Ownership Association	697,577	1.56
Custody Bank of Japan, Ltd. (Trust opening)	533,900	1.19
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	425,000	0.95

Controlling Shareholder (except for Parent Company)	—
Parent Company	ITOCHU Corporation (Listed on the TSE, Securities Code: 8001)

Supplementary Explanation

The status of major shareholders shown above is current as of March 31, 2022.

It is described in the Report of Possession of Large Volume (Change Report) made available for public inspection as of April 21, 2021, that Tower Investment Management Co., Ltd. holds the following shares as of April 19, 2021. However, as the Company has been unable to confirm the number of shares effectively held by the company on March 31, 2022, this shareholding is not included in the table above.

The details of the shareholding as reported in the Report of Possession of Large Volume are as follows:

Large volume holder:	Tower Investment Management Co., Ltd. (Representative Director & President: Shinya Fujiwara)
Address:	Noyori Building 2F, 1-2-18, Shibadaimon, Minato-ku, Tokyo
Number of shares held:	2,402,800
Percentage of shares held:	5.37%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	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	Less than 10

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

ITOCHU Corporation is a majority shareholder of the Company. Although there are certain transactions between ITOCHU Corporation and the Company as of the date of submission of this Report such as sales of accessories, and the payment of salary to seconded employees, etc. the Company enters into fair transactions with ITOCHU Corporation under the terms that are consistent with those of normal transactions with independent third parties.

It is prescribed in the Corporate Code of Conduct and the Sustainability Policy that the Company will carry out fair transactions with all its business partners. This rule is strictly enforced under the oversight of the General Affairs Department, which serves as the secretariat for the Sustainability Committee, and compliance with the rule is regularly checked by the legal counsel, Corporate Auditors, and the Internal Audit Department.

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

As a consolidated subsidiary of ITOCHU Corporation, the Company is subject to ensure reliability in consolidated financial reporting, the effective functioning of the group-wide internal control system, and timely disclosure. We consider that the independence has been secured with regard to the management and business activities of the Company corresponding to the general principles of ITOCHU Corporation that respect the independence of its listed subsidiaries and aim to ensure equality among their shareholders as well as those relating to the governance of its listed subsidiaries.

In addition, in order to manage the Company in a manner to respect minority shareholders other than the parent company and to value the independence from the parent company, we have set the number of Independent Directors and Corporate Auditors to account for: one-third or more of the members of the Board of Directors; the majority of the members of Governance Committee; and the majority of the members of the Nomination and Remuneration Committee. Furthermore, the Ad Hoc Committee composed of independent persons, including Independent Outside Directors, has been established to further enhance corporate governance functions by deliberating and reviewing important transactions and actions that may cause conflicts of interest between controlling shareholders and minority shareholders.

For the purpose of improving the enterprise value of the group as a whole, ITOCHU Corporation exercises due caution at all times with respect to the Company's legal compliance structure/status as its parent company and major shareholder, and if necessary, provides advice and support as appropriate on such matters as certain compliance-related situations and establishment of an internal control system. ITOCHU Corporation also provides an explanation of the rational reason as to why it keeps the Company as its listed subsidiary, as well as an explanation of the effectiveness of the Company's governance system.

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 Corporate Auditors (<i>kansayaku secchi kaisha</i>)
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1) [Revised]

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuo Hosoi	From another company								△			
Yuka Kawauchi	From another company											
Kazuyuki Shinno	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/Corporate Auditor

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/Corporate Auditors 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

Outside Directors' Relationship with the Company (2) [Revised]

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kazuo Hosoi	○	<p>Independent Director of the Company</p> <p>Mr. Kazuo Hosoi, who is designated as an Independent Director of the Company, had worked for Oracle Corporation Japan in the past and the Company has carried out certain transactions with the company. However, the description of these transactions is omitted because the Company has determined that there is no possibility that these transactions will affect the judgment concerning the exercise of voting rights of shareholders given the size (a little less than 0.1% of net sales) and the nature of them.</p>	<p>- With his extensive experience and broad knowledge as a senior management executive and high expertise in the field of information technology, he is expected to help the Company strengthen its supervisory function over the execution of duties by the Directors.</p> <p>- We have appointed him as an Independent Director of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.</p>
Yuka Kawauchi	○	<p>Independent Director of the Company</p>	<p>- With her extensive experience and broad knowledge as a senior management executive and high expertise in and knowledge of human resources development, she is expected to help the Company strengthen its supervisory function over the execution of duties by the Directors.</p> <p>- We have appointed her as an Independent Director of the Company because we have determined that she neither is nor was in a position that will give rise to any conflict of interest with general shareholders.</p>
Kazuyuki Shinno	○	<p>Independent Director of the Company</p> <p>Mr. Kazuyuki Shinno, who is designated as an Independent Director of the Company, had worked for Konica Minolta Japan, Inc. in the past and the Company has carried out certain transactions with the company. However, the description of these transactions is omitted because the Company has determined that there is no possibility that these transactions will affect the judgment</p>	<p>- With his extensive experience and broad knowledge as a senior management executive and high expertise in the field of information technology, he is expected to help the Company strengthen its supervisory function over the execution of duties by the Directors.</p> <p>- We have appointed him as an Independent Director of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.</p>

		concerning the exercise of voting rights of shareholders given the size (a little less than 0.1% of net sales) and the nature of them.	
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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 Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation [Revised]

The Nomination and Remuneration Committee, which consists of the President (chairperson), a Director (part-time), and three Independent Outside Directors, holds a meeting at least once a year and states its opinions and provides advice to the Board of Directors.

<Attendance at Nomination and Remuneration Committee's meetings in the fiscal year ended March 31, 2021>

President (chairperson) Hiroshi Suguta (5 out of 5 meetings), Director (part-time) Hiroshi Kajiware (5 out of 5 meetings), Independent Outside Director Kazuo Hosoi (5 out of 5 meetings), Independent Outside Director Yuka Kawauchi (5 out of 5 meetings), Independent Outside Director Kazuyuki Shinno (5 out of 5 meetings)

[Corporate Auditors]

Establishment of the Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Corporate Auditors and the accounting auditor endeavor to get a grasp of the implementation status of audits through regular interviews, and they also exchange opinions on key audit matters (KAMs). In addition, Corporate Auditors provide advice to the Internal Audit Department in developing audit plans, attend meetings at which the Internal Audit Department reports internal audit results to the Representative Director to keep abreast of the results, and also frequently exchange information with the Internal Audit Department on a daily basis. Part-time Corporate Auditors conduct audits on management in general by obtaining necessary information for auditing from Full-time Corporate Auditors as appropriate. They also attend important meetings such as Board of Directors' meetings and regular meetings with the accounting auditor, expressing necessary opinions drawing on their respective specialized knowledge. Similarly, the Internal Audit Department and the accounting auditor exchange information and opinions to coordinate with each other.

Appointment of Outside Corporate Auditors	Appointed
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Number of Outside Corporate Auditors	2
Number of Independent Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Osami Yoshida	CPAr										△			
Akane Tsuji (Akane Tsuji's name on the family register is Akane Endo.)	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

- Executive of the Company or its subsidiary
- Non-executive Director or accounting advisor of the Company or its subsidiaries
- Non-executive Director or executive of a parent company of the Company
- Corporate Auditor of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Corporate Auditor
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Corporate Auditor himself/herself only)
- Executive of a company, between which and the Company Outside Directors/Corporate Auditors are mutually appointed (the Corporate Auditor himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
- Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Osami Yoshida	○	<p>CPA Independent Corporate Auditor of the Company</p> <p>Osami Yoshida, who is designated as an Independent Corporate Auditor of the Company, was a Senior Partner of Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC) and a member of DTTL Talent Council of Tohmatsu & Co. in the past, and the Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor. However, the description of these facts is omitted because the Company has determined that there is no possibility that these facts will affect the judgment concerning the exercise of voting rights of shareholders given that Yoshida had left Deloitte Touche Tohmatsu LLC before he assumed the position of Corporate Auditor of the Company.</p>	<p>- He is a certified public accountant and has expert knowledge of finance and accounting. He is expected to draw on his knowledge, experience, etc., to conduct audit at the Company.</p> <p>- We have appointed him as an Independent Corporate Auditor of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.</p>
Akane Tsuji Osami Yoshida	○	<p>Lawyer Independent Corporate Auditor of the Company</p>	<p>- Her specialized knowledge and experience centered around corporate legal affairs accumulated as an attorney at law will be very helpful for the Company's audit system.</p> <p>- We have appointed him as an Independent Corporate Auditor of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.</p>

[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	5
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Matters relating to Independent Directors/Corporate Auditors

The Company has established the nomination and independence criteria for candidates for Outside Directors and Corporate Auditors. The Company has designated all qualifying Outside Directors and Corporate Auditors as Independent Directors and Corporate Auditors.

[Nomination criteria]

- (1) A person who has a practical point of view based on extensive experience as a senior management executive of a company.
- (2) A person who has an objective and expert point of view based on strong knowledge of social and economic trends.
- (3) A person who is a professional at (1), (2), or management, law, accounting/tax, labor, IT, etc.

[Independence criteria]

The Company designates a person who does not fall under any of the following criteria as an Independent Directors and Corporate Auditors:

1. Outside Director

- (1) A person who currently holds or had held anytime during the last 10 years before the assumption of office any of the following positions at the Company or its subsidiary:
 - a. Executive (meaning executive director, executive officer, or employee; the same shall apply hereinafter);
 - b. Non-executive director (limited to those who had been an executive of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a non-executive director); or
 - c. Corporate Auditor (limited to those who had been an executive of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a Corporate Auditor).
- (2) A person who currently holds or had held anytime during the last 10 years before the assumption of office any of the following positions at the parent company of the Company:
 - a. Executive or
 - b. Non-executive director.
- (3) A person who currently is or had been anytime during the last 10 years before the assumption of office an executive of a fellow subsidiary of the Company;
- (4) A person who currently is or had been anytime during the last 1 year before the assumption of office a person whose main business partner is/was the Company or an executive of such a person.
- (5) A person who currently is or had been anytime during the last 1 year before the assumption of office a person who is/was a main business partner of the Company or an executive of such a person.
- (6) A person who currently is or had been anytime during the last 1 year before the assumption of office a consultant, an accounting expert, or a legal expert who receives/received a significant amount of money or other property from the Company other than remuneration as an Director of the Company (which shall be read as a consultant, an accounting expert, or a legal expert belonging to an organization if the person who receives/received such property is an organization, such as a juridical person, association, etc.).
- (7) A close relative of a person who falls under the following description (excluding those who are insignificant):
 - a. A person who currently is or had been anytime during the last 1 year an executive of the Company or its subsidiary.
- (8) A close relative of a person who currently is a non-executive director of the Company.
- (9) A close relative of a person who falls under any of (2) through (6) above (excluding those who are insignificant);

2. Outside Corporate Auditor

- (1) A person who currently holds or had held anytime during the last 10 years before the assumption of office any of the following positions at the Company or its subsidiary:
 - a. Executive;
 - b. Non-executive director; or

<p>c. Corporate Auditor (limited to those who had been an executive or non-executive director of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a Corporate Auditor).</p>	
<p>(2) A close relative of a person who falls under any of the following descriptions (excluding those who are insignificant):</p> <p>a. A person who currently is or had been anytime during the last 1 year an executive of the Company or its subsidiary; or</p> <p>b. A person who currently is or had been anytime during the last 1 year a non-executive director of the Company or its subsidiary.</p>	
<p>(3) A person who currently is or had been anytime during the last 10 years before the assumption of office a Corporate Auditor of the parent company of the Company:</p>	
<p>(4) A person who falls under any of 1(2) through (6) above.</p>	
<p>(5) A close relative of a person who falls under any of 2(3) through (4) above (excluding those who are insignificant).</p>	
<p>* An executive of the Company or its subsidiary (excluding those who are insignificant) means an executive director and an employee who holds a position as a general manager, a manager of a branch office or a position that is equivalent thereto or above.</p>	
<p>* A close relative means a relative within the second degree of kinship.</p>	

[Incentives]

Incentive Policies for Directors	Introduction of a performance-based remuneration plan
Supplementary Explanation	
This is as stated in Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods.	
Recipients of Stock Options	
Supplementary Explanation	

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation

The Company discloses the total amount of remuneration of all Directors.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods [Revised]

In the fiscal year ended March 31, 2021, the Company paid 150 million yen to nine Directors (including 19 million yen to four Outside Directors) as fixed remuneration.

The Company also paid 81 million yen to four executive Directors on June 30, 2021, as performance-based remuneration (bonuses and medium- to long-term incentives) for the same period.

<Policy on determining director remuneration>

(1) Matters concerning the policy on determining remuneration, etc. for individual Directors

1. Basic policy

Directors' remuneration needs to be at a level of amount appropriate for securing and retaining outstanding human assets and strongly motivates them to strive for sustainably increasing corporate value. At the same time, Directors' remuneration is an important corporate governance matter; and accordingly, it is necessary to establish a sufficient framework which (i) provides satisfactory transparency, fairness, and reasonability; (ii) is determined through an appropriate process to ensure such transparency, fairness, and reasonability; and (iii) prevents wrongdoing.

Under the concepts above, it is the Company's basic policy to determine remuneration of individual Directors at an appropriate level based on such factors as practice of their job responsibilities and corporate ethics, compliance with the "Corporate Code of Conduct," and organizational operation from a long-term perspective. More specifically, remuneration for executive Directors consists of Director remuneration and executive officer remuneration (both are fixed remuneration), both of which are basic remuneration (monetary remuneration), and performance-based remuneration (which consists of performance-based remuneration to be paid every year as bonuses and medium- to long-term performance-based remuneration (medium- to long-term incentives)), while remuneration for Outside Directors who perform the supervisory function consists of Director remuneration only, which is basic remuneration (monetary remuneration), in light of their duties.

2. Policy on determining amounts of individual remuneration, etc. concerning basic remuneration (monetary remuneration) (including policy on determining the timing and conditions for providing remuneration, etc.)

Basic remuneration (monetary remuneration) of Directors of the Company shall be monthly fixed remuneration and determined using the remuneration standard table formulated taking into account levels of

other companies and the Company's performance and according to job ranks, job responsibilities, and the number of years of service.

3. Policy on determining the contents and amounts or the calculation methods of numerical values for performance-based remuneration, etc. (including policy on determining the timing and conditions for providing remuneration, etc.)

Performance-based remuneration for executive Directors is paid in money at a fixed point in time of each year as bonuses while they are in office (or promptly after the retirement for retiring Directors), in the amount calculated using the remuneration standard table according to the job rank of each executive Director, based on the achievement rate of performance indicators of ordinary profit and profit which are indicators set to heighten the awareness for improving business performance of each fiscal year. Performance indicators for the following fiscal year, shall be decided by a resolution by the Board of Directors upon consultation with the Nomination and Remuneration Committee.

In addition, the Company has introduced a medium- to long-term performance-based remuneration system (medium- to long-term incentives) with the aim of improving medium- to long-term business performance and heightening awareness of contribution to increasing corporate value. This remuneration is paid in money while executive Directors are in office (or promptly after the retirement for retiring Directors), in the amount calculated using the remuneration standard table according to the job rank of each executive Director and decided upon by the Board of Directors based on the achievement rate of the medium-term management plan and the percentage of rise of the share price, subject to achievement of operating profit and profit targets set in the plan.

4. Policy on determining the ratio of the amount of monetary remuneration or the amount of performance-based remuneration, etc. against the amount of remuneration, etc. of individual Directors

The ratio of each remuneration by type of executive Directors is not uniform but determined according to the amount of performance-based remuneration calculated using the remuneration standard table based on the achievement rate of performance indicators.

5. Matters concerning determination of the contents of remuneration, etc. of individual Directors

President and Representative Director shall be delegated the authority to determine the specific details of the amount of basic remuneration of individual Directors based on a resolution by the Board of Directors. President and Representative Director determines such an amount in accordance with the remuneration standard table based on the delegation by the Board of Directors.

In addition, performance-based remuneration for individual executive Directors (both of performance-based remuneration to be paid every year as bonuses and medium- to long-term performance-based remuneration (medium- to long-term incentives)) shall be determined by the Board of Directors upon consultation with the Nomination and Remuneration Committee, which shall be calculated based on the

remuneration standard table according to the job rank of each executive Director based on the performance results of the relevant fiscal year.

6. Method of determining the policy on determining the contents of remuneration, etc. of individual Directors

The method is determined by the Board of Directors upon deliberation by the Nomination and Remuneration Committee which consists mainly of Independent Outside Directors and is an advisory body to the Board of Directors.

(2) Matters concerning resolutions by the general shareholders meetings on remuneration, etc. of Directors and Corporate Auditors

The annual amount of Director remuneration was approved to be up to 250 million yen (of which, up to 20 million yen for Outside Directors) by a resolution at the 15th Annual General Meeting of Shareholders held on June 20, 2012, and subsequently, bonuses were approved to be paid within said amount of remuneration by a resolution at the 20th Annual General Meeting of Shareholders held on June 27, 2017. Following the further strengthening of corporate governance against the backdrop of changes in the economic environment, the Company has increased the total number of Directors from six (of which, two are Outside Directors) to eight (of which, three are Outside Directors) since June 2019 and introduced the system of medium- to long-term incentives as performance-based remuneration for Directors in the fiscal year ended March 31, 2019; accordingly, it was recently approved by a resolution at the 24th Annual General Meeting of Shareholders held on June 23, 2021, to change the annual amount of Director remuneration to be up to 350 million yen (of which, up to 60 million yen for Outside Directors). The amount of remuneration for Directors after the revision shall retroactively be applied as of April 1, 2021, which is the date of commencement of the 25th business term.

The recent revision to the remuneration amount was made in consideration of the above circumstances and is in line with the policy on determining the contents of remuneration, etc. of individual Directors approved by the resolution by the Board of Directors of the Company. This amount of remuneration for Directors does not include the portion of their employee salaries if they are employees concurrently serving as Directors, just like in the past. The number of Directors remains eight (of which, three are Outside Directors), and there are no employees concurrently serving as Directors at the Company as of the date of submission of this report. In addition, the annual amount of remuneration for Corporate Auditors was approved to be up to 60 million yen by a resolution at the 15th Annual General Meeting of Shareholders held on June 20, 2012. The number of Corporate Auditors since the Annual General Meeting of Shareholders has been four.

(3) Matters concerning delegation of determination of remuneration, etc. for individual Directors

President and Representative Director Hiroshi Suguta (the chairperson of the Nomination and Remuneration Committee and a member of the Governance Committee) shall be delegated the authority to determine the specific details of the amount of basic remuneration of individual Directors based on a

resolution by the Board of Directors. President and Representative Director determines such an amount in accordance with the remuneration standard table based on the delegation by the Board of Directors.

The reason for the delegation of the authority to President and Representative Director is that the Company judged that President and Representative Director is able to determine the amounts of basic remuneration of individual Directors from a comprehensive perspective as he monitors the status of execution of duties in general by each Director. In addition, President and Representative Director under the delegation has determined such amounts in accordance with the determination policy, in line with the remuneration standard table decided upon by the Board of Directors and taking into account levels of other companies and the Company's performance. Therefore, the Board of Directors judged that remuneration, etc. for individual Directors for the fiscal year ended March 31, 2021, was in line with the determination policy.

(4) Policy on determining remuneration for Corporate Auditors

Remuneration for Corporate Auditors is determined through discussion between Corporate Auditors to be within the total amount approved by the resolution by the general shareholders meetings. Monthly fixed remuneration only, without linkage with performance, is paid to them from the perspective of securing a high degree of independence.

[Supporting System for Outside Directors and/or Corporate Auditors]

To support Outside Directors, the Corporate Planning Department provides them with board meeting materials together with their explanation in advance. In addition, they are provided with various opportunities to understand the business of the Company on an ongoing basis. The Company also holds meetings with the President for the exchange of opinions as well as the Independent Outside Directors and Corporate Auditors Liaison Conference to exchange information and share perspectives from an independent and objective standpoint and has appointed a Chief Independent Outside Director to improve the system pertaining to the coordination with the management, Directors, and Corporate Auditors.

Outside Corporate Auditors are provided with necessary information by the full-time Corporate Auditors during the meetings of the Board of Corporate Auditors and other times as appropriate. In addition, they are provided with training opportunities and financial support to such training as well as financial support to receive advice from external experts as necessary.

[[Status of Persons Who Resigned as President and Representative Director, etc.]]

Names and Other Information of Advisors and Counsellors who were Formerly President and Representative Director, etc.

Name	Title / position	Business content	Daily work style / condition (Full-time / part-time, with or without compensation)	The date of retirement of the President etc	Term of office
—	—	—	—	—	—

Total number of advisors and counsellors who were formerly president and representative director, etc.: 0

Other matters

The Company has an advisor and counsellor system, but currently, there are no persons who are in the position.

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

The Company adopts an organizational structure with the presence of the Board of Directors (*torishimariyakukai secchi kaisha*) and Corporate Auditors (and the Board of Corporate Auditors) (*kansayaku secchi kaisha*).

(Board of Directors)

1. The Board of Directors consists of eight Directors (including three Outside/Independent Directors) and holds regular meetings once a month. The Board makes decisions on important management matters and supervises the execution of duties by the Directors in accordance with the provisions of laws and regulations, the articles of incorporation, the Board of Directors Regulations, etc.

2. Directors, based on their roles determined by the Board of Directors, execute the businesses of the Company in accordance with the provisions of laws and regulations, the articles of incorporation, the Board of Directors Regulations, and other internal regulations. The representative Director and the Directors who execute the businesses of the Company report the status of the execution of their duties to the Board of Directors on a monthly basis, in principle.

<Attendance at Board of Directors' meetings in the fiscal year ended March 31, 2022>

Chairman Hiroo Inoue (17 out of 17 meetings), President (chairperson) Hiroshi Suguta (17 out of 17 meetings), Director and Senior Managing Executive Officer Riichiro Metoki (17 out of 17 meetings), Director and Managing Executive Officer Shinji Nakata (17 out of 17 meetings), Director (part-time) Hiroshi Kajiwara (17 out of 17 meetings), Independent Outside Director Kazuo Hosoi (17 out of 17 meetings), Independent Outside Director Yuka Kawauchi (17 out of 17 meetings), Independent Outside Director Kazuyuki Shinno (17 out of 17 meetings)

3. To further enhance the governance function of the Board of Directors, the Company has established the Nomination and Remuneration Committee, the Governance Committee, and the Ad Hoc Committees advisory committees on a voluntary basis. The main matters for deliberation and their structure are as follows:

■ Nomination and Remuneration Committee

[Main matters for deliberation]

- Composition of the Board of Directors
- Nomination (appointment) criteria and process for candidates for Directors/Corporate Auditors and executive officers
- Succession plan
- The design of the Remuneration plan for Directors and executive officers
- Directors' remuneration

[Structure]

Number of Committee Members: 5

President as chairperson, one part-time Director and three Outside/Independent Directors.

■ Governance Committee

[Main matters for deliberation]

- Basic governance policy
- Evaluation of effectiveness of the Board of Directors
- Training policy

[Structure]

Number of committee members: 7

Chief Outside/Independent Director as chairperson, President, two Inside Directors (including one part-time Director), two Outside/Independent Directors, and one Outside/Independent Corporate Auditor.

■ Ad Hoc Committee

[Main matters for deliberation]

- Conflict of interest transactions

[Structure]

Number of Committee Members: 5

Chief Outside/Independent Director as chairperson, two Outside/Independent Directors, and two Outside/Independent Corporate Auditors.

By resolution of the Board of Directors on April 27, 2022, the Ad Hoc Committee was established to take over one of the main matters for deliberation by the Governance Committee, conflict of interest transactions.

4. Regarding the composition of the Board of Directors, the Company ensures the diversity of knowledge, experience, and skills of the members by appointing Outside Directors with diverse knowledge and backgrounds who have a thorough knowledge of management, legal affairs, financial accounting, etc., after securing a certain number of Directors (excluding Outside Directors and Corporate Auditors) from the perspectives of sales, control, administration and corporate planning. In view of international-mindedness, the Company has appointed multiple Directors with extensive overseas business experience. In terms of gender, the Company has appointed one female Director based on the view that it is important to provide services with an understanding of the values of women who account for about half of the customers and employees of the Company's shop business. It is also prescribed in the articles of incorporation that the number of Directors shall not exceed 10 and the term of their office shall be one year to create an optimal management system in an agile manner.

5. Candidates for a Director/Executive officer position are nominated as follows: Following the deliberation by the Nomination and Remuneration Committee, candidates are proposed, based on the following nomination criteria determined by the Board of Directors, by the President to the Board of Directors for its determination:

[Nomination criteria for Director candidates (excluding Outside Directors)]

Persons who have integrity, extensive practical experience in the information and communications technology industry, and strong management skills and insight.

[Nomination criteria for candidates for executive officers]

Persons who: are excellent in terms of both character and insight; are capable of fulfilling their duties; and have no reason for disqualification

In regard to the dismissal of Directors/executive officers, a Director is advised to step down and an executive officer is dismissed subject to resolution of the Board of Directors in cases where the following criteria applies.

[Dismissal criteria for Directors]

When the Director has performed an act suspected of corresponding to wrongdoing or breach of trust, or he/she does not have the aptitude of Director

[Dismissal criteria for executive officers]

When the executive officer has violated the rules of executive officers, or he/she is deemed to be the wrong person for executive officer for other reasons

For the status of Outside Directors, please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

(Board of Corporate Auditors)

1. The Board of Corporate Auditors consists of four Corporate Auditors (including two Outside/Independent Corporate Auditors) and holds regular meetings once a month.

2. Corporate Auditors, pursuant to the Board of Corporate Auditors Regulations and the Corporate Auditor Audit Standards and based on the audit policies and audit plans developed by the Board of Corporate Auditors, conduct audits of the execution of duties by the Directors to examine its appropriateness through such means as attending important meetings such as those of the Board of Directors, investigating the status of businesses and property, and coordinating with the accounting auditor.

3. It is also prescribed in the articles of incorporation that the number of members shall not exceed 5 for agile operations.

4. Candidates for a Corporate Auditor position are nominated as follows: Following the deliberation by the Nomination and Remuneration Committee, candidates are proposed, based on the following nomination criteria determined by the Board of Directors, by the President to the Board of Directors for its determination subject to the consent of the Board of Corporate Auditors:

[Nomination criteria for Corporate Auditor candidates (excluding Outside Corporate Auditors)]

Persons who have integrity, knowledge of the management of the Company, and extensive practical experience and expert knowledge in any of the following areas: legal affairs, accounting and tax, labor affairs, and IT.

For the status of Outside Corporate Auditors, please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

(Management Committee, Personnel Committee, and Sustainability Committee)

With regard to the matters within the scope of the business execution authority of the President, the Management Committee consisting of the President, General Managers of Groups and Divisions as permanent members holds meetings once a month in principle to advise the President on his important decisions. The Personnel Committee plays a similar role with regard to important matters concerning personnel affairs. The Sustainability Committee advises the President in the fields of compliance (Compliance Committee), internal control (Internal Control Committee), promotion of SDGs (SDGs Promotion Committee), promotion of digital transformation (DX) (DX Promotion Committee), information security (Information Security Committee), work-life balance (Work-life Balance Committee), and promotion of diversity (Diversity Promotion Committee), etc., while having these committees carry out various activities through which the Company can fulfill its social responsibilities and increase the chance of survival.

(Status of audits)

1. Status of Corporate Auditor audit

(1) Organization and staffing

The Board of Corporate Auditors of the Company consists of four members in total: one full-time Corporate Auditor, two Outside/Independent Corporate Auditors, and one part-time Corporate Auditor. In addition, one employee (who is concurrently working at the Corporate Planning Department) is assigned to assist Corporate Auditors' execution of duties. Among the Outside Corporate Auditors, Mr. Osami Yoshida is a certified public accountant and has expert knowledge of finance and accounting. Ms. Akane Tsuji is registered as an attorney at law and has expert knowledge of legal affairs.

(2) Activity status of Board of Corporate Auditors

a. Attendance at Board of Corporate Auditors' meetings

Board of Corporate Auditors' meetings are held once a month in conjunction with Board of Directors' meetings, and in addition, convened on an as-needed basis. In the fiscal year ended March 31, 2022, 14 meetings of the Board of Corporate Auditors were held, and attendance at the meetings by each Corporate Auditor was as follows. The average duration of Board of Corporate Auditors' meetings was about an hour. Full-time Corporate Auditor Takatoshi Otomura (14 out of 14 meetings), Outside/Independent Corporate Auditor Takashi Endo (3 out of 3 meetings), Outside/Independent Corporate Auditor Osami Yoshida (14 out of 14 meetings), part-time Corporate Auditor Tatsushi Iwasaki (3 out of 3 meetings), Outside/Independent Corporate Auditor Akane Tsuji (11 out of 11 meetings), part-time Corporate Auditor Kota Shibachi (11 out of 11 meetings)

*Status of Outside/Independent Corporate Auditor Takashi Endo and part-time Corporate Auditor Tatsushi Iwasaki shown until their retirement on June 23, 2021. Status of Outside/Independent Corporate Auditor Akane Tsuji and part-time Corporate Auditor Kota Shibachi shown after their taking office on June 23, 2021.

b. Activity status of and matters examined by the Board of Corporate Auditors

The Board of Corporate Auditors determines such matters as the audit policy and the division of duties and receives mainly from full-time Corporate Auditors reports on the implementation status and results of audits. In addition, the Board of Corporate Auditors receives from Directors and accounting auditors reports on the execution status of their respective duties, and as necessary, requests an explanation from them. The Board of Corporate Auditors deliberates the audit policy/audit plan, division of roles, proposal for the election of Corporate Auditors and substitute Corporate Auditors, draft audit report, evaluation and reappointment/non-

reappointment of accounting auditors, remuneration of accounting auditors and other main matters examined by the Board of Corporate Auditors.

c. Activity status of Corporate Auditors

Full-time Corporate Auditors perform their duties on a daily and ongoing basis focusing on operational audits through such means as attending meetings of the Board of Directors and other important meetings, interviews with Directors, executive officers and important employees, and examining important documents. It was difficult to conduct onsite audits of business activities during the fiscal year ended March 31, 2021, due to the spread of novel coronavirus disease (COVID-19); however, audit activities were conducted by utilizing web conferences, etc., without serious problems. Corporate Auditors and the accounting auditor endeavor to get a grasp of the implementation status of audits through regular interviews, and they also exchange opinions on KAMs. In addition, Corporate Auditors provide advice to the Internal Audit Department in developing audit plans, attend meetings at which the Internal Audit Department reports internal audit results to the Representative Director to keep abreast of the results, and also frequently exchange information with the Internal Audit Department on a daily basis.

Part-time Corporate Auditors conduct audits on management in general by obtaining necessary information for auditing from Full-time Corporate Auditors as appropriate. They also attend important meetings such as Board of Directors' meetings and regular meetings with the accounting auditor, expressing necessary opinions drawing on their respective specialized knowledge.

2. Status of internal audit

For internal audits in the Company, the Internal Audit Department has been established as an organization that reports directly to the President, consisting of eleven dedicated members (as of the date of submission of this Report) engaging in internal audits while keeping in contact with Corporate Auditors. The scope of these audits encompasses business activities of internal organizations in general and audits are conducted in accordance with the annual plan. Specifically the Department audits the status of compliance with laws and regulations, the articles of incorporation, and internal regulations as well as the appropriateness of internal control procedures (the design status) and the accuracy and efficiency of their operations (the operation status). Based on the audit results, the Department gives specific advices and recommendations to resolve any issues. The Department also works to raise the level of internal control in overall business operations by checking the remediation status. In addition, the Department is responsible for the independent assessment of the reporting on internal controls over financial reporting and conducts the assessment of the design and operation status of internal controls over financial reporting at the internal organizations subject to assessment. The Department reports audit results as appropriate to the President and full-time Corporate Auditors and regularly to the Board of Directors and the Board of Corporate Auditors.

3. Accounting audit

The Company has entered into an audit contract with Deloitte Touche Tohmatsu LLC for audits required to be performed by an accounting auditor under the Companies Act and the Financial Instruments and Exchange Act (including internal control audit). In the fiscal year ended March 31, 2021, the following certified public accountants performed accounting audits and internal control audits and the number of years of continued engagement of an accounting audit has not exceeded the number of years prescribed by the Certified Public Accountants Act.

Designated limited liability and managing partners: Tadashi Nakayasu (of Deloitte Touche Tohmatsu LLC)

Designated limited liability and managing partners: Emiko Minowa (of Deloitte Touche Tohmatsu LLC)

Assistants: 8 certified public accountants and 16 other assistants

<Terms and conditions of the liability limitation agreements with Directors (excluding those who are executive directors, etc.) and Corporate Auditors>

The Company has entered into an agreement with Director Hiroshi Kajiware, Director Kazuo Hosoi, Director Yuka Kawauchi, Director Kazuyuki Shinno and Corporate Auditor Kota Shibachi, and Corporate Auditor Osami Yoshida to limit their liabilities under Article 423(1) of the Companies Act. The maximum amount of liability under the said agreement is the higher of 10 million yen or the minimum amount prescribed by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

The Company has elected to be a company with Corporate Auditors (and the Board of Corporate Auditors) (*kansayaku secchi kaisha*) as the Company believes that it is desirable that the supervision of the management by Corporate Auditors from the standpoint of experts is in place in addition to mutual oversight among Directors to ensure sound corporate operations under an effective mutual check-and-balance system.

To increase enterprise value continuously over the long term by swiftly adapting to the changing business environment and increasing the satisfaction of business partners and customers, the Company has adopted an executive officer system to appoint executive officers dedicated to business execution other than Directors. Three Inside Directors with extensive knowledge of business are performing the supervisory function as General Managers of Groups from the perspective of strengthening governance.

Moreover, in addition to the appointment of multiple Independent Outside Directors and Corporate Auditors, the Company has established the Nomination and Remuneration Committee, the Governance Committee, and the Ad Hoc Committee, each of which consists of members including Independent Outside Directors as voluntary advisory committees of the Board of Directors.

With these mechanisms, the Company has determined that the governance system of the Company is functioning effectively.

III. Implementation of Measures for Shareholders and Other Stakeholders [Revised]

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sent the notice of the annual general shareholders meeting for the fiscal year ended March 31, 2021 four days (two business days) before the statutory deadline.
Scheduling AGMs Avoiding the Peak Day	The Company held the annual general shareholders meeting for the fiscal year ended March 31, 2021 on June 23, 2021 to avoid the peak day for annual general shareholders meetings.
Allowing Electronic Exercise of Voting Rights	The Company accommodates the exercise of voting rights through the Internet.
Providing Convocation Notice (Summary) in English text	The Company prepares the convocation notice of general shareholders meeting and the reference documents (summary) written in English and posts them on the website of the Company.
Other	To promote the exercise of voting rights, the Company discloses the notice of general shareholders meeting to the Tokyo Stock Exchange and publishes it on the website of the Company before it is sent to shareholders. For the fiscal year ended March 31, 2021, the Company disclosed it four days before sending. Also for deeper understanding of shareholders, the Company conducts a webcast of business report slides, which are also published on the website of the Company.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	Holds investor briefings and exhibits IR fairs for individual investors for deeper understanding of the business, management plan, and financial results of the Company.	No
Regular Investor Briefings for Analysts and Institutional Investors	Holds regular investor briefings for analysts and institutional investors twice a year (after the announcement of the results for the first half of the year and for the full year) in addition to meetings held as appropriate on an individual basis for deeper understanding of the financial results and the management policy of the Company.	Yes
Posting of IR Materials on Website	Publishes earnings information, annual securities reports, and stock information as well as quarterly results briefing materials, timely disclosure materials, and various other information. * IR section of the website of the Company: https://www.conexio.co.jp/ir/	
Establishment of Department and/or Manager in Charge of IR	Officer in charge of investor relations: Shinji Nakata, Board Director and Managing Executive Officer General Manager, Administration Group Chief Compliance Officer Department in charge of investor relations: Corporate Planning Department, IR and Sustainability Section Person in charge of investor contact: Shinya Nakada, Deputy Chief Operating Officer, Financial Accounting Corporate Planning Digital Transformation Division	

3. Measures to Ensure Due Respect for Stakeholders [Revised]

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates in the corporate philosophy, the Corporate Code of Conduct, and the Sustainability Policy that the Company will consider and respect stakeholders and aim to achieve sustainable growth of its enterprise value.
Implementation of Environmental Activities, CSR Activities etc.	Major offices of the Company have obtained the ISO certification for environmental management and information security. Under the Sustainability Committee the Company has also established committees in charge of the preparation and publication of the integrated report and various activities for compliance, safety and health, and internal control for the promotion of collaboration with our stakeholders based on the Corporate Philosophy and the Sustainability policy.
Development of Policies on Information Provision to Stakeholders	As explained in V2 of this Report, policies for the management and external disclosure of significant information are prescribed in internal regulations and specific steps are prescribed in the manual of the department in charge of investor relations.
Other	<p>[Work-life balance efforts and awards]</p> <p>October 2013 Received the “Kurumin” certification from the Ministry of Health, Labour and Welfare</p> <p>October 2016 Received the “Eruboshi” (highest level) certification from the Ministry of Health, Labour and Welfare</p> <p>November 2016 Approved as “TOKYO Company of declaration for Working-Style reforms” of Tokyo Metropolitan Government</p> <p>February 2018 Received the “Minister of Health, Labour and Welfare Award” at the 8th grand prize for “an enterprise that should be most valued in Japan” by the Japan Association of the Principle of Employee First Management and the Small and Medium-Sized Enterprise Research Institute of Hosei University Graduate Schools.</p> <p>July 2018 Received the "Platinum Kurumin" certification from the Ministry of Health, Labour and Welfare</p> <p>November 2018 Received the innovation award at the "GOOD CAREER COMPANY AWARD 2018" from the Ministry of Health, Labour and Welfare</p> <p>January 2019 Received the grand prize in the "Women's Participation Promotion Award" from the Tokyo Metropolitan Government</p> <p>March 2020 Received an award in the diversity and inclusion category at the 5th White Company Award from Japan White Spread (JWS)</p> <p>October 2020 "Diversity Promotion Committee" established</p> <p>March 2022 Recognized by the Ministry of Economy, Trade and Industry as an “Excellent Health Management Corporation 2022” (awarded for 6 consecutive years since 2017)</p>

	<p>April 2022 Certified for “Corporate Excellence in Employee Welfare (General)” under the “Hataraku Eru 2022” program.</p> <p>[Status of the empowerment of female employees] (as of April 2022) Number of female employees holding a managerial position: 34; Number of female employees holding a shop manager position: 104; Percentage of female employees among all employees holding a managerial position: 15.5% ; Percentage of female employees among shop managers: 33.0%</p> <p>[The Company's initiatives to promote the empowerment of female employees] The Company achieved the targeted percentage of female employees among all employees holding a managerial position of 15% in the fiscal year ending March 31, 2023 ahead of schedule through training at the Women's Manager Training School and by strengthening initiatives in each department.</p>
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IV. Matters Related to the Internal Control System

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

The Company, pursuant to the provisions of the Companies Act and the Ordinance for Enforcement of the Companies Act, has put in place the following structure to ensure the conformance of the execution of duties by Directors with the requirements of laws and regulations and the articles of incorporation and other structures to ensure the appropriateness of business operations:

1. Structure to ensure that execution of duties by Directors and employees of the Company and its subsidiaries complies with laws and regulations and the articles of incorporation

(1) Corporate governance

- a. The Board of Directors makes decisions on important management matters and supervises the execution of duties by the Directors in accordance with the provisions of laws and regulations, the articles of incorporation, etc.
- b. Directors, based on their roles determined by the Board of Directors, execute the businesses in accordance with the provisions of laws and regulations, the articles of incorporation, and other internal regulations.
- c. The representative Director and the Directors who execute the businesses report the status of the execution of their duties to the Board of Directors on a monthly basis, in principle.
- d. Corporate Auditors, in coordination with the accounting auditor, audit the appropriateness of the execution of duties by Directors in accordance with the Board of Corporate Auditors Regulations and the Corporate Auditor Audit Standards.
- e. In principle, the Company dispatches Directors and Corporate Auditors to subsidiaries to monitor the conformance of their execution of duties with the requirements of laws and regulations and the articles of incorporation.

(2) Compliance

- a. Directors and employees are required to behave in accordance with the Corporate Philosophy and the Corporate Code of Conduct of the Company.
- b. The Company appoints the Chief Compliance Officer and establishes a department in charge of the overall supervision of compliance-related matters. The Company also establishes and implements a Compliance Program and strives to fully enforce it upon the Directors, Corporate Auditors, and employees of its subsidiaries.
- c. The Company regularly provides the Directors, Corporate Auditors, and employees of its subsidiaries with training on legal compliance and other topics to raise awareness of compliance.
- d. The Company administers a whistleblower program based on the Whistleblower Program Regulations for the prevention and early detection of wrongdoings. The Company also puts in place a hotline contact for whistleblower reports by the Directors, Corporate Auditors, and employees of the Company and its subsidiaries.
- e. The Company ensures that the Compliance Committee consisting of members including the legal counsel holds regular meetings to monitor compliance with compliance programs and systems.
- f. Based on the reports from the Compliance Committee, results of internal audit, etc., the Board of Directors reviews and revises the compliance programs and systems regularly and as appropriate.
- g. The Company ensures that any and all relationships with anti-social forces, which threaten the order and safety of the civic life, are eliminated and handles any unjust demands from these forces resolutely in coordination with external expert organizations such as the police and lawyers.

(3) Structure to ensure the appropriateness of financial reporting

The Company puts in place structures to enable the Company to comply with laws and regulations to ensure appropriate financial reporting by providing the Commercial Transactions Management Regulations, the Accounting Regulations, and other internal regulations and establishing the Internal Control Committee,.

(4) Internal audit

The Internal Audit Department, which reports audit results directly to the President, conducts internal audits of the Company and its subsidiaries to examine the status of their compliance with laws and regulations, the articles of incorporation, and internal regulations, the appropriateness of their business execution, etc. based on the Internal Audit Regulations or the Affiliated Company Management Regulations.

2. Structure to keep and manage information about execution of duties by the Directors of the Company
 - (1) The Company, in accordance with the Document Management Regulations, the Information Security Regulations, and other internal regulations, appropriately preserves and manages statutory documents such as the minutes of the general shareholders meeting and the meetings of the Board of Directors as well as documents containing important information about the execution of duties (including electromagnetic records; the same shall apply hereinafter) together with any related materials.
 - (2) Directors and Corporate Auditors may examine such documents, etc. at any time.
3. Regulations and other structures concerning the management of risk of loss at the Company and its subsidiaries and structures concerning the reporting of matters of the execution of duties by the Directors, etc. of the subsidiaries
 - (1) The Company puts in place necessary risk management structures and techniques at the Company and its subsidiaries by establishing the transaction risk (credit) limits, the appropriate authority concerning investment and the provision of loans, regulations and standards concerning information security management, etc. and by prescribing matters to enforce the subsidiaries to require the prior approval of the Company, matters to be reported to the Company by the subsidiaries, etc., in the Affiliated Company Management Regulations.
 - (2) Based on the “Management Review System,” which ensures the systematic review of risks that affect the management of the Company, the effectiveness of the structure to manage these risks is reported to the Board of Directors.
4. Structures to ensure the efficiency of the execution of duties by the Directors of the Company and its subsidiaries
 - (1) In order to make decisions concerning the execution of duties in an appropriate and agile manner, the Company establishes as an advisory committee for the President, which discusses the enterprise-wide management policy, business plans, and other important matters concerning the execution of duties and supports the decision-making by the President. Similarly, the Personnel Committee and the Sustainability Committee are established and the former supports the decision-making by the President regarding the matters related to important personnel evaluation and the latter regarding the matters related to the compliance, internal control, promotion of SDGs, promotion of digital transformation (DX) , information security, work-life balance, and promotion of diversity. The administration of these committees is prescribed in the Regulations concerning Permanent Organs.
 - (2) The Company provides its subsidiaries with management services in such fields as personnel management, finance and accounting, and compliance as necessary.
 - (3) By establishing various internal regulations such as the Division of Duties/Authority and Responsibilities Regulations and the Affiliated Company Management Regulations at the Company and its subsidiaries, the Company clarifies the authority and responsibilities of Directors and employees and enables the appropriate and efficient execution of their duties.
 - (4) The Company and its subsidiaries develop annual plans taking the medium- to long-term perspective into consideration to clarify the goals that should be achieved by the Company and individual organizations. The Company monitors the progress on a monthly basis to take any necessary measures and links the degree of achievement of the plan with employee bonuses through the performance evaluation of each organization.
5. Structures to ensure proper management of the business of the enterprise group consisting of the Company and its parent company and subsidiaries
 - (1) The Company, in accordance with the Affiliated Company Management Regulations and other internal regulations, manages its subsidiaries and provides them with management guidance.
 - (2) In addition, the Company is managed in a manner to respect shareholders other than the parent company and to value the independence from the parent company.
6. Matters concerning the assignment of employees to assist Corporate Auditors with their duties in the case where such assignment is requested by Corporate Auditors and measures to ensure the independence of such employees from the Directors of the Company and the effectiveness of instructions given to such employees
 - (1) In the case where the assignment of employees to assist Corporate Auditors with their duties is requested by Corporate Auditors, the Company promptly assigns such employees after consulting with Corporate

Auditors. Corporate Auditor can give such employees directions and orders regarding the matters necessary for the implementation of audits.

- (2) Evaluation, personnel changes, disciplinary proceedings of such employees are subject to prior consultation with Corporate Auditors.
- (3) In the case where such employees are assigned to assist Corporate Auditors on a full-time basis, in performing such duties, they receive directions and orders only from Corporate Auditors and do not receive directions and orders from Directors and other employees. In the case where such employees are concurrently assigned to another department, they shall give priority to the duties to Corporate Auditors.

7. Structures for the reporting to Corporate Auditors of the Company by Directors and employees of the Company and Directors, Corporate Auditors, etc., and employees of the subsidiaries of the Company (including those who have received reports from these persons) and other structures concerning the reporting to Corporate Auditors

- (1) The Directors of the Company and the Directors and Corporate Auditors of the subsidiaries of the Company shall report matters that significantly affect the Company and its subsidiaries, the implementation status of internal audit, the occurrence status of internal information, etc., in addition to the matters required by laws and regulations, to the Corporate Auditors of the Company.
- (2) The employees of the Company and its subsidiaries may report directly to the Corporate Auditors of the Company the following matters promptly after detecting them: a. any matter that may cause significant damage to the Company and its subsidiaries and b. any significant violation of laws and regulations or the articles of incorporation.
- (3) Upon request of the Corporate Auditors of the Company, the Directors and employees of the Company and the Directors, Corporate Auditors, and employees of the subsidiaries of the Company shall promptly report relevant matters concerning business execution to them.
- (4) Any disadvantageous treatment of a person who has made a report to the corporate auditors of the Company on the grounds of such a report is prohibited and the Company strives to fully enforce this rule to the Directors, Corporate Auditors, and employees of the Company and its subsidiaries.

8. Other structures to ensure the effectiveness of audits conducted by the Corporate Auditors of the Company

- (1) Regular meetings for exchange of opinions between the President and Corporate Auditors are held.
- (2) The Internal Audit Department consults with Corporate Auditors on annual internal audit plans and ensures close exchange of information and coordination with them through, for example, consultation and exchange of opinions about the results of internal audits, any findings and recommendations.
- (3) Corporate Auditors may independently engage lawyers, certified public accountants, or other external experts if it is deemed necessary for the implementation of audit.
- (4) If a Corporate Auditors requests the advance payment of costs for the execution of his/her duties, the Company will promptly settles such costs or liabilities unless it is determined that they are not necessary for the execution of duties.

(Summary of the operation status of a system to ensure the appropriateness of business operations)

The summary of the operation status of a system to ensure the appropriateness of business operations for the fiscal year ended March 31, 2022 is summaries below.

(1) Execution of duties by Directors

• The Board of Directors holds regular meetings once a month generally and extraordinary meetings as necessary. In the fiscal year ended March 31, 2022, 17 meetings were held.

(2) Compliance

• Based on the compliance program and the annual plan set at the beginning of the fiscal year, all employees receive compliance training besides training upon joining the Company. The company holds a Compliance Awareness Month in which a written compliance declaration is signed. During this month, a written compliance declaration is signed, among other activities. The whistleblower program is reviewed by the Compliance Committee to ensure that it is operated appropriately. Measures to increase the awareness of the hotline contact such as putting up posters are also taken.

(3) Internal audit

• Base on the internal audit plan, the Internal Audit Department conducts audit and reports audit results appropriately to the President and full-time Corporate Auditors and regularly to the Board of Directors and the Board of Corporate Auditors.

(4) Risk management

• Based on the Management Review System, the effectiveness of the risk management system is reported to the Board of Directors.

(5) Subsidiary management system

• The Company has established the Affiliated Company Management Regulations for the management of the business operations of subsidiaries and has implemented requirements for its subsidiaries concerning the submission of request for prior approval of the Company and their other reporting requirements.

(6) Execution of duties by Corporate Auditors

• The Board of Corporate Auditors holds regular meetings once a month generally and extraordinary meetings as necessary. In the fiscal year ended March 31, 2022, 14 meetings were held. Corporate Auditors audit the appropriateness of the execution of duties by Directors based on the audit policy and the audit plan developed by the Board of Corporate Auditors.

(7) Ensuring the effectiveness of audit by Corporate Auditors

• Corporate Auditors strive to improve the effectiveness of their audits by attending the meeting of the Board of Directors, in addition to regular exchanges of information with the President, Directors, accounting auditors, and the Internal Audit Department.

2. Basic Views on Eliminating Anti-Social Forces

With regard to the basic views on Eliminating Anti-Social Forces, the Company clearly states in the Corporate Code of Conduct that it will resolutely confront any anti-social forces or organizations that threaten the order and safety of the civic society. The Company has all employees carry the Corporate Code of Conduct with them for its thorough enforcement and discloses it on the website of the Company. It is also stipulated in the Basic Policy for the Establishment of the Internal Control System that the Company will ensure that any and all relationships with anti-social forces, which threaten the order and safety of the civic life, are eliminated and handles any unjust demands from these forces resolutely in coordination with external expert organizations such as the police and lawyers.

As part of implementation of these views and policies, the Company prescribes, among others, the department in charge of handling anti-social forces, how to handle them, and the contact for the consultation with external experts in the Anti-Social Forces Elimination Regulations and the Compliance Program. The Company also takes measures to prevent damage by anti-social forces and provide education to its employees based on the information about any developments concerning anti-social forces such as the regular participation in lectures and seminars and exchange of information with the local police office or other companies in the community.

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

1. Basic policy for timely disclosure of corporate information

The Company prescribes in the Sustainability Policy that it will “promote sound and transparent management and disclose the status of its business and finance in a timely and appropriate manner” and has adopted as a basic policy the prompt information disclosure in compliance with various laws and regulations. The Company will also strive to disclose any other information promptly, accurately, and fairly so that it will be useful for all stakeholders.

2. Information handling officer and the department in charge

The Company designates the General Manager, Administration Group in charge of investor relations as the information handling officer who oversees significant information reported by employees, with the approval of the President after deliberation by the Management Committee determines whether it is significant information, the necessity of disclosure and the disclosure method subject to the approval of the President, and directs the department in charge of disclosure practices. Under the supervision of the General Manager, Administration Group, the Corporate Planning Department is in charge of the preparation of disclosure documents and their disclosure. The Corporate Planning Department strives to collect information in coordination with the Board of Directors and various departments of the Company as well as the responsible persons and departments concerned of the subsidiaries and affiliates in order to disclose corporate information to investors and others in a timely and appropriate manner.

3. Internal structures concerning timely disclosure

(1) Corporate decision

A corporate decision refers to the fact that an organ of the Company that makes business execution decisions has made a decision that is expected to significantly affect the investment decisions of the investors of the securities issued by the Company and such a decision is disclosed after obtaining approval of the Board of Directors. In other cases, upon receipt of a report from a department or division head who has the decision-making authority, the General Manager, Administration Group instructs the person in charge of drafting to draft the disclosure document if the Manager determines that the disclosure is required in view of the Timely Disclosure Rules. The document is disclosed after it is deliberated by the Management Committee and approved by the President

(2) Occurrence of an event

The occurrence of an event refers to the fact that an important event concerning the operation, business, or property of the Company that is expected to significantly affect the investment decisions of the investors of the securities issued by the Company. Upon receipt of a report of the occurrence of such an event, the General Manager, Administration Group instructs the person in charge of drafting to draft the disclosure document if the Manager determines that the disclosure is required in view of the Timely Disclosure Rules. The document is disclosed after it is deliberated by the Management Committee and approved by the President.

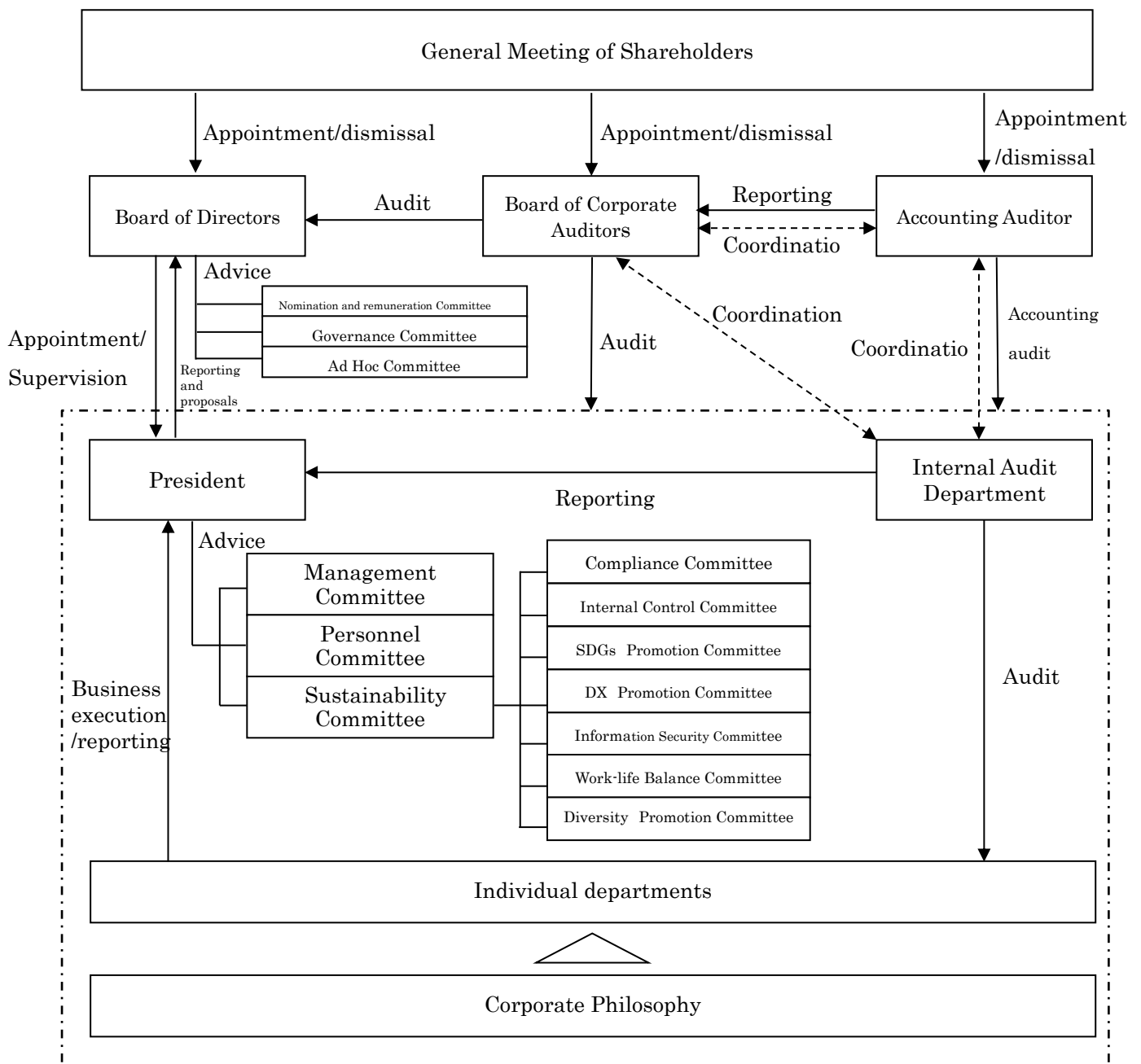
(3) Timely disclosure

The disclosure content is prepared in compliance with the Timely Disclosure Rules and related regulations such as the Disclosure Ordinance. The Corporate Planning Department manages the corporate decisions that are made internally in a centralized manner. The Finance and Accounting Department and the Corporate

Planning Department, in coordination with each other, mainly prepare earnings information while properly performing security management.

Whether disclosure practices are appropriate is audited by the Internal Audit Department, which reports directly to the President. The Corporate Planning Department, the Finance and Accounting Department, and the General Affairs Department receives advice from experts such as an accounting auditor, a lawyer or a printing company to prevent errors.

Corporate Governance Structure Chart



Outline of the Timely Disclosure Structure (schematic illustration)

