

Last Update: July 9th, 2019

Company Name: V Technology Co., Ltd.
Representative: Shigeto Sugimoto, President, and CEO
Securities Code: 7717
Stock Exchange Listing: TSE 1st Section
Phone: +81-45-338-1980

【Corporate Governance Report】

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

I Basic Approach to Corporate Governance

1. Basic Approach

We pursue the expansion of profits over the medium to long term through strategic initiatives and proactive management activities and contribute to society by creating innovation through our business. We aim to continue the enterprise and increase the corporate value, and we believe that it is essential to establish an organizational system by enhancing corporate governance and building good relationships by sharing cooperation, trust, and expectations with stakeholders such as shareholders, investors, customers, and our employees.

1. Establishment of a flat and flexible management organization system that enables prompt decision-making
2. Rapid and accurate information gathering ability, creative technology development ability, and aggressive boldness of cost competitiveness
3. Compliance with laws and regulations, articles of incorporation and company rules
4. Promote dialogue and timely, appropriate information disclosure

We strive to have more transparent company management, full of ambition, and a sense of speed.

【Reason for not implementing the Principles of the Corporate Governance Code】 <Updated>

◆ Supplementary Principle: 1-2-4

Regarding convocation notices, the convocation notices and reference documents in a narrow sense are translated into English and reported to the company's English website and the Tokyo Stock Exchange.

We are not currently implementing for the exercise of rights by introducing the Voting Rights Electronic Exercise Platform in terms of cost-effectiveness. In the future, we will strive to improve the environment by observing trends in the number of overseas investors.

◆ Supplementary Principle: 4-11-1

Based on the composition and scale of the Board of Directors defined in the Articles of Incorporation, the Board operates the Company on an appropriate scale that can promptly and accurately respond to various management issues as the Company's highest decision-making organization. We do not specify the selection of directors in particular, but President consults with the director in charge and the human resources required by the Company. (In consideration of the field in charge, knowledge, experience, and ability) We recognize the current composition of the Board of directors is to be on the appropriate scale, with the diversity roughly secured.

Concerning gender and internationality, we are aware that it is crucial from the perspective of further expanding diversity, and we will consider taking appropriate measures so that we can select female executives and executives with a wealth of international experience in the future. At this time, we believe that executives with abundant international experience should be appointed, and we do not recognize the need to appoint foreign executives.

◆ Supplementary Principle: 4-11-3

The Board of Directors of the Company clarifies the leading roles to determine essential management matters and policies and supervise business execution. The directors are in close contact with each other, discuss and consider each other, and mutually recognize each other's evaluation, so we believe that there is no need to evaluate one another.

◆ **Principle 1-4: Cross-held Shares**

Our company has a basic policy of not owning Cross-held Shares and, we do not own any of them.

◆ **Principle 1-7: Related Party Transactions**

In the case where the Company transacts with related parties, the relevant directors report in advance to the board of directors in writing, and the relevant directors are excluded from the quorum of the resolution as interested persons, we decide to resolve the pros and cons of trading. Besides, when a transaction is carried out, the relevant director regularly reports on the status of the transaction to the Board of Directors and audits the Board of Corporate Auditors as necessary.

◆ **Principle 2-6: Asset Owner**

We have introduced a defined contribution individual pension plan (401K), have employees know the necessary information, and hold briefings on the investment plan regularly.

◆ **Principle 3-1: Enhancement of Information Disclosure**

- 1) We disclose our business philosophy and policies on our website. (<https://www.vtec.co.jp/en/ir/strategy.html>) Also, the management strategy and the business plan for the current fiscal year (Forecast for the business results) are disclosed in the financial report. Besides, we are working to enhance information disclosure promptly, such as presentation material of financial results for meetings for institutional investors and presentation materials for the ordinary general shareholder's meeting on our website.
- 2) The basic concept of our corporate governance is disclosed on the company website (<https://www.vtec.co.jp/en/corporate/about3.html>), the corporate governance report, and the securities report.
- 3) The total amount of the remuneration for directors or the calculation method of the remuneration is determined by President of the Company under the delegation of the Board of Directors, within the limit amount of duties, taking into consideration the performance of each period and contribution.
- 4) Policies for nominating candidates for Directors and Corporate Auditors are not stipulated by internal regulations. President comprehensively examines with the Director in charge, the necessary ability, experience, and personality of each candidate based on our corporate philosophy and business philosophy, and appoints a director or corporate auditor at the meeting of the Board of Directors.

Moreover, candidates for Corporate Auditors are nominated by the Board of Directors with the consent of the Board of Corporate Auditors. Policies for proposal for dismissal of Director is not stipulated by internal regulations. The Board of Directors shall accept the proposal for dismissal of the Director when it is deemed to fall under the following.

- Conducted an act against public order and morals
 - Unable to continue work due to health reasons
 - Significant loss of corporate value by neglecting duties
 - Does not meet the quality defined in the selection criteria
- 5) We have disclosed the reasons for appointing candidates of Outside Directors and Outside Corporate Auditors on the convocation notice of the general shareholders meeting.

◆ **Supplementary Principle: 4-1-1**

The Board of Directors deliberates and decides on important matters of the management of the Company following the Board of Directors Rules that define the roles and responsibilities that the directors should fulfill. Regarding actual business execution, the execution guideline is determined by the content of business, division of the business, and the duties authority rules established according to the amount of money.

◆ **Principle 4-9: Independence Judgment Criteria and Qualifications of Independent Outside Directors**

By the Companies Act and the standards established by the Tokyo Stock Exchange, the Company selects candidates in consultation with President and the Director in charge of management, and deliberates and selects them at the board of directors meeting. In the future, when it is necessary to increase the number of independent outside directors further, we shall consider formulating our own more specific independence criteria.

◆ **Supplementary Principle: 4-11-2**

The Board of Directors deliberate and decide whether it is possible for the Director and the Corporate Auditor to adequately fulfill the role and responsibility in our Company if they concurrently serve as Directors of another listed company. We shall explain the role and business content of the listed company concurrently serving as the relevant Director and Corporate Auditor. Besides, the status of concurrent positions shall be disclosed annually in the Notice of the General Shareholder's Meeting and the Securities Report.

◆ **Supplementary Principle: 4-14-2**

The Company deems it necessary for Directors and Corporate Auditors to fulfill their duties, and actively supports them to study at seminars and study sessions to acquire knowledge. They can charge the Company for the cost burden at that time.

◆ **Principle: 5-1 Policy on Constructive Dialogue with Shareholders**

We shall consider the application for dialogue from shareholders positively within a reasonable range. Also, as for the policy for system development and activities, the policy is disclosed in 5-2 of "Corporate Governance Report" submitted to the Tokyo Stock Exchange.

2. Capital Structure

The Ratio of the Number of Shares Held by Foreigners	20% or more and less than 30%
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[Major Shareholders] <Updated>

Name	Number of shares held	Ratio(%)
Shigeto Sugimoto	587,300	12.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	202,000	4.17
Japan Trustee Services Bank, Ltd. (Trust Account)	110,300	2.28
STATE STREET BANK AND TRUST COMPANY 505253	105,900	2.19
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	91,700	1.89
JPMORGAN CHASE BANK 385151	66,023	1.36
Japan Trustee Services Bank, Ltd. (Trust Account No.1)	61,300	1.26
MLI FOR CLIENT GENERAL OMINI NON COLLATERAL NON TREATY-PB	60,100	1.24
Japan Trustee Services Bank, Ltd. (Trust Account No.2)	57,500	1.18
CREDIT SUISSE SECURITIES (USA)LLC SPCL.FOR EXCL.BEN	55,900	1.15

Existence of Controlling Shareholder (excluding parent company)	—
Existence of Parent Company	None

Supplementary Explanation

3. Corporate Data

Stock Exchange and Marketplace Section	Tokyo Stock Exchange, 1 st Section
Accounting Period	March
Type of Industry	Precision Equipment
Number of Employees at the Most Recent Fiscal Year-End (Consolidated):	500 or more and less than 1000
Consolidated Net Sales for the Most Recent Fiscal Year:	More than 10 billion yen and less than 100 billion yen
Number of Consolidated Subsidiaries at the Most Recent Fiscal Year-End:	10 or more and less than 50

4. Guidelines on Measures to Protect Minority Shareholders When Dealing with Controlling Shareholders

5. Other Special Circumstances that May Materially Affect Corporate Governance

II Corporate Governance Structure for Management Administration About Management Decision-making, Execution, and Supervision, and Others

1. Matters Concerning Institutional Structure and Organizational Operations

Organization Form	Company with Auditors
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[Director]

Maximum Number of Directors Stipulated in the Articles of Incorporation:	10
Terms of Office Specified in the Articles of Incorporation:	Two years
Chairperson of the Board of Directors:	President
Number of Directors:	5
Outside Directors appointed:	Appointed
Number of Outside Directors:	2
Number of Outside Directors Designated as Independent Directors:	1

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Junji Kido	Scholar						△					
Hideto Nishimura	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 (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary of the Company
- d. Party whose major business partner is the Company or an executive thereof
- e. Major business partner of the Company or an executive thereof
- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a business partner of the Company (which does not correspond to any of d., e., or f.) (the Director himself / herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the Director himself / herself only)
- j. Executive of a corporation that receives a donation from the Company (the Director himself / herself only)
- k. Other

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Junji Kido		We have commissioned part of our research and development to Kido Lab at Yamagata University. The company's overall outsourcing expenses paid to Yamagata University as the required expenses for conducting this research are 12 million yen on average annually over the past three years, and it corresponds to 0.5% of the amount of our joint collaborative research revenue with Yamagata University in fiscal 2017 (¥ 2,344 million).	We appoint Mr. Kido, who has rich experience and great insights about organic EL displays as an outside director, to improve our management and technology development capabilities.
Hideto Nishimura	○	—	We appoint Mr. Nishimura, who has experience with many years of experience as a business person and a management consultant and has sufficient insight into company management. We believe he is suitable for performing duties as an outside director.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	—
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[Audit & Supervisory Board Member]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Member Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Member	4

Cooperation among Audit & Supervisory Board Member, Financial Auditor and Internal Audit Department

The Corporate Auditors meet regularly with the Accounting Auditors, and we receive reports from Accounting Auditors on the progress of accounting audits and audit results, including internal control.

Appointment of Outside Audit & Supervisory Board Member	Appointed
Numbers of Outside Audit & Supervisory Board Member	2
Number of Independent Officers Designated	1

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Nobukazu Okura	From another company													
Kenichi Uda	From another company													

* Categories for “Relationship with the Company”

“○”when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

“△”when the Audit & Supervisory Board Member fell under the category in the past;

“●”when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category

“▲”when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major business partner is the Company or an executive thereof
- g. Major business partner of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a business partner of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Other

Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Nobukazu Okura		_____	He has great insights on business management.
Kenichi Uda	○	_____	There are no disclosure weighting requirements for independence, and there is no risk of conflicts of interest with general shareholders, and He has great insights on business.

[Independent Officers]

Number of Independent Officers	2
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Matters relating to Independent Officers

[Incentives]

Implementation of Measures to Provide Incentives to Directors

Stock Options

Supplementary Explanation

We believe that incentives further enhance morale and motivation for work and that employees contribute to the improvement of corporate value. Based on the Corporate Law, it will be resolved to issue stock acquisition rights as paid stock options for directors and employees at the Board of Directors. These stock acquisition rights are issued at a fair price for the underwriting, and it will be implemented without the approval of the general meeting of shareholders as they are not particularly favorable conditions.

Recipients of Stock Options

Internal Directors / Employees

Supplementary Explanation

The granted status of the submitted stock options is as follows.

The 10th Stock Acquisition Right

Date of issue: September 2, 2016

Number of holders and number of stock acquisition rights: Internal director and employee of the company:

12 persons 1,300 stock acquisition rights

Type and number of shares targeted: 130,000 shares of common stock

Paid-in amount of stock acquisition rights: ¥ 1,600 per stock acquisition right

The 11th Stock Acquisition Right

Date of issue: July 13, 2017

Number of holders and number of stock acquisition rights: Internal director and employee of the company:

15 persons 1,420 stock acquisition rights

Type and number of shares targeted: 142,000 shares of common stock

Paid-in amount of stock acquisition rights: ¥ 1,400 per stock acquisition right

[Remuneration for Directors]

Disclosure Status of Individual Remuneration for Directors

We have not disclosed details of individual remuneration.

Supplementary Explanation <Updated>

Actual results for fiscal 2018

Director: Total of 344 million yen / 6 Directors

Auditors: Total of 21 million yen / 2 Auditors

Outside Officers: Total of 34 million yen / 5 Officers

Existence of Policy for Determining Amount and Calculation Method of Remuneration <Updated>

Yes

Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration

The Remuneration for the directors, etc. of the Company is determined that Director's remuneration would not exceed ¥500 million per year (of which ¥40 million or less per year is for Outside Directors) by resolution of the general meeting of shareholders on June 27, 2017. The total amount of the remuneration for Directors or the calculation method of the remuneration is determined by President of the Company under the delegation of the Board of Directors, within the limit amount of duties, taking into consideration the performance of each period and contribution. Remuneration for Audit & Supervisory Board Member is determined through discussions with the Audit & Supervisory Board within the scope of the total amount resolved by the General Meeting of Shareholders (not exceeding ¥50 million per year, by resolution). Further, remuneration received by the Directors of the Company in this fiscal year is only fixed-basic remuneration.

*Notes

·It does not include the salary for employees concurrently serving as employee in the total of remuneration for the directors.

·The number of Directors specified in the articles of incorporation shall not exceed ten. As of the filing date of this securities report, there are five Directors.

·The number of Audit & Supervisory Board Members specified in the articles of incorporation shall not exceed four. As of the filing date of this securities report, there are four Audit & Supervisory Board Members.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Member]

There is no dedicated department to assist outside Corporate Auditors.

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

Board of Directors

There are five Directors of the Company; three are full-time except for Outside Directors. The Board of Directors meets once a month, with extraordinary meetings held as needed. The board of Directors makes decisions on important matters such as auditing, monitoring, nomination, and compensation in our management, and Directors' execution of duties is reported monthly. As the executive officer takes on the role of executive officer in charge of operations, the Board of Directors clarifies that the primary role will be to determine essential management matters and policies and to supervise business execution.

Board of Corporate Auditors

The Corporate Auditors consist of four Corporate Auditors, including one full-time Corporate Auditor and three part-time Corporate Auditors. In principle, the Board of Corporate Auditors meets once a month or as needed. We hold discussions and reports among the Auditors. One of the outside corporate auditors is appointed as an independent officer. Auditors attend all meetings of the Board of Directors and all other significant meetings following Corporate Auditors' Auditing Standards and Audit Plans. They audit the Directors' execution of operations at the Company and its subsidiaries by such as hearing the status of operations and reading relevant documents. One of the outside Corporate Auditors has financial experience and sufficient knowledge of finance and accounting.

Internal Auditing System

We have established an Internal Auditing Department, which reports directly to President, as the department dedicated to internal auditing. Internal audits are conducted based on the annual audit plan following the internal audit rules that set the audit policy. The results are reported to President and full-time Corporate Auditor.

Audit by Accounting Auditor

We entered into an audit contract with Deloitte Touche Tohmatsu LLC and received an accounting audit of that audit corporation. The certified public accountants who conducted accounting audits of our company in 2017 were Mr. Hiroki Kitakata, Mr. Hisayori Kataoka, and Mr. Kazutoshi Hosono. There were 19 certified public accountants and assistants in total who have been engaged in the audit work besides those three certified public accountants.

3. Reasons for Adoption of Current Corporate Governance System

To pursue lasting profit and increase corporate value in the FPD (Flat Panel Displays) industry, we believe it is essential to have a “dynamic and flexible organizational management system” that can cope with changes in the environment and diversification of customer needs. We have appointed Outside Corporate Auditors who have extensive experience, broad insights, and expertise in each industry, and we believe that we can perform our supervisory management functions sufficiently by executing their audit duties.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meetings of Shareholders and Smooth Exercise of Voting Rights <Updated>

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	We ship notice of convocation seven days earlier than the legal date, and we post the notice on TDnet and our website six days before the date of shipment.
Providing Convocation Notice in English (Translated Partially)	We translate the convocation notice and reference documents into English in a narrow sense and publish them on the Tokyo Stock Exchange and our English Web page.

2. IR Activities

	Supplementary Explanation	Explanation by President
Regular Briefings for Analysts and Institutional Investors	We hold financial results meetings twice a year on the dates of announcement for the second quarter-end financial results and the year-end financial results.	Provided
Posting of IR Materials on Website	We publish IR materials such as financial statements, announcements, and explanatory meetings for institutional investors on our website, and provide them to shareholders and investors.	
Establishment of Department and/or Manager in charge of IR	We have established a department dedicated to IR and appointed employees who are in charge of IR activities.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Corporate Conduct Guidelines place importance on relationships with stakeholders and stipulate that we strive to maintain and develop appropriate and friendly relationships.
Implementation of Environmental Activities, CSR Activities, etc.	The Corporate Conduct Guidelines stipulate that we should recognize the corporate social responsibility, and we strive to protect and protect the environment in all corporate activities.
Formulation of Policies Concerning Provision of Information to Stakeholders	The Corporate Conduct Guidelines stipulate that we strive to disclose proactively appropriate management information promptly, prevent insider information leakage, and maintain confidentiality by insider trading rules and other rules.

IV Matters Related to Internal Control System

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

At the Board of Directors meeting held on April 27, 2015, we have resolved the following as a basic policy for establishing a system to ensure the appropriateness of operations.

Basic Concept on Internal Control System Development

1. System for ensuring that the execution of duties of Directors and employees conforms to laws and regulations and the Articles of Incorporation

We shall establish basic compliance rules, make them well known throughout the company, and foster compliance awareness to ensure that directors and employees comply with laws and regulations and the articles of incorporation, and to respect social ethics. The department in charge investigates whether there are a problem and reports to the board of directors.

2. System for storing and managing information related to the execution of duties by Directors

We shall establish rules concerning document management, and system such as browsing, storing, and disposal those documents related to the execution of duties by directors and employees, in addition to those stipulated by the Board of Directors. Besides, based on the document approval rules, we shall set the specific procedures for making decisions such as application and decision.

3. Regulations and other systems for managing the risk of loss

While trying to prevent risks by complying with internal regulations, prepare for the occurrence of risks, determine basic measures according to the types, and strive to minimize losses. We shall also establish a disclosure system according to the extent of the loss.

4. System for ensuring efficient execution of duties by Directors

- 1) In addition to regular meetings of the Board of Directors, we shall also hold extraordinary meetings as appropriate to share information among directors and corporate auditors and to make prompt and transparent decisions.
- 2) We shall promote the sharing of information and awareness of issues among directors, corporate auditors, and employees by holding sales meetings.
- 3) We shall maintain internal rules for the authority, organization, and division of duties, clarify the responsibilities and authority of the directors and employees, and strive for appropriate, efficient, and transparent decision-making.

5. System for ensuring the appropriateness of work in a Corporate Group

- 1) System as a Corporate Group

We shall establish a system for managing affiliated companies, such as the establishment of a general manager of affiliated companies, and strive for the smooth operation of our group through appropriate management of affiliated companies.

- 2) System for reporting to the Company matters about the execution of duties by Directors of subsidiaries and employees who execute business

Subsidiaries regularly report to the Headquarter on business results, financial affairs, accounting, personnel affairs, and other critical business matters, which they have decided with the Company, through the general manager of affiliated companies.

- 3) System for managing the risk of loss of subsidiaries

In addition to establishing a risk management system for the entire group, including the subsidiaries in the company's risk management basic rules, each subsidiary shall endeavor to improve its system.

- 4) System for ensuring efficient execution of duties by Directors of Subsidiaries

The Company shall communicate important matters of management to each subsidiary promptly, and share information to strive for efficient execution of directors of the subsidiaries.

- 5) System for ensuring that the execution of duties of Directors of the Subsidiaries and employees conforms to laws and regulations and the Articles of Incorporation

We shall establish the code of conduct and the Basic Group Compliance Regulations for the whole group, and the general manager of affiliated companies and the audit department in Headquarters shall carry out internal audits.

6. System for concerning the employee when the corporate auditors request that the employee shall support the duties, system for ensuring its effectiveness and system for regarding the independence of its employees from Directors

- 1) We shall place an employee to assist the Corporate Auditors in their duties if the Corporate Auditors require, and treat that employee in a manner that respects the opinion of the Board of Corporate Auditors and make the employee independent from the Directors.
- 2) Employees who shall assist Corporate Auditors' duties shall not concurrently serve as employees of other departments and shall follow the direction and instructions of Corporate Auditors.

7. System for reporting by directors and employees to corporate auditors, other system related to reporting to corporate auditors, and another system for ensuring that corporate auditors audit effectively

- 1) Auditors shall receive reports from the accounting auditor, directors of the Company and subsidiaries, auditors and employees of the Company, or persons who receive reports from these persons as needed, exchange views and ensure the effectiveness of audits.
- 2) Directors, Corporate Auditors, and employees of the Group shall make appropriate reports promptly when they are required to report on matters related to business execution by the Corporate Auditors.

8. System for ensuring that those who report to auditors do not receive adverse treatment

We shall establish matters concerning whistleblower protection in the Basic Group Compliance Regulations and ensure that we communicate about it thoroughly to the whole Group.

9. Policies on prepayment of expenses incurred for the execution of duties of corporate auditors, reimbursement proceedings and other costs incurred for the execution of such duties, and processing of debt

When Corporate Auditors request the Company to pay expenses under Article 388 of the Companies Act for the execution of their duties, General Affairs Department shall accept it and handle such expenses or liabilities promptly. Also, we shall establish a system for ensuring the credibility of financial reports and managing the risk of fraud and errors based on the basic policy on internal control over financial reports.

2. Basic Concept toward Elimination of Antisocial Forces and Status

1) Basic Concept toward Elimination of Antisocial Forces

Our basic policy upon the corporate code of conduct is that we strive to act in good faith daily so as not to be involved in illegal or antisocial activities. We shall have a resolute attitude towards and shall not have any relationship with antisocial forces.

2) Countermeasures to the Elimination of Antisocial Forces

We shall place the General Affairs Department as the responsible department for preventing inappropriate claims and assign a person in charge. We shall beware trends in antisocial forces from the perspective of social responsibility and corporate defense. Also, we have joined the Kanagawa Prefecture Corporate Defense Measures Council to gather daily information, participate in a lecture class, and receive instruction from the secretariat and the police. We shall continue establishing the structure of the elimination of antisocial forces.

Other

1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures	Not adopted
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

Policy regarding internal systems related to timely disclosure, structure establishment, and effort for promoting dialogue with shareholders

1) Basic stance on timely disclosure

Based on our Corporate Action Guideline from "3) We value relationships with our stakeholders and strive to maintain and develop appropriate and friendly relations", and "4) We actively disclose timely and appropriate our management information and strive for highly transparent management to society"; we shall disclose company information in a timely and appropriate manner to shareholders, investors, and the media as our basic policy.

2) Internal system related to timely disclosure

We shall disclose our company information in a timely and appropriate manner to our shareholders, investors, and the media, and build and operate a structure that enables quick disclosure. We post financial information and other timely disclosure information on our website to secure an opportunity to obtain information about the Company and the Group fairly and quickly.

Under the supervision of the director in charge of administration, the general affairs department compiles the timely disclosure information, and the department in charge is involved according to the content of the disclosure information. Concerning information on the resolutions, the General Affairs Department examines the presence or absence of essential facts subject to timely disclosure and discloses them upon a determination by the organization.

The General Affairs Department prepares disclosure data when the occurrence of material facts are reported to the information handling officer from the responsible department, and discloses it upon approval of the organization. Regarding the information on financial results, the General Affairs Department, together with the Finance and Accounting Department, shall prepare the financial disclosure data and shall disclose with the approval from the Board of Directors.

3) Structure establishment and effort for promoting dialogue with shareholders

To promote dialogue with shareholders, investors, and stakeholders, we are aware that it is crucial for the Company to establish a forum for the transmission and dialogue of qualitative information that cannot be communicated fully. We shall make an effort in many ways, such as the establishment of our internal structure, besides the disclosure of company information based on laws and regulations.

We have established a department dedicated to IR activities, and we disclose information on timely disclosure, explain financial results for investors, handle individual interviews, and respond to various inquiries.

