

Corporate Governance Report

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Yumeshin Holdings Co., Ltd.

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The corporate governance of Yumeshin Holdings Co., Ltd. (the “Company”) is described below.

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

1. Basic Views

The Company recognizes that responding quickly to changes in the business environment and establishing corporate governance to improve management soundness, fairness, transparency and legal compliance are some of the important management issues to enhance corporate value, that is, shareholder value. With the aim of building trusting relationships with all stakeholders, including shareholders, the Company will strengthen its management system and institutional functions such as the General Meeting of Shareholders, the Board of Directors, and the Board of Corporate Auditors to enhance corporate governance.

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

[Supplementary Principle 4-1③ Successor plan of Chief Executive Officer (CEO)]

The Company recognizes that the Board of Directors should appropriately supervise the plans of the successor, including the Chief Executive Officer, based on the Company's management philosophy and specific management strategies. Going forward, the Company will design systems to realize this goal.

[Supplementary Principle 4-3② Appointment of CEO]

Given that the appointment and dismissal of the CEO is the most important strategic decision-making in the Company, the Board of Directors of the Company will design a system to appoint a qualified CEO in accordance with objective, timely, and transparent procedures.

[Supplementary Principle 4-3③ Dismissal of CEO]

The Company's Board of Directors will design a system to establish objective, timely, and transparent procedures for the dismissal of the CEO in the event that the CEO does not fully perform his/her function.

[Supplementary Principle 4-10① Utilization of Optional Systems]

In order to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors with regard to the nomination and remuneration of executive officers and directors, the Company recognizes the need to obtain the appropriate involvement and advice of independent outside directors by establishing advisory committees composed mainly of independent outside directors. Going forward, the Company will design systems and other measures to achieve this goal.

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

[Principle 1-4: Cross-shareholdings]

The Company has the internal “Cross-shareholdings Policy” in place. Each year, the Board of Directors specifically examines whether the purposes of keeping shares held as cross-holdings are appropriate, and whether the benefits and risks associated with holding such shares are worth the capital costs and determines whether to keep them or not.

Regarding exercising voting rights, in principle, unless there is a concern that a conflict of interest may occur, the Company will exercise voting rights on all agenda items after examination of whether an issuing company is making appropriate decisions to improve its corporate value over the medium to long term and whether it will enhance the Group’s corporate value.

[Principle 1-7: Related party transactions]

Competition or conflict-of-interest transactions between the Company’s director and a corporation that the director substantially controls require deliberation and resolution by the Board of Directors of the Company. At that time, the rules of the Board of Directors stipulate that special stakeholders cannot participate in the resolution, and the Company has set forth a manual that determines specific procedures on disclosure of transactions with related parties.

The Company established a system to prevent it from being disadvantageous in case of a transaction with a corporation which is substantially controlled by the Company’s officer or director or in case of a transaction where the customer is one of the Company’s major shareholders.

[Principle 2-6: Demonstrating the function of a corporate pension asset owner]

The Company established a corporate-type defined contribution pension plan as a corporate pension system. In the course of management by subscribers, explanations and materials are provided on the specific contents of the system, the structure and characteristics of financial products, and basic knowledge of management. It will keep on providing investment education (improving subscribers’ knowledge on the mechanisms and features).

[Principle 3-1: Enhancing information disclosure]

(i) The Company’s vision is “To create employment where everyone can flourish, and joy to make a dream come true through work. To continue to be an educational institution for members of society.”

In addition, the action guidelines that embody the vision clearly state how to work on “1. Human resource education,” “2. Organizational formation,” and “3. Social contribution.”

(The Company’s vision can be found at <http://www.yumeshin.co.jp/company/philosophy.html>.)

(ii) The basic policies of the Company’s corporate governance are to maximize corporate value for all stakeholders, including shareholders, and to improve management efficiency and transparency. For this reason, it is working on the separation of the management decision-making and supervision systems from the business execution system, establishing quick and efficient management and execution systems, and making efforts to achieve highly transparent management with the participation of outside directors.

(iii) The basic remunerations of the Company’s directors (excluding outside directors) shall be determined in consideration of the Company’s business performance, remunerations of other companies in the relevant industry, the employees’ salary growth rate and the number of years of service. Each director’s management ability, achievement, and contribution shall also be taken into account.

(iv) The selection and dismissal of the candidate for a director and the next management structure are mutually evaluated by the directors and are decided by the Board of Directors.

The candidate for an auditor is assessed based on the necessary skills, experience, and knowledge as an auditor, and the decision is made at the Board of Directors after obtaining the consent of the Board of Corporate Auditors.

In the selection and dismissal of outside directors and outside auditors, their necessary abilities, experience, knowledge, etc. are assessed, and the decision is made at the Board of Directors after obtaining the consent of the Board of Corporate Auditors.

(v) When selecting and appointing senior management and nominating candidates for directors and auditors, the Company shall provide explanation for each appointment and nomination.

[Supplementary Principle 4-1① Range of Delegation to Management]

The Company has established the Board of Directors as a management decision-making and supervisory body, the Management Committee as a business execution system based on that decision-making, and meetings and executive officers in each business field to separate management decision-making and business execution.

The Board of Directors makes decisions on matters stipulated by law and the Articles of Incorporation, as well as important matters of the Company and its Group companies.

The Executive Committee, chaired by a representative director, is composed of executive officers from various business fields and discusses specific policies determined by the Board of Directors and measures to address issues that span multiple business fields. The results of the Executive Committee are reported to the workplaces, and specific issues and problems are quickly detected and addressed.

Meetings by each business sector are chaired by chief of operations or executive officers. The committees are composed of executive officers and division heads in each business sector, and discuss management issues and business execution in each business sector.

The executive officers are appointed as heads of the supervising divisions within each business area, and are responsible for the execution of operations by the supervising divisions in accordance with decisions made by senior organizations.

[Principle 4-8: Effective Use of Independent Outside Directors]

The Company has appointed three independent outside directors with sufficient qualifications and independence.

[Principle 4-9 Independence Criteria and Qualifications of Outside Directors]

The Company has established its own Independence Standards for Outside Directors and clarify the standards for the qualifications and independence of independent outside directors appointed by the Company. These standards are disclosed in the "Corporate Governance Report".

[Supplementary Principle 4-11① Prerequisites for Ensuring the Effectiveness of the Board]

The Company has established a policy on the balance, diversity, and scale of the overall knowledge, experience, and abilities of the Board of Directors, and are stipulated in the Board of Directors Regulations along with policies and procedures for the appointment of directors.

[Composition Policy of the Board of Directors]

- The Board of Directors of the Company consists of people who can fulfill the duties and responsibilities as director and contribute to the enhancement of corporate value over the medium to long term, regardless of gender, age, or nationality, with due considerations to each person's personality and insights.
- The Board of Directors shall include at least two independent outside directors in order to apply their abundant outside experience and expertise to management decisions.
- Outside directors consist of those who satisfy the Company's "Independence Standards of Outside Directors" in addition to the requirements of the Companies Act.
- The Board of Directors shall include at least one female director to make management decisions based on diverse values of society.
- The Board of Directors shall strive to include at least one foreign director when overseas business develops.

- The number of directors shall not be more than 15 as stipulated in the Articles of Incorporation, and the Board of Directors shall maintain an appropriate number of members that can exercise the functions of the Board of Directors most effectively and efficiently.

[Supplementary Principle 4-11② Status of Concurrent Posts of External Officers]

The Company regularly checks the status of concurrent posts with outside directors and outside auditors to ensure that directors and statutory auditors fully fulfill their responsibilities. The status of concurrent posts of outside directors and outside auditors at other companies is disclosed annually through Notice of General Meeting of Shareholders, Securities Reports, and Reports on Corporate Governance.

(Notice of General Meeting of Shareholders: http://www.yumeshin.co.jp/ir/library/business_reports/)

(Securities Report: http://www.yumeshin.co.jp/ir/library/security_reports/)

[Supplementary Principle 4-11③ Analysis and Evaluation of the Effectiveness of the Board as a Whole]

The Company conducts a questionnaire on the effectiveness of the Board of Directors to all directors and auditors at the regular meeting of the Board of Directors held in September every year. Using the results of the questionnaire, the Company analyzes and evaluates the effectiveness of the questionnaire at the regular meeting of the Board of Directors in October.

[Supplementary Principle 4-14② Policies for Training of Director and Auditor]

The Company encourages all directors and auditors to participate in external seminars and enter external organizations for the purpose of acquiring new ideas and promoting self-development to acquire latest information, and the Company bears the costs for such participation upon request from directors and auditors.

[Principle 5-1 Policy on Constructive Dialogue with Shareholders]

The Company has established the Investor Relations Office, which specializes in IR, and hold semi-annual results briefings for shareholders and institutional investors, as well as regular briefings and small meetings for individual investors. In light of the Company's shareholder composition, the Company has adopted a basic policy of visiting investors at least once a year in the United States, Europe, and Asia, and disclose this policy in its Corporate Governance Report.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Shingo Sato	18,425,440	24.18
Sato Sogo Kikaku	12,721,100	16.70
Japan Trustee Services Bank, Ltd. (Trust Account)	3,791,400	4.98
Master Trust Bank of Japan (Trust Account)	1,277,900	1.68
Hideki Fukai	1,010,040	1.33
J.P MORGAN BANK LUXEMBOURG S.A.380577	752,600	0.99
Yoshiko Sato	688,000	0.90
Daio Sato	486,200	0.64
Japan Trustee Services Bank (Trust Account 9)	436,900	0.57
Masahiro Nomura	398,900	0.52

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

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange JASDAQ
Fiscal Year-End	September
Type of Business	Services
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 ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tomohiro Sakamoto	Lawyer											
Miki Oda	From another company								○			
Hajime Mita	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/*kansayaku*

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/*kansayaku* 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)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tomohiro Sakamoto	○	—	<p><Reasons for Appointment as Outside Directors> He has a wealth of knowledge and experience.</p> <p><Reasons for appointment as Independent Directors/Audit & Supervisory Board Members> It does not fall under any of the items stipulated in "III 5. (3)-2 of the Guidelines for Listing Control" of the Tokyo Stock Exchange and is sufficiently independent. The Company has appointed him as an independent officer as it determined that there is no risk of conflicts of interest with general shareholders.</p>
Miki Oda	○	Director, Finantec Co., Ltd.	<p><Reasons for Appointment as Outside Directors> She has a wealth of knowledge and experience.</p> <p><Reasons for appointment as Independent Directors/Audit & Supervisory Board Members> Although the Company made a consulting business agreement with Finantec Co., Ltd., it does not fall under any of the items stipulated in "Guideline III 5. (3)-2 on Listing Management, etc." of the Tokyo Stock Exchange in light of the nature and size of the agreement. The Company has determined that she is sufficiently independent and there is no risk of conflicts of interest with ordinary shareholders. Accordingly, the Company has appointed her as an Independent Director.</p>
Hajime Mita	○	—	<p><Reasons for appointment as Independent Directors/Audit & Supervisory Board Members> It does not fall under any of the items stipulated in "III 5. (3)-2 of the Guidelines for Listing Control" of the Tokyo Stock Exchange and is sufficiently independent. The Company has appointed him as an independent director as it determined</p>

			that there is no risk of conflicts of interest with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	5
Number of <i>Kansayaku</i>	3

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Corporate Auditors and the Internal Audit Office share once a month the status of internal audits conducted in accordance with the annual internal audit plan. In addition, the Internal Audit Office attends monthly meetings of the Audit & Supervisory Board and conducts business audit reports. The Corporate Auditors and the Internal Audit Department monitor the financial condition by receiving reports from accounting auditors once every quarter.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2
Number of Independent <i>Kansayaku</i>	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hirofumi Takahashi	From another company													
Hiroaki Rokugawa	Lawyer													

* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of the Company or its subsidiary

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

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

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Masafumi Takahashi	○	—	<p><Reasons for Appointment as Outside Audit & Supervisory Board Members> He has a wealth of knowledge and experience.</p> <p><Reasons for appointment as Independent Directors/Audit & Supervisory Board Members> It does not fall under any of the items stipulated in "III 5. (3)-2 of the Guidelines for Listing Control" of the Tokyo Stock Exchange and is sufficiently independent. The Company has appointed him as an independent director as it determined that there is no risk of conflicts of interest with general shareholders.</p>
Hiroaki Rokugawa	○	—	<p><Reasons for Appointment as Outside Audit & Supervisory Board Members> He has a wealth of knowledge and experience.</p> <p><Reasons for appointment as Independent Directors/Audit & Supervisory Board Members> It does not fall under any of the items stipulated in "III 5. (3)-2 of the Guidelines for Listing Control" of the Tokyo Stock Exchange and is sufficiently independent. The Company has appointed him as an independent director as it determined that there is no risk of conflicts of</p>

			interest with general shareholders.
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[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

The Company does not fall under any of the matters stipulated in the Tokyo Stock Exchange's "Guidelines for Listing Management III 5. (3) -2" and has no risk of conflict of interest with general shareholders. All outside directors who are judged to meet the qualifications of independent directors are designated as independent directors. In addition, the Company has established its own "Independence Standards of Outside Directors" to clarify the qualifications and independence standards of independent outside directors appointed by the Company.

- The independent outside directors of the Company shall be outside directors based on the Companies Act as well as those who meet the independence standards of the Tokyo Stock Exchange and do not fall under any of the following items.
 1. Current or past executive director, executive officer and employee of the Group*
*The Group: The Company, subsidiaries and affiliates
 2. Executive of the Group's business partner or supplier, whose annual transaction amount exceeds 3% of the consolidated sales of the Group or the other party
 3. Major shareholder or executive holding 5% or more of voting rights at the end of the fiscal year of the Company
 4. Executive of an investee 5% or more of whose voting rights are held by the Company at the end of the fiscal year of the Company
 5. Executive of a financial institution from which the Company borrows money and whose loan balance exceeds 3% of the Company's total assets or the consolidated total assets of said financial institution at the end of the fiscal year of the Company
 6. Person or executive of a company that donated over 10 million yen in the past 10 years to the Company
 7. Consultant, accounting professional, or legal professional obtaining 20 million yen or more in money or other financial benefits per year other than executive remunerations from the Company, or person, certified public accountant, or person with advisory contract who belongs to such a corporation and organization.
 8. Person who is in the company where directors are mutually appointed with the Company.
 9. Outside director who has been in office for more than 10 years
 10. In addition to the above, there is a reason to be judged that the person cannot fulfill his/her duties as an independent outside director.
- Even in the case where a person may meet any of the above, if the Company considers that he/she has sufficient independence and is appropriate as an outside director in light of the person's personality, insight, etc., the Company can make the person a candidate for its independent outside director by explaining the reasons externally.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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Supplementary Explanation

The Company has introduced a performance-linked compensation plan and a stock option plan to motivate directors to improve their performance.

Recipients of Stock Options	Inside Directors / Outside Directors / Inside <i>Kansayaku</i> / Outside <i>Kansayaku</i> / Employee
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Supplementary Explanation

The Company has introduced a system for granting stock acquisition rights for a fee to directors, auditors, executive officers, and employees of the Company in order to increase their motivation toward improving its business performance.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The total amount for each director and auditors is disclosed in the Annual Securities Report and the total amount for each director, outside director, auditors and outside auditors is disclosed in the Business Report.

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

The maximum amount of remuneration for directors is determined by resolution of the General Meeting of Shareholders. The amount of remuneration for individual directors is determined by resolution of the Board of Directors. At the 24th Ordinary General Meeting of Shareholders held in December 2002, the maximum amount of remuneration for directors was resolved to be 400 million yen per year.

[Supporting System for Outside Directors and/or *Kansayaku*]

The Company provides reports, explanations, and materials on important information to outside directors and outside auditors in order to enable them to attend meetings of the Board of Directors based on an understanding of the specific content of the agenda, and supports them in ensuring sufficient auditing or auditing functions.

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

The Board of Directors are held on a monthly and extraordinary basis. Matters to be resolved at meetings of the Board of Directors are gathered in advance into the Secretariat of the Board of Directors, and examination forms are reviewed by the relevant departments. In principle, details are sent to all attendees of meetings of the Board of Directors before they are submitted to the Board of Directors for resolution. External audits are performed by Grant Thornton Taiyo LLC, which regularly encourages the Board of Corporate Auditors to report their accounts to the Board of Corporate Auditors.

The Company has the Internal Audit Office to conduct internal audits based on an annual audit plan. The Company also shares information and exchanges opinions about the status of the Company with auditors on a daily basis.

Auditors regularly hold hearings on business execution organizations at the Audit & Supervisory Board meetings. At the same time, they receive business audit reports from the Internal Audit Office and constantly monitor the status of the Company. In addition, auditors not only regularly attend meetings of the Board of Directors but also attend important meetings of the Company to express their opinions and contribute to the establishment of corporate governance.

In addition, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with outside directors, Tomohiro Sakamoto, Miki Oda, Hajime Mita, and Hirofumi Takahashi, and outside auditors, Hiroaki Rokugawa, and Yukio Matsumoto that limit the liability for damages under Article 423, Paragraph 1 of the Companies Act to the extent stipulated by law.

3. Reasons for Adoption of Current Corporate Governance System

The Company has established a system to strengthen management oversight and auditing functions through the appointment of outside directors and the establishment of a Board of Corporate Auditors. Outside directors are independent directors and are able to supervise executive directors from an independent standpoint.

The majority of auditors who audit the business execution of the Company are outside auditors, and the auditors, the Board of Auditors, the Internal Audit Office and the Accounting Auditor cooperate by exchanging information as needed. The Company determined that the effectiveness of the audit has been secured.

For these reasons, the Company has chosen the current system.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	The fiscal year-end is September. The 41st Ordinary General Meeting of Shareholders was held on December 19, 2019.
Participation in Electronic Voting Platform	The Company has introduced an electronic voting platform from the General Meeting of Shareholders for the fiscal year ended September 2018 to improve the environment for exercising voting rights.
Other	The Notice of Convocation for the General Meeting of Shareholders is posted on the Company's website before the date of delivery.

2. IR Activities

	Supplementary Explanations
Regular Investor Briefings for Individual Investors	In September 2019, the Company has held briefings for individual investors at each major city, including Tokyo and Osaka, nine times a year. In addition, the Group actively participates in events for individual investors sponsored by the Japan Exchange Group, securities companies and the media.
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors twice a year after the announcement of financial results for the second quarter and the end of the fiscal year.
Regular Investor Briefings for Overseas Investors	In the fiscal year ended September 2019, the Company held IR roadshows in the United States, the United Kingdom, Switzerland, Hong Kong, and Taiwan.
Posting of IR Materials on Website	This report includes briefing materials for individual investors and financial results briefing materials, financial results, securities reports, and timely disclosure materials.
Establishment of Department and/or Manager in Charge of IR	The Company established an IR Office and a dedicated staff member is in charge of IR.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established the Compliance Code of Conduct in its internal regulations, which clearly states the relationship with shareholders and other stakeholders that the Company should aim for.
Development of Policies on Information Provision to Stakeholders	The Company declares its corporate ethics and action standards that it will actively and promptly disclose the necessary company information not only to its shareholders but also to its wide-ranging stakeholders. In addition, the Company has formulated the Manual on Disclosure of Corporate Contents, adhered to disclosure guidance from the Tokyo Stock Exchange, and endeavored to disclose information in a timely and appropriate manner. The Company has also formulated the Rules on Prevention of Insider Trading, which draws up attention to its employees.

IV. Matters Related to the Internal Control System

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

<p>Overview of items related to the systems for ensuring the appropriateness of duties and their operating status</p> <p>1. The system for ensuring that the execution of duties by the directors and employees of the Company and its subsidiaries is in a manner that conforms to the laws and the Articles of Incorporation The Company and its subsidiaries established a system where directors monitor whether each other's execution of duties conforms to the laws and the Articles of Incorporation by holding regular meetings of the Board of Directors. Furthermore, while establishing and implementing compliance regulations, we set a compliance division that manages the entire company and works on ensuring that the directors and employees comply with laws, the Articles of Incorporation, etc.</p> <p>2. The system for storing and managing information related to the directors' execution of duties The Company stores and manages documents and others (including electro-magnetic records) according to laws and internal rules. Also, we established internal rules for storing and managing information. As for the information security system, we developed an adequate system by creating a specialized division.</p>

3. Rules for managing the risk of loss of the Company and its subsidiaries, and related systems

While establishing and implementing risk management regulations, the Company and its subsidiaries perform effective control activities by conducting company-wide risk assessments, deciding the response and identifying the responsible division to deal with each risk that needs to be controlled.

4. The system for ensuring the efficient execution of duties by directors of the Company and its subsidiaries

a. The Board of Directors of the Company set the group's medium-term management plan, and they set performance goals for each business year to achieve this plan. As for capital investment and new projects, their order of priority is decided based on the medium-term management plan's goals. Also, the Company sets a system that efficiently allocates human resources.

b. The Company and its subsidiaries operate the organization of duty execution by implementing efficient regulations for the segregation of duties and the internal memo circulation system for the directors to make decisions efficiently.

5. The system for reporting items related to the performance of duties by directors and others of its subsidiaries to the Company

The Company established management rules for affiliated companies, through which subsidiaries are required to report and consult our company regarding their financial situation and other important matters.

6. The system for ensuring the appropriate performance of duties by the business group consisting of the Company and its subsidiaries

The Company established and implemented management rules for affiliated companies and developed a system to ensure the application of appropriate business policies in the entire group. Also, the Company established a supervision and guidance system by creating the affiliated companies' promotion division, which manages group companies. Additionally, the Company is responsible for the compliance, storing and saving information and risk management, and provides necessary advice and guidance. The Company's internal audit department audits the effectiveness of the internal control of the entire group.

7. Items related to the employees assisting auditors in their duties

In case the auditors request assigning employees to assist them in their duties, the Board of Directors appoints the employees to assist them upon consulting with the auditors. Moreover, the authority over the appointed employees is delegated to the auditors during the period the employees are assigned for their assistance. Hence, the selected employees do not receive commands from directors.

8. The system regarding the Company's directors and employees reporting to the auditors and items needed to reported to the auditors

The Company established a system that allows auditors to receive reports regarding the status of the performance of duties from directors and employees. Also, we bolstered the cooperation and collaboration among divisions conducting audits in the company.

9. The system for the directors, auditors, employees of the Company's subsidiaries and the ones who receive the reports from these individuals to report to auditors of the Company and other systems to report to auditors of the Company

We established a system where the directors and officers of the Company's subsidiaries regularly meet with the Board of Corporate Auditors of the Company and report on items related to the execution of duties, etc. Also, in case the auditors of the Company request a report regarding the performance of duties from the directors, auditors, and employees of the Company's subsidiaries, they should promptly deliver an adequate report.

10. The system for ensuring that the individuals who made reports mentioned in (8) and (9) would not receive an unfair treatment due to these reports

The Company's compliance regulations have a system that states that the Company and its subsidiaries shall not unfairly treat the directors and employees who provide the auditors with information.

11. Advance payment of the expenses resulting from the auditors' duties

In cases where there is a request from the Board of Corporate Auditors or Full-time Corporate Auditors, the Company pays in advance the expenses that would result from the auditors' duties or reimburse them and dispose of the claims, except for a case that there is evidence that the auditors' duties did not produce the expenses.

12. Other items related to ensuring the effectiveness of auditing

a. Auditors have the right to attend all kinds of meetings.

- b. We established a system that provides auditors with authority to question and correct directors and employees.
- c. Auditors exchange information through cooperating with the compliance division, the information storage and management division, the risk management division, and the internal audit department as well as having comptrollers explain the accounting audit content to them.
- d. Auditors audit the efficiency of the internal control of the entire group.

Concerning the operating status of the systems for ensuring the appropriateness of duties, which was mentioned above, each division works on operating the systems adequately and the Company's internal audit department checks it through audit for business process control. Furthermore, the Company's internal audit department reports the results to the representative director and president and the Board of Auditors as part of the internal audit report.

2. Basic Views on Eliminating Anti-Social Forces

We pledge not to have any relationships with antisocial forces that could threaten the order or safety of civil society in the "Code of Corporate Ethics" and the "Code of Behavior," and will follow these codes. We also enacted "Regulations for coping with antisocial forces" and accompanying rules, which stipulate that if there is an unreasonable claim or the like from an antisocial force, the section in charge will manage information in a unified manner and swiftly take measures, including the consultation with the relevant police station.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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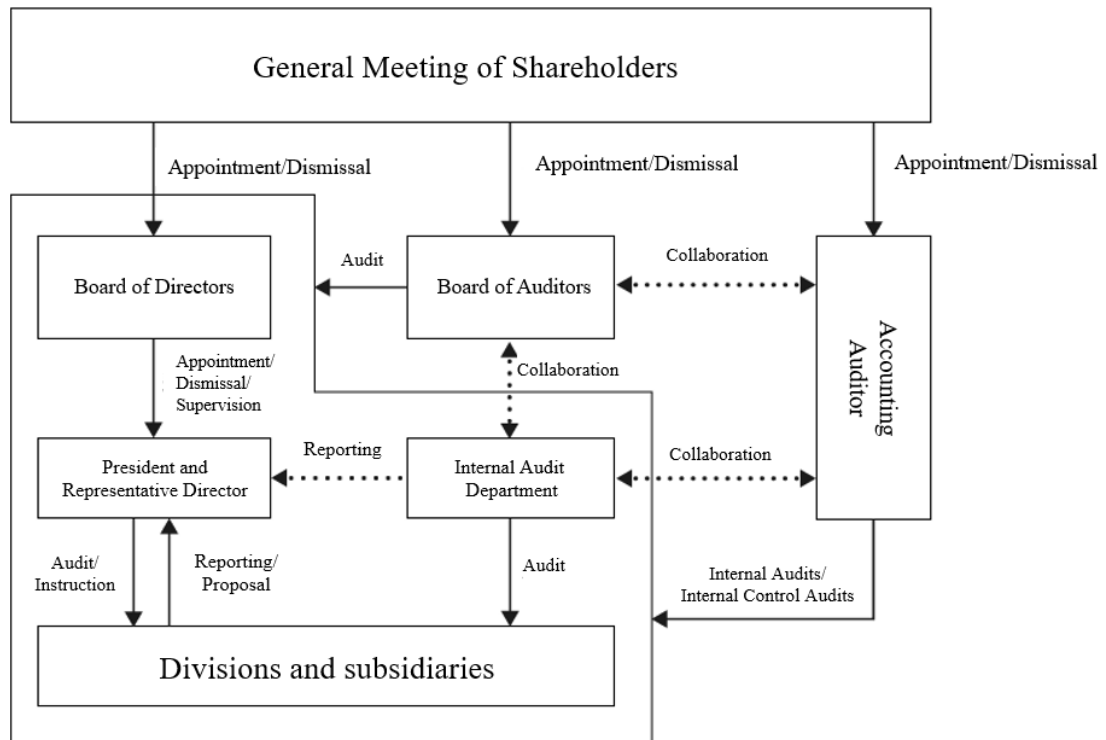
Supplementary Explanation

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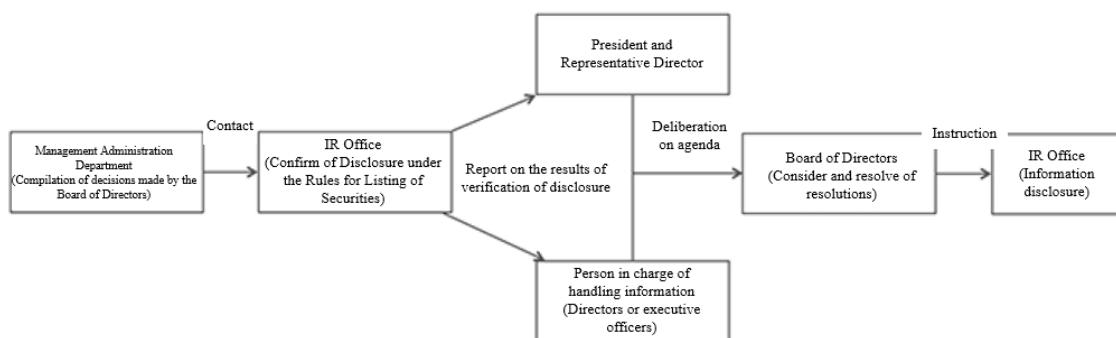
2. Other Matters Concerning to Corporate Governance System

Based on the resolutions on internal control, the Company has established a Compliance Secretariat and Risk Compliance Committee within its organizational structure, and will further enhance their functions in the future.

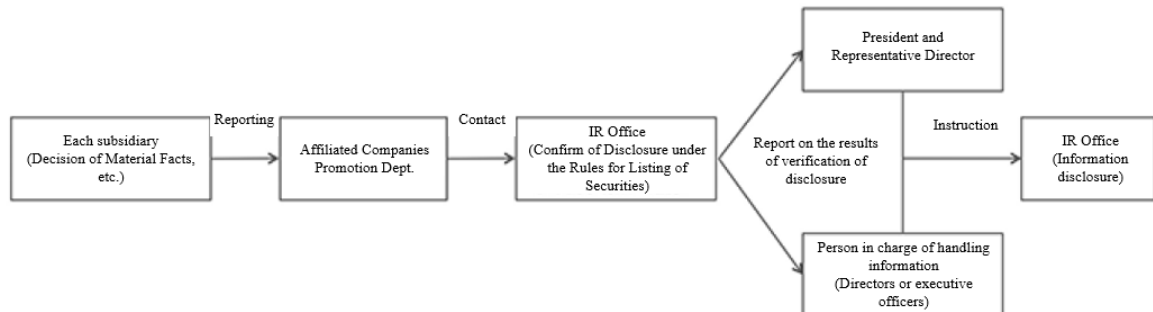
[Schematic diagram]



[Determined facts relating to us-Information on collar determination, etc.]



[Information on the facts of the decision of the subsidiary]



[Information on facts that occurred with respect to our group]

