

# Corporate Governance Report

April 1, 2020  
MEDLEY, INC.  
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The corporate governance of MEDLEY, INC. is described below.

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

### 1. Basic Views

With the mission of “Creating the future of medical healthcare”, MEDLEY, INC. (the “Company” or “We”) and its affiliates (collectively, the “Group”) develops and provides various Internet services that meet the actual demands of society in the medical healthcare field.

The Group recognizes that strengthening and enhancing corporate governance is an important management issue in order to improve corporate value over the medium to long term. In order to improve the fairness and transparency of management decision making, which is the basis of corporate governance, it is necessary to enhance the supervisory function for the execution of business by directors and to establish a prompt and appropriate information disclosure system. We believe that it is indispensable, and we are working on building an internal system in line with it.

As part of these efforts, the Group is reviewing its organizational structure as needed to expand its business as a result of corporate growth and ensuring efficient management and clarification of responsibility systems in order to ensure management efficiency. . In the future, while developing sincere corporate activities that harmonize corporate profits with social responsibility, we will strive to enhance corporate governance with the aim of realizing management that contributes to the profits of shareholders and all other stakeholders and improving corporate value.

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

We have implemented all of the basic principles of the Corporate Governance Code.

### 2. Capital Structure

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

Name or name	Number of shares held	(%)
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Kohei Takiguchi	5,336,000	18.95
Goichiro Toyoda	3,359,800	11.93
Japan Trustee Services Bank,Ltd(Trust Account)	1,285,600	4.56
NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,248,800	4.43
CREDIT SUISSE (LUXEMBOURG) S.A. / CUSTOMER ASSETS, FUNDS UCITS	1,000,000	3.55
Trust & Custody Services Bank, Ltd.(Security Investment Trust Account)	990,100	3.51
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	627,200	2.22
Kyosuke Shirasaki	570,000	2.02
ONE GLOBE CAPITAL CO., Ltd.	441,000	1.56
JP MORGAN CHASE BANK 380634	429,700	1.52

Controlling Shareholder (except for Parent Company)	—
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Parent Company	N/A
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#### Supplementary Explanation

1. The above list of the major shareholders shows the status as of December 31, 2019.
2. The Company does not own any treasury stock.
3. In the statement of large-volume holdings filed by Polar Capital LLP on December 19, 2019, it is stated that the company owns 1450,000,000 shares (total shareholding ratio of 5.25%) as of December 11, 2019; however, as this cannot be confirmed in the shareholder registry as of the end of the current fiscal year, the company is not included in the above Major Shareholders.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Mothers
Fiscal Year-End	Ending on December 31st
Type of Business	Information & Communications
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	100 ~ 500
Sales (consolidated) as of the End of the Previous Fiscal Year	Less than JPY 10 billion
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

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#### 5). Other Special Circumstances that Could 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 audit and supervisory board
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	10
Term of Office of Directors stipulated in the Articles of Incorporation	two-years
Chairperson of the Board	President
Number of Directors	8
Appointment of External Directors Number of Outside Directors	Appointed

Number of Outside Directors	2
Number of 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
Hidetoshi Takano	From other companies								○			
Noboru Kotani	From other companies											

\* 1 Categories for relationship with the Company

- 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 brother 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 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 / audit and supervisory board member
- g. Major shareholder of the Company (or an executive of 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 the Company and which external directors/audit and supervisory board members 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

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hidetoshi Takano	-	The Company has a contractual relationship for recruiting outsource service with Kabushiki Kaisha Key Players and Kabushiki Kaisha Agent Seven, at which Mr. Takano serves as a representative director. The annual payment of recruitment fees from the Company for the past three years is extremely small compared to both of the two companies, and the terms and conditions under which the Company outsources the recruitment work is consistent with the market standard.	Mr. Takano has extensive work experience at a major recruitment agency and extensive knowledge of recruitment consulting and recruitment services in multiple industries, including the Internet venture industry at Key Players, which he established. He has been appointed as an external director with the expectation that he will use his insight and experience in the recruitment industry to monitor the Company appropriately.
Noboru Kotani	○	Not applicable.	Mr. Kotani served as one of the founders of Dream Incubator, utilizing his experience at consulting firms, and is currently serving as an external director and audit and supervisory board member at several leading companies. He has been appointed as an outside director in anticipation of the appropriate management oversight of the Company because of his wealth of experience and knowledge regarding corporate management.  He is determined not to fall under the "Guidelines for Listing Management, etc." and has no risk of conflict of interest with general shareholders, and has been appointed as an

			Independent Director.
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[Voluntary Establishment of Committee(s)]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	No
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Supplementary Explanation

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[Audit and Supervisory Board]

Establishment of Audit and Supervisory Board	Established
Maximum Number of Audit and Supervisory Board Members Stipulated under the Articles of Incorporation	4
Number of Audit and Supervisory Board Members	4

Cooperation among Audit and Supervisory Board Members, Independent Auditors and Internal Audit Departments

Audit system of the Company is based on three basic audits: audits by corporate auditors, internal audits, and accounting audits by accounting auditors. We cooperate with each other for the purpose of improving the overall quality. Specifically, the Audit and Supervisory Board receives reports on the status of internal audits from the Internal Audit Office, and exchanges opinions with the accounting auditor on the status of implementation of accounting audits, thereby improving the effectiveness and efficiency of audits, thereby we strive to improve the quality of overall oversight and monitoring. In addition, the Audit & Supervisory Board, accounting auditors and internal auditors hold regular quarterly meetings to improve audit effectiveness and efficiency.

Appointment of External Audit and Supervisory Board Member(s)	Appointed
Number of External Audit and Supervisory Board Members	3
Number of Independent Audit and Supervisory Board Members	3

External Audit and Supervisory Board Member'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
Keiichi Kato	From other companies													
Masahide Kamachi	Tax accountant													
Makoto Hoshino	Certified public accountant.										△			

\* 1 Categories for relationship with the Company

- Executive of the Company or its subsidiaries
- Non-executive director or or Accounting advisor of the Company or its subsidiaries
- Executive or non-executive of a parent company of the Company
- Audit and supervisory board member of the parent company of the Company
- Executive of a brother 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 director / audit and supervisory board member
- Major shareholder of the Company (or an executive of 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 audit and supervisory board member himself/herself only)
- Executive of a company, between the Company and which external directors/audit and supervisory board members are mutually appointed (the audit and supervisory board member himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

External Audit and Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
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Keiichi Kato	○	Not applicable.	<p>Mr. Kato has a wealth of knowledge based on business experience related to corporate operations such as accounting and general affairs at many operating companies, management experience, and management monitoring experience as an auditor, not only in the Internet industry. He has been appointed as an external audit and supervisory board member with the expectation that he will be able to conduct appropriate management oversight of the Company by taking advantage of his experience in managing board meetings and general meeting of shareholders in a wide range of industries.</p> <p>He is determined not to fall under the “Guidelines for Listing Management, etc.” and has no risk of conflict of interest with general shareholders, and has been appointed as an Independent Director.</p>
Masahide Kamachi	○	Not applicable.	<p>Mr. Kamachi has experience in providing management advice to a number of operating companies at major consulting firms and tax accountants established by utilizing his qualifications as a tax accountant and a certified public accountant. He has been appointed as an external audit and supervisory board member with the expectation that he will be able to perform appropriate management monitoring of the Company by utilizing his wealth of knowledge as a consultant or outside officer.</p> <p>He is determined not to fall under the “Guidelines for Listing Management, etc.” and has no risk of conflict of interest with general shareholders, and has been appointed as an Independent Director.</p>



Makoto Hoshino	○	Mr. Hoshino was previously engaged in the business operations of EY Ernst & Young ShinNihon LLC, the Company's accounting auditor, but has not been engaged in the business operations of that firm since he resigned in June 2018. In addition, The ratio of the transaction amount to the net sales of the audit firm in the most recent fiscal year was less than 0.1%.	Mr. Hoshino has many years of experience as a certified public accountant and has a high degree of expertise and extensive knowledge of finance and accounting. We expect him to strengthen the auditing function of the Company by auditing the Company's management by utilizing this expertise and knowledge.  He is determined not to fall under the “Guidelines for Listing Management, etc.” and has no risk of conflict of interest with general shareholders, and has been appointed as an Independent Director.
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[Independent Directors ]

Number of Independent Directors	4
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Other Matters Relating to Independent Directors

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[Incentives]

Incentive Policies for Directors	Stock Option Plans
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Supplementary Explanation on applicable items

The Group implements stock option plans, with the aim of increasing motivation and morale for the improvement of business performance, by aligning the Group's mid to long term growth and corporate value improvement with the remunerations that the stock options holders receive.
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Recipients of Stock Options	Internal directors / employees / audit and supervisory board members
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Supplementary Explanation

By granting stock options to the members (from the above-mentioned recipients) who are expected or anticipated to play important roles for the Group's business performance, we incentivise such members to improve our business performance in the future. In addition, we use stock option grants as leverage to recruit more and more superior members into the Group, and as such we grant some of the stock options at the time of recruitment.
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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No disclosure of individual director's remuneration
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Supplementary Explanation

There is no individual disclosure of remuneration because there is no person with a total of over JPY 100 million in remuneration. Compensation for directors and audit and supervisory board members is disclosed in the total amount for each of the categories.
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Policy on Determining Remuneration Amounts and Calculation Methods	As below.
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

For the remuneration of the Board of Director, within the range of the maximum remuneration determined by a resolution of the General Meeting of Shareholders, the President and the Representative Director makes the determination, based on the business performance and the individual performance with regard to the directors' respective business line in charge. The remuneration for Audit & Supervisory Board members is determined through discussions by the Audit & Supervisory Board within the limits of the remuneration limit determined by a resolution of the General Meeting of Shareholders.
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[Supporting System for External Directors / Audit and Supervisory Board Members]

We provide supports for the external directors / audit and supervisory board members through the corporate division. As for the agenda in the board meetings, the corporate division provides explanatory materials in advance to the board meetings, and ensure that the external directors / audit and supervisory board members have sufficient time to consider the matters in the agenda as appropriate, and in case needed, provides individual supplementary explanations verbally. In addition, necessary or important information is communicated by e-mail or telephone as needed.
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2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

## ○ Overview of Corporate Governance System

The Company has established its corporate governance system as “company with audit and supervisory board.” With this system, authority and responsibility for business execution are concentrated on the Board of Directors, which is the highest decision-making body for management, and Audit & Supervisory Board Members and Audit & Supervisory Board are tasked with monitoring and supervisory functions of the Board of Directors, and thereby aiming to achieve appropriate management decision-making and business execution and to establish a corporate governance system with sufficient organizational checks and balances. The following organizations are involved in our management decision-making, enforcement and supervision.

### a. Directors and Board of Directors

The Company is a company with a board of directors, and the board of directors consists of eight directors (including two external directors) and is responsible for making decisions on basic management policies and important matters and supervising the execution of business by the directors. In principle, the Board of Directors meets once a month on a regular Board of Directors meeting, and flexibly holds an extraordinary Board of Directors meetings as necessary and makes decisions on basic management policies and important matters and supervises the execution of business by the Directors.

### b. Audit and Supervisory Board Members and Audit and Supervisory Board

The Company is a company with an Audit & Supervisory Board, and the Audit and Supervisory Board consists of four Audit and Supervisory Board members (two full-time Audit and Supervisory Board members and two part-time external Audit & Supervisory Board members). Full-time Audit and Supervisory Board member Shohei Omote chairs the Audit & Supervisory Board. The four Audit and Supervisory Board members include three outside Audit and Supervisory Board members and one attorney-at-law.. In principle, the Audit and Supervisory Board meeting is held once a month and on an ad hoc basis as needed. Audit and Supervisory Board members attend meetings of the Board of Directors and other important meetings in order to audit the execution of duties by Directors, conduct interviews with each Director and important employees, and conduct business audits on each department to determine the execution of duties by Directors.

### c. Internal Audit

The Company establishes the Internal Audit Office (3 members) with the mission of evaluating the effectiveness of internal control and the appropriateness of the actual business situation. It covers all departments and subsidiaries based on the annual internal audit plan as an organization under the direct control of the President and the Representative Director, independent of each department. Internal audits are conducted and the audit results are reported to the President and the Representative Director. The President and Representative Director receives audit results, notifies audited departments of audit results and improvements, and submits improvement status reports. The Internal Audit Office cooperates with the Audit and Supervisory Board Members and the Accounting Auditor from time to time regarding the status of internal audits.

### d. Accounting Auditor

The Company has concluded an auditing agreement with EY Shinnihon *Yugen Sekinin Kansa Hojin* and receives an appropriate timely accounting audit from an independent standpoint. There are no special interests between the Company and the auditing corporation engaged in the audit of the Company and the executive officers of the Company. In addition, the auditing years of executive staff of the accounting auditor is within seven years. The certified public accountants who executed our accounting audits are Masato Saito and Naoya Yabe. In addition, there are nine certified public accountants, 17 persons who has passed the certified public accountant examination and 17 other assistants in the accounting audit of the Company.

#### ○ Risk Management System Status

The Group has established “Risk Management Regulations” for the purpose of improving the risk management system, and it is intended to prevent risks related to internal and external risk management and minimize company losses. To this end, the Risk Management Committee, which is composed of the Company's internal directors, has been established as an independent committee organization, striving to understand risks, examine countermeasures, implement countermeasures, and monitor them. In addition, we established “Code of Conduct” for the purpose of establishing a legal compliance system, and to ensure compliance and education of relevant laws and regulations, social norms and internal rules to its officers and employees, and to detect illegal activities in the company at an early stage. An internal whistleblowing system has been established, and the content of whistleblowing will be dealt with in a timely and appropriate manner by the department in charge of compliance. In addition, by conducting audits by Audit and Supervisory Board members and internal audits, we strive to discover risks and, as necessary, have a system in place to receive advice on risk management from specialists such as lawyers, accountants, tax accountants, and social insurance laborers.

#### ○ Exemption of directors and audit and supervisory board members from liabilities

Based on Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with external directors and audit and supervisory board members to limit liability for damages under Article 423, Paragraph 1 of the Companies Act. . The limit of liability for damages based on this contract is the amount stipulated by laws and regulations. The limitation of liability is permitted only when the respective external directors and audit and supervisory board members are in good faith and have no material negligence regarding the performance of the duties that caused the responsibility.

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

The Company adopts the current corporate governance system to ensure the soundness and transparency of corporate management, while ensuring the rationality and speed of management decision-making at the Board of Directors, based on the basic concept of corporate governance. In addition, the corporate governance system described above has been adopted in order to establish a sufficient check & balance system by the Internal Audit Office and Audit and Supervisory Board. In addition, the Company has appointed external directors and external audit and supervisory board members, and has strengthened the monitoring function for management by utilizing the experience and knowledge, etc., and receiving the function to monitor the execution of duties by directors from an independent and fair position.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meetings of Shareholders	In order to ensure that shareholders have sufficient time to consider the agenda, we are working to expedite the closing process and send out the convocation notice early.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	In order to allow more shareholders to participate in the event, we will take care to avoid the days when other companies' events are concentrated. We also strive to ensure that the meeting is physically accessible and easy to attend in order to have as constructive a dialogue with our shareholders as possible.
Allowing Electronic Exercise of Voting Rights	We have prepared an environment in which shareholders can exercise their voting rights by accepting the exercise of voting rights via the Internet, including personal computers and smartphones, etc.
Participation in Electronic Voting Platform	We have participated in the voting platform for institutional investors operated by ICJ, Inc. since the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2019.
Providing Convocation Notice in English	We have prepared a notice of convocation (narrowly defined) in English and post it on the Tokyo Stock Exchange website, the voting platform for institutional investors, and the Company's website ( <a href="https://www.medley.jp/ir/">https://www.medley.jp/ir/</a> ) since the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2019.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative

Preparation and Publication of Disclosure Policy	We have posted our disclosure policy on our website ( <a href="https://www.medley.jp/ir/disclosure-policy/">https://www.medley.jp/ir/disclosure-policy/</a> ), which describes "Information Disclosure Standards," "Information Disclosure Methods," "Prevention of Insider Trading," "Quiet Period," and "Maintenance of Internal System".	
Regular Investor Briefings for Retail Investors	We are considering holding a briefing session for individual investors to explain the Group's performance and management policies in the form of participation by the representative director and other directors. We will also consider participation in IR events for individual investors.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	For analysts and institutional investors, we hold meetings for explaining the Group's business results and management policies, with the participation of the Representative Director and other Directors.	Yes
Regular Investor Briefings for Overseas Investors	We hold briefing meetings for overseas investors from time to time, via teleconference or in-person meetings, and we also plan to participate in investor conferences a few times a year.	Yes
Posting IR Materials on Website	The Company's IR materials has been posted on its website ( <a href="https://www.medley.jp/ir/">https://www.medley.jp/ir/</a> ).	
Establishment of a Department (person in charge) related to IR	Director CFO and the Corporate Planning Office are responsible for IR.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
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<p>Stipulation of Internal Rules for Respecting the Position of Stakeholders</p>	<p>The Group believes that it is important to earn the trust of various stakeholders, including shareholders, investors, and customers, and is making efforts to provide timely, appropriate, and fair information to its stakeholders by establishing a timely disclosure manual and preparing to comply with the Fair Disclosure Rules.</p> <p>In addition, for the purpose of ensuring thorough compliance within the Group and building a system for fulfilling social responsibility based on sound ethical standards, we have established the Compliance Regulations, which stipulate the following items</p> <ul style="list-style-type: none"> <li>• Compliance with laws, regulations and social norms</li> </ul> <p>We will understand and comply with laws and regulations and social norms.</p> <ul style="list-style-type: none"> <li>• Provision of appropriate information</li> </ul> <p>We will provide appropriate information in compliance with laws and regulations related to advertisements and information provision so that our users can properly understand the content and nature of services.</p> <ul style="list-style-type: none"> <li>• Disclosure of management information</li> </ul> <p>We will appropriately disclose information on financial details, business activities, etc. to shareholders and investors in accordance with the laws and regulations.</p> <ul style="list-style-type: none"> <li>• Prevention of insider trading</li> </ul> <p>The Company shall establish a system to prevent transactions of shares, etc. using undisclosed important information of the Company, its affiliated companies, or business partners.</p>
<p>Implementation of Environmental Conservation Activities, CSR Activities, etc.</p>	<p>We consider this to be a matter to be considered in the future.</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Group's basic policy is to make efforts to disclose appropriate corporate information in a timely manner in order to ensure management transparency. In disclosing information, we will actively and disciplinedly disclose information that is required to be disclosed under the Financial Instruments and Exchange Act and other laws and regulations, as well as information in accordance with the timely disclosure rules established by the Tokyo Stock Exchange, and information .</p>

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

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

The Group has formulated the basic policy for the internal control system described below, and clearly defines the authority and division of duties according to various internal rules in order to execute business appropriately and efficiently, and appropriate internal control functions.

- a. System to ensure that the execution of duties by directors and employees of the Group complies with laws and the Articles of Incorporation
  - A. We have established “Compliance Rules” applicable to the Group for the purpose of complying with laws and regulations, the Articles of Incorporation, social norms, etc. We will strive to establish a compliance system and identify problems with a lead taken by the Corporate Division.
  - B. A whistleblowing system applicable to the Group will be established to prevent fraudulent conduct and early detection, and to prevent disadvantageous treatment of whistleblowers.
  - C. Audits by corporate auditors will be conducted to confirm that the execution of duties by directors of the Group is being carried out properly without violating laws, the Articles of Incorporation, and established regulations. When a corporate auditor discovers facts that are or are likely to lack legality in the business of the Group, he / she points out the facts and advises the Company's board of directors to revise the wrongdoings and request an injunction of the said actions.
  - D. The Internal Audit Office audits legal compliance, property management, and other situations in each department of the Group based on the “Internal Audit Regulations”, and reports and makes recommendations for improvement in accordance with these regulations.
  - E. Based on the “Compliance Rules”, the Code of Conduct shall be to eliminate any unfair demand without being involved in any anti-social forces, and this shall be communicated to directors and employees of the Group.
  - F. For violations of laws and regulations, the Articles of Incorporation and other internal regulations by directors and employees of the Group, appropriate actions including disciplinary action will be taken in accordance with the “Compliance Rules” and various employment rules.

- b. System for storing and managing information related to the execution of duties by directors of the Group

The directors of the Group record information concerning the execution of duties by directors of the Group in a document or electromagnetic medium in accordance with the “Document Management Regulations”, and store such information accordingly. Directors and members of the Audit and Supervisory Board of the Group can view them as necessary.

- c. Regulations and other systems for managing risk of loss

- A. The Group sets forth risk management rules to establish and build a risk management system for the Group's management activities, and set up a risk management committee chaired by the director in charge of the Corporate Division, and based on this, the Group strives to recognize the risks involved in business



operations. In addition, risk management is performed according to the importance of risk items comprehensively ascertained by each department in view of the impact and possibility of occurrence.

- B. The Corporate Division of the Company will be the main department, and information sharing and regular discussions with each department of the Group will be conducted across the organization to strive for early detection and prevention of risks. In the event of an unforeseen situation, a special task force team will be established based on the risk management regulations, and appropriate and prompt responses will be made to the situation, including appropriate information transmission inside and outside the Company.
- C. Decisions regarding risk management activities are made by the Risk Management Committee, which is organized based on the risk management rules, and the details are reported to the Board of Directors regularly.

d. System to ensure that the execution of duties by directors of the Group is carried out efficiently

- A. The Board of Directors of the Group makes decisions on legal matters, decisions on important management matters, and supervision of business execution. In addition to holding a regular board meeting once a month, an extraordinary board meeting is held as necessary to ensure quick and accurate decision-making.
- B. In each department of the Group, various authorities and duties are transferred and divided according to the “Rules for Delegation of Authority” and “Rules for Divisional Duties”, and responsibilities are clarified to ensure speed and efficiency.
- C. The Group shall verify the rationality of procedures and assignment of duties necessary for the execution of duties by the directors of the Group, and to grasp the excess and deficiency of the number of employees necessary for the execution of duties and to improve the situation by internal audit, and understand and verify the system for further improvement.

e. Other systems to ensure the appropriateness of business in the Group

- A. The Corporate Division manages subsidiaries based on the affiliated company management regulations.
- B. Subsidiaries submit relevant documents to the Corporate Division regarding important matters related to the overall management of the subsidiary, and the General Manager of the Corporate Division reports to and discusses with the director in charge of the subsidiary's business.

f. Matters regarding employees who support the Audit and Supervision Board Member when requested, and matters regarding how such employees can be independent from the Directors

If Audit and Supervision Board Member requires having employee(s) of the Company to assist in their duties one or more employees who assists the duties of the Audit and Supervision Board Member will be assigned as necessary after consultation with such Members. In addition, with regard to the duties of employees who assist the duties of

corporate auditors, they will not receive orders from Directors or other superiors. The personnel changes and treatment will be determined by discussion between the Directors and the Audit and Supervision Board Members, and independence from the Directors will be ensured.

g. System for reporting to the Audit and Supervision Board Members by Directors and employees of the Group and other systems for reporting to Audit and Supervision Board Members

- A. Audit and Supervisory Board members attend important meetings such as the Board of Directors of the Company in order to grasp important decision-making processes and the status of business execution, and can browse various documents and request explanations from the Directors and employees of the Group as necessary.
- B. Directors and employees of the Group report to Audit and Supervisory Board Members matters that have a significant impact on operations or performance, the status of implementation of internal audits, the status of reports by the whistleblowing system, and their contents, in addition to legal matters. We will establish a system and cooperate so that information can be collected and exchanged properly by Audit and Supervision Board Members.

h. System to ensure that the person who made the report is not subject to unfavorable treatment because of the whistleblowing report

In accordance with the “Rules on Whistleblowing”, the Group prohibits its Directors and employees from treating the whistleblower(s) unfavourably because of the whistleblowing report he/she has made, and thoroughly educate the Directors and employees to that effect.

i. Prepayment or reimbursement of expenses arising from the execution of duties by Audit and Supervisory Board Members, and other matters relating to policies relating to the processing of expenses or obligations arising from the execution of such duties,

When requested, the expenses or obligations will be processed promptly unless it is reasonably deemed not necessary for the execution of the duties of Audit and Supervision Board Members.

j. Other systems for ensuring that audits by Audit and Supervision Board Members are conducted effectively

Audit and Supervision Board Members can cooperate with internal auditors to exchange information and attend internal audits as necessary. In addition, Audit and Supervision Board Members can meet regularly with the Accounting Auditor to exchange information and request reports from the Accounting Auditor as necessary.

## 2. Basic Views on Excluding Anti-social Forces and the Progress of System Development

The Group shall not have any contact with or support for anti-social forces and shall resolutely reject any unreasonable demands from such forces. For this purpose, we have established the "Regulations on the Exclusion of Antisocial Forces" and have put in place a system to ensure that all employees are aware of these regulations. In the event of an attack, such as interference with management activities, assault, or slander, the Corporate Headquarters will centrally manage the response and the entire organization will take a resolute action. When new transactions are made, the Company conducts anti-social checks using the Nikkei Telecon, etc., based on the rules and manuals, and includes a clause on the exclusion of anti-social forces in the contractual clause when new transactions are made.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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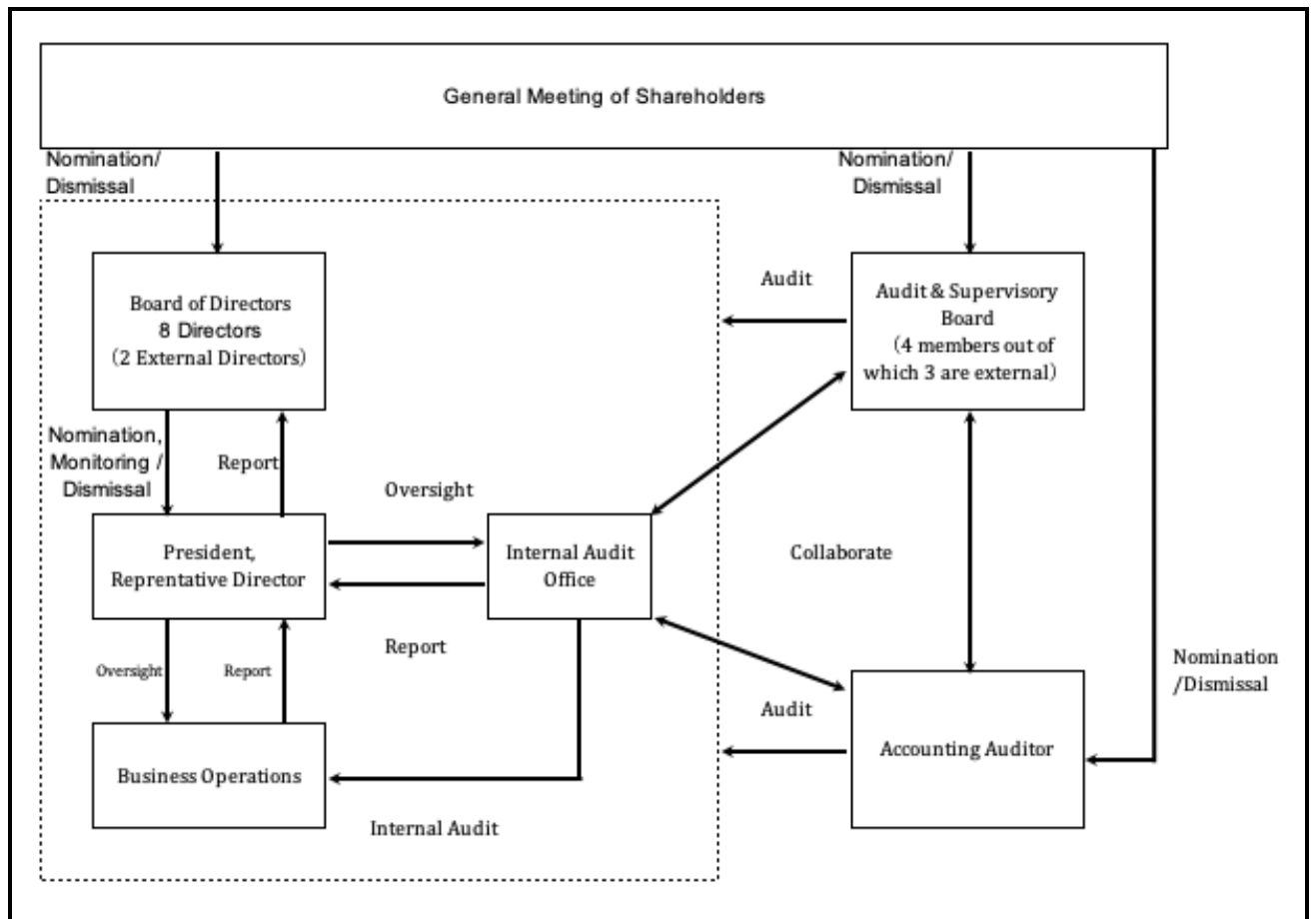
#### Supplementary Explanation

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### 2. Other Matters Concerning Corporate Governance System

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[Chart of Corporate Governance System]



[Overview of Timely Disclosure System (in Chart)]

*REDACTED* - Please refer to the original Corporate Governance Report for Reference