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## Corporate Governance Report

Last Update: March 30, 2020

Fullcast Holdings Co., Ltd.  
President, Representative Director and CEO  
Kazuki Sakamaki

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Securities Code: 4848

([https://www.fullcastholdings.co.jp/en/en\\_ir.html](https://www.fullcastholdings.co.jp/en/en_ir.html))

The corporate governance of Fullcast Holdings Co., Ltd. is described below.

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

#### 1. Basic Views

Our Group considers the basic principles and aims of corporate governance to ensure transparent management for all concerned interested parties including shareholders as well as to improve the efficiency of management in order to realize the “sustained improvement of corporate value.”

As of March 30, 2020, Fullcast Holdings Co., Ltd. is a company with a Board of Directors Meeting, which is comprised of 7 Directors, including 4 Directors (excluding those who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members, and also a company with an Audit & Supervisory Committee, which is comprised of 3 Directors who are Audit & Supervisory Committee Members.

To achieve the aforementioned basic principles and goals of corporate governance, we have chosen Outside Directors to serve as 3 of our 7 Directors, and in so doing we aim to strengthen the supervisory function of overall enforcement from an external perspective.

Regarding Directors who are Audit & Supervisory Committee Members, by appointing all 3 as Outside Auditors (one of them being a fulltime Audit & Supervisory Committee Members), we perform effective and appropriate oversight of business execution by Directors, and have put in place a system that ensures objectivity and neutrality.

We believe that these systems allow our corporate governance to function properly.

#### [Reason for Non-Compliance with the Principles of the Corporate Governance Code]

##### Supplementary Principle 1-2-2 [Early Sending of Convening Notices and Publication on Website before Sending]

The Company recognizes that shareholders must be given sufficient time to review the proposals for the General Meeting of Shareholders, but at the present the Company is unable to send the convening notice at an earlier date. The Company will review a schedule that makes it possible to send out the convening notice earlier in the future, including completing the settlement of accounts and audits at an earlier point in time.

Starting from the 24th General Meeting of Shareholders (for FY2016 ended December 31, 2016), the Company has begun disclosing the convening notice on its website and the website of the Tokyo Stock Exchange 7 days prior to

sending it.

#### **Supplementary Principle 1-2-4 [Electronic Voting and English Translation of Convening Notices]**

The Company will continue to examine the introduction of an electronic voting system for voting rights based on the status of exercise of voting rights, the ratio of institutional investors, including foreigners, and the costs.

As part of efforts to provide an appropriate environment for exercising voting rights, the Company has been publishing the narrow definition of convening notice and reference documents for the General Meeting of Shareholders on the Company's website and Tokyo Stock Exchange's website since the 23rd General Meeting of Shareholders (for FY2015 ended December 31, 2015), and will continue to do so.

#### **Supplementary Principle 4-2-1 [Determination of Management's Remuneration Objectively and Transparently]**

It is stated in the Articles of Incorporation that officers' remuneration is stipulated based upon decisions made at the Annual General Meeting of Shareholders.

Our Company determines the amount of remuneration for executive officers once each year, and in particular for the President, Representative Director and CEO these amounts reflect both the degree of responsibility and results in business performance, and must be within the range of remuneration limits determined at the General Meeting of Shareholders. In addition, the Board of Directors meeting approved the issuance of stock acquisition rights within the scope of remuneration as part of stock compensation-type stock options to be granted to the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) in order to further enhance linkages between director remuneration and the Company's performance and shareholder interests. (Resolution passed at the General Meeting of Shareholders held on March 24, 2017.)

Stock compensation-type stock options adopt consolidated operating profit, a primary financial target of the Medium-Term Management Plan, as the indicator related to performance-linked remuneration. Share acquisition rights can be exercised within the limit exercisable units, from among the allocated share acquisition rights, determined based on the level of achievement of the consolidated operating profit target for the fiscal year ending December 2020, which is the final fiscal year of the Medium-Term Management Plan. The consolidated operating profit target for the fiscal year ending December 2020 is used as the indicator, and as such, there are not results for this target in the current fiscal year.

The body with authority for determining policy on decisions on the amount of the remuneration of the Company's officers and the calculation method is the Board of Directors. The remuneration of directors (excluding directors who are Audit & Supervisory Committee Members) is determined individually based on deliberations by the Board of Directors, including 3 independent outside directors who are Audit & Supervisory Committee Members, in order to secure transparency. During the relevant fiscal year, deliberation and resolution were made by the Board of Directors as follows.

- March 29, 2019: Deliberation and resolution on remuneration of directors (excluding directors who are Audit & Supervisory Committee Members)

The remuneration of directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

The limit on remuneration of directors (excluding directors who are Audit & Supervisory Committee Members) is set at 200 million yen per year and the limit of remuneration for directors who are Audit & Supervisory Board Members is 50 million yen per year based on the resolution at the 23rd Ordinary General Meeting of Shareholders held on March 25,

2016 (number of eligible directors at the time of the resolution: 4 directors [excluding directors who are Audit & Supervisory Board Members] and 3 directors who are Audit & Supervisory Board Members). In addition, at the 24th Ordinary General Meeting of Shareholders held on March 24, 2017, new share acquisition rights were issued as stock options to directors (excluding directors who are Audit & Supervisory Committee Members) within the scope of this maximum remuneration.

The Company has not established a policy on the determination of the payment ratio of performance-linked remuneration and non-performance-linked remuneration. The Company will hold in-depth discussions on approaches to the remuneration paid to officers, etc., including a policy on the appropriate establishment of these ratios within the remuneration system for officers, etc.

#### **Supplementary Principle 4-10-1 [Utilization of Optional Mechanisms]**

3 of the 7 members of the Company's Board of Directors are Independent Outside Directors. Proposals submitted to the Board of Directors are deliberated and approved after obtaining appropriate involvement and recommendations from Independent Outside Directors. The current composition of the Board of Directors is believed to ensure sufficient independence and objectivity in the functioning of the Board of Directors related to the appointment of executive managers and Directors and the approval of remuneration. For this reason, the Company believes there is no need to establish an optional advisory committee comprising mainly Independent Outside Directors. Going forward, the Company will hold in-depth discussions on whether to establishment of an optional advisory committee, from the standpoint of securing the objectivity and transparency of procedures.

### **[Disclosures Based on the Principle of the Corporate Governance Code]**

#### **Principle 1-4 [Cross-Shareholdings]**

The Group acquires and holds cross-shareholdings of publicly listed stocks when it is determined to contribute to the improved medium to long-term corporate value of the Group from the perspective of maintaining and strengthening cooperative business relations and maintaining and strengthening stable, long-term transactional relationships between the Group and its business partners, restricted to alliance relationships, transactional relationships or other business relationships. The Company plans to sell and reduce its holdings of affiliated company stocks and investment securities for which these business synergies are not expected to materialize.

In addition, every year the Company has examined the medium- to long-term economic rationality and future outlook of main cross-shareholdings taking into account risks and returns, and reported the findings to the Board of Directors as necessary. However, beginning from the fiscal year ended December 2018, the Board of Directors has examined whether these holdings are needed or not. For the fiscal year ended December 2019, the Board of Directors scrutinized in detail whether it is appropriate for the Group to retain cross-shareholdings (4 stocks) and examined whether these holdings are needed or not. As a result of this examination, it was determined that continuing to hold these cross-shareholdings is appropriate at the current point in time.

With regard to exercising the voting rights of cross-shareholdings, the Group determines whether it approves or disapproves of a proposal and exercises its voting rights after comprehensively determining, based on individual scrutiny, whether the proposal contributes to the enhancement of the corporate value of the company and the Group and whether there is a possibility the proposal will damage shareholder value, for each individual proposal, taking into account the purpose of each individual holdings and referencing the criteria for exercising voting rights of the voting

advisory company.

### **Principles 1-7 [Related Party Transactions]**

Matters stipulated in laws and regulations, and the scope of major shareholders and subsidiaries considered as stakeholders, the Company's Regulations on the Board of Directors stipulate that competitive transactions with the subsidiary of a Director and transactions involving a conflict of interest between a Director or major shareholder and subsidiary must be approved by the Board of Directors, and the Board of Directors must be reported to with regard to when an approved transaction is executed and on a semiannual basis for transactions with blanket approval are executed. In addition, the results of a survey on the existence of related party transactions is reported to the Board of Directors every year and disclosed appropriately pursuant to laws and regulations.

The development of these procedures and supervision of the Board of Directors ensures system is in place that does not damage the interests of the Company or its shareholders and that prevents such concerns from arising.

### **Principle 2-6 [Roles of Corporate Pension Funds as Asset Owners]**

The Company does not have a corporate pension fund as of the date this report was updated.

### **Principle 3-1 [Full Disclosure and Transparency]**

#### **1. The Company's future vision (management philosophy, etc.), management strategy and management plan**

The Fullcast Group established a Five-Year Medium-Term Management Plan (FY16-FY20) beginning in the fiscal year ended December 2016 and is working to achieve the goals of this plan.

This fiscal year the Group achieved the target for the fiscal year ended December 2019, the fourth year of the Medium-Term Management Plan, including the main KPIs of operating profit, ordinary profit, and gross profit per 1 yen of personnel costs. In addition, the number of operating workers did not reach the target for the fiscal year ended December 2019, but we secured the number of operating workers sufficient for achieving the operating profit target. Based on the above background, in the fiscal year ending December 2020, we will work to achieve the further upwardly revised forecasts for the fiscal year ending December 2020 in the revised Medium-Term Management Plan announced on February 8, 2019.

An overview of the revised Medium-Term Management Plan (FY16-FY20) (announced on February 8, 2019) is as follows:

#### **1. Numerical targets**

Targets for fiscal year ending December 2020: operating profit = 7.9 billion yen; ordinary profit = 8 billion yen; number of operating workers = 320,000 persons, gross profit per 1 yen of personnel costs = 2.6 yen

#### **2. Main management indicators**

As follows, changes will not be made.

Indicators used to realize our vision of "enhancing sustained corporate value": Maintain ROE above 20%

Indicator for shareholder returns: Total return ratio of 50%

Indicator underpinning our "Basic Policy on Capital": D/E ratio of less than 0.5x

We seek to achieve the above target indicators to realize our vision of “sustained enhancement of corporate value”

- \* Profit used for ROE and total return ratio was profit attributable to owners of parent excluding the influence of income taxes-deferred arising from the recording of deferred tax assets for losses carried forward (adjusted profit), but given that deferred tax assets were eliminated in the fiscal year ended December 2018, adjustments have not been made for these influences in the fiscal year ended December 2019 and thereafter.

### 3. Applicable period, management philosophy and targets, and strategy to achieve targets of the final year of the Medium-Term Management Plan

Changes will not be made.

The details of the original and reviewed Medium-Term Management Plan are disclosed on the Company’s website.

Medium-term Management Plan (MTP) FY16-FY20

[https://www.fullcaholdings.co.jp/dcms\\_media/other/2015\\_04\\_2\\_e.pdf](https://www.fullcaholdings.co.jp/dcms_media/other/2015_04_2_e.pdf)

Notice Concerning Review of the Medium-Term Management Plan

[https://www.fullcaholdings.co.jp/dcms\\_media/other/timelydisclosure\\_20190208\\_3\\_eng.pdf](https://www.fullcaholdings.co.jp/dcms_media/other/timelydisclosure_20190208_3_eng.pdf)

Consolidated Business Results for the Fiscal Year Ended December 2018 (Jan.–Dec. 2018) (p.28–31)

[https://www.fullcaholdings.co.jp/dcms\\_media/other/presentation\\_20184Q\\_eng.pdf](https://www.fullcaholdings.co.jp/dcms_media/other/presentation_20184Q_eng.pdf)

## 2. Basic philosophy and policy concerning corporate governance

### <Basic philosophy>

Our Group considers the basic principles and aims of corporate governance to ensure transparent management for all concerned parties including shareholders as well as to improve the efficiency of management in order to realize the “sustained improvement of corporate value.”

### <Basic policy>

The Company is now working to strengthen corporate governance following the basic policy outlined below.

#### (1) Secure shareholders’ rights and equality

The Company will provide necessary information in a timely and accurate manner and respond appropriately following laws and regulations in order to effectively secure the rights of shareholders. In addition, in light of the composition of shareholders, the Company will consider improvements in the environment so that foreign shareholders and minority shareholders can exercise their rights appropriately.

#### (2) Appropriate cooperation with stakeholders other than shareholders

The Company strives to engage in appropriate cooperation with all stakeholders by implementing management that places top priority on compliance, given the awareness that the Company’s staffing services have a highly social and public nature.

#### (3) Ensure appropriate information disclosures and transparency

The Company will disclose not only financial information, but also non-financial information, in an appropriate and proactive manner, with emphasis placed on fairness, equality, and speed. The Company will also ensure the transparency of this information.

(4) Duties of the Board of Directors, etc.

The Company will strive to make the decision making of management more efficient and streamlined by clearly demarcating the Board of Directors, the Audit & Supervisory Committee, and the roles and duties of the Audit & Supervisory Committee.

(5) Constructive engagement with shareholders

The Company will engage with shareholders with the General Manager of the Finance and IR Department in charge and the President, Representative Director and CEO supervising, in order to contribute the sustained improvement of corporate value. These roles will be supplemented by the dedicated department in charge of investor relations. This structure will ensure constructive engagement takes place with shareholders.

**3. Policy and procedures for determining the remuneration of executive management and Directors (excluding Directors who are Audit & Supervisory Committee Members) by the Board of Directors**

It is stated in the Articles of Incorporation that officers' remuneration is stipulated based upon decisions made at the Annual General Meeting of Shareholders.

The Company decides on the amount of remuneration for executive officers once each year, and in particular for the President, Representative Director and CEO these amounts reflect both the degree of responsibility and results in business performance, and must be within the range of remuneration limits determined at the General Meeting of Shareholders. In addition, at the General Meeting of Shareholders held on March 24, 2017, discussions were held and approval granted regarding the issuance of stock acquisition rights as part of stock compensation-type stock options to be granted to the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) in order to further enhance linkages between Director remuneration and the Company's performance and shareholder interests.

The remuneration of Directors (excluding those who are Audit & Supervisory Committee Members) is determined individually based on deliberations at the Board of Directors of Meetings, which is included 3 Audit & Supervisory Committee Members and Independent Outside Directors, in order to ensure transparency. The remuneration of Directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

The limit on remuneration of officers is 200 million yen annually for Directors (excluding Directors who are Audit & Supervisory Committee Members) and 50 million yen annually for Directors who are Audit & Supervisory Committee Members.

**4. Plans and procedures for the election and dismissal of management executives by the Board of Directors and nomination of candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members)**

The nomination of candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members and the selection of executive management by the Board of Directors is made involving persons determined to have appropriate knowledge, experience and skills to fulfill their duties, irrespective of age, gender and nationality, from the perspective of contributing to sustainable growth and the enhancement of medium to long-term corporate value. The Board of Directors, comprised of 3 Independent Outside Directors, deliberates on proposals from the President, Representative Director and CEO and makes decisions only after ensuring objectivity and fairness. The Company has a policy to dismiss the President, Representative Director and CEO,

if necessary, based on deliberations by the Board of Directors including 3 independent outside directors, in cases where it is acknowledged the President, Representative Director and CEO did not fully exhibit his/her roles, taking into account an appropriate evaluation of business performance, etc.

**5. Explanation of individual Elections, Nominations and Dismissals when Nominating Candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members and Electing Executive Management by the Board of Directors based on 4. Above**

The reasons for nominating, electing or dismissing individual Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members is as follows.

In addition, this information can be found in the convening notice for the General Meeting of Shareholders.

■ Reason for selection of Takehito Hirano

Takehito Hirano has sufficiently fulfilled his role in supervising business execution and the management of Board of Directors Meetings utilizing his wealth of experience as an entrepreneur and business owner as well as his broad scope of knowledge in the staffing services industry. Therefore, the Company has selected him as Director because it believes he will continue to fulfill an appropriate role as Director in supervising management and business execution.

■ Reason for selection of Kazuki Sakamaki

As a Director in charge of business execution, Kazuki Sakamaki has sufficiently fulfilled his role in supervising business execution and decision making regarding material matters of the Company's management, having provided appropriate explanations for resolutions and reports presented to the Board of Directors. He has also led management as the President, Representative Director and CEO and has contributed to sustained enhancement of corporate value by realizing further business growth, having pushed forward with the Medium-Term Management Plan that commenced in the fiscal year ended December 2016. Based on these qualifications, the Company has selected him as Director because it believes he is an ideal choice and will continue to work to achieve sustained growth of the Company through his leadership of management as President, Representative Director and CEO.

■ Reason for selection of Takahiro Ishikawa

Takahiro Ishikawa possesses knowledge and experience as a business manager in the specialized short-term operational support service industry within the broader staffing services industry. He has played an important role in the oversight management and business execution by the Board of Directors. Given these qualifications, the Company has selected him as Director because it is believed he is a suitable choice for continuing to carry out the oversight of management and business execution as Director.

■ Reason for selection of Shiro Kaizuka

Shiro Kaizuka possesses knowledge and experience as a business manager in the specialized short-term operational support service industry within the broader staffing services industry. He has played an important role in the oversight management and business execution by the Board of Directors. Given these qualifications, the Company has selected him as Director because it is believed he is a suitable choice for continuing to carry out the oversight of management

and business execution as Director.

■ Reason for selection of Kouji Sasaki

Kouji Sasaki possesses a wealth of experience in finance and accounting as a licensed tax accountant, and the Company believes that his knowledge and experience can be utilized to enhance the Company's audit functions and risk management functions. In addition, he provides useful opinions and suggestions based on the past background, from the viewpoints of compliance and management. For this reason, the Company has selected him as Outside Director who is an Audit & Supervisory Committee Members.

■ Reason for selection of Masataka Uesugi

Masataka Uesugi possesses a wealth of experience as an Attorney-at-Law and experience as an Audit & Supervisory Board Member for other companies, and the Company believes that his knowledge and experience can be utilized to enhance the Company's audit functions and risk management functions. For this reason, the Company has selected him as Outside Director who is an Audit & Supervisory Committee Members.

■ Reason for selection of Hideyuki Totani

Hideyuki Totani possesses a wealth of experience as an Accounting Auditor and experience as an Audit & Supervisory Board Member for other companies, and the Company believes that his knowledge and experience can be utilized to enhance the Company's audit functions and risk management functions. For this reason, the Company has selected him as Outside Director who is an Audit & Supervisory Committee Members.

**Supplementary Provision 4-1-1 [Summary of Scope of Matters Delegated from the Board of Director to the Management]**

The Board of Directors determines matters in accordance with laws and regulations and matters considered to be of importance to the management of the Group defined in the Regulations of the Board of Directors. The Articles of Incorporation stipulate that all or partial decisions of important business matters be delegated to the Board of Directors.

As for decisions on other matters of business execution, the Company Regulations have been created that clearly indicate approval authority in order to speed up decision making and achieve more in-depth deliberation among Directors. Decision making is sped up by transferring authority as appropriate to the President, Representative Director and CEO, who is appointed executive Director by the Board of Directors.

**Principle 4-9 [Independence Standards and Qualification for Independent Directors]**

The Company has stipulated the following standards for determining the independence of the Company's Outside Directors as part of its efforts to strengthen corporate governance.

**[Conditions of Independence for Independent Officers]**

The Company's independent officers are Outside Directors as stipulated in the Companies Act and Ordinance for Enforcement of the Companies Act and they are persons who satisfy the following conditions, in addition to the conditions for independence set forth by financial instrument exchanges in Japan, including the Tokyo Stock Exchange.



1. Persons who do not fall into any of the following categories
  - (1) A Director who is not an executor of business or executor of business of the Company's parent company;
  - (2) An executor of business of the Company's sister company;
  - (3) An organization for whom Company or the Company's subsidiaries (hereinafter, "the Group") is the major customer or a person who executes the business of that major customer;
  - (4) A major customer of the Group a person who executes the business of that major customer;
  - (5) A consultant, accounting expert or legal expert who, in addition to Director's remuneration receives money exceeding a certain amount or other assets from the Group (or an organization that receives the said assets or person who belongs to the said organization);
  - (6) A person who fell into any of the categories described in (1) to (5) above in the last one year;
  - (7) A relative of a person (excluding unimportant persons) who falls into any of the following categories (i) to (iii) within the second degree of the relationship:
    - (i) A person who falls into any of the above categories (1) to (6);
    - (ii) An executor of business for a subsidiary of the Company;
    - (iii) A person who falls into (ii) or was an executor of business for the Company in the last year.
2. Individuals who do not have other circumstances that prevents them from fulfilling their duties as independent officer.
3. Even when 1 or 2 above applies, an individual can still be appointed as independent officer if it is determined they effectively possess independence and the reason is explained and disclosed at the time of their appointment as outside officer.

(Notes)

1. An "executor of business" means a Director in charge of business execution, an executive officer, or an employee.
2. A "major customer" means a company whose payments or receivables account for over 2% of annual consolidated sales of the Group within most recent business year.
3. "In addition to Director's remuneration receives money exceeding a certain amount or other assets from the Group" means a person who received monetary proceeds of 10 million yen or more or interests with the equivalent value from the Group, in addition to Director's remuneration, in the most recent business year.

**Supplementary Provision 4-11-1 [View on the Appropriate Balance between knowledge, Experience and Skills of the Board of Directors as a whole]**

Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members are selected from persons determined to have appropriate knowledge, experience and skills to fulfill their duties, irrespective of age, gender and nationality, and the Board of Directors features a composition that gives consideration to the overall balance and diversity.

Each Director is determined to be a person with appropriate knowledge, experience and skills for the execution of their duties.

**Supplementary Principle 4-11-2 [Concurrent Posts Assumed by Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members]**

The Company discloses the status of concurrent posts assumed by Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members in the convening notice for General Meeting of Shareholders and securities reports.

The status of concurrent posts assumed by Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members is provided below.

**[Status of Other Important Mandates of Directors (excluding Directors who are Audit & Supervisory Committee Members)]**

Takehito Hirano

Representative Director and Chairman of F-PLAIN Corporation

Director of Advancer Global Limited

Kazuki Sakamaki

President and Representative Director of Fullcast Co., Ltd.

Takahiro Ishikawa

Representative Director and Chairman of Beat Co., Ltd.

Director of STARTLINE Co., Ltd.

Representative Director and Chairman of Beatech Co., Ltd.

Shiro Kaizuka

Representative Director of Dimension Pockets Co., Ltd.

Representative Partner of One Suite G.K.

Director of Interbiz Limited

Representative Director of Rearvio Co., Ltd.

Representative Partner of IPM G.K.

**[Status of Other Important Mandates of Directors who are Audit & Supervisory Committee Members]**

Kouji Sasaki

Sasaki Tax Accounting Office

Masataka Uesugi

Sakurada Dori Partners (partner)

Director (Audit & Supervisory Committee Member) of Digital Arts Inc.

Outside Audit & Supervisory Board Member of Ceres Inc.

Outside Audit & Supervisory Board Member of Aiming Inc.

Hideyuki Totani

Representative Partner at RSM Seiwa Audit Corporation

Auditor of F-PLAIN Corporation

Outside Audit & Supervisory Board Member of Ichigo Holdings, Inc.

(Reference)

Convocation Notice of the Ordinary General Meeting of Shareholders for the 27th Fiscal Year

[https://www.fullcastholdings.co.jp/dcms\\_media/other/convocationnotice\\_20200306\\_eng.pdf](https://www.fullcastholdings.co.jp/dcms_media/other/convocationnotice_20200306_eng.pdf)

**Supplementary Provision 4-11-3 [Preconditions for Ensuring the Effectiveness of the Board of Directors]**

From the fiscal year ended December 2016, the Company has conducted surveys with regard to the effectiveness of the Company's Board of Directors in order to enhance the effectiveness of the Board of Directors and further enhance corporate value. We conducted a similar survey of all Directors (including those who are Audit & Supervisory Committee Members) in the fiscal year ended December 2019. The results of this survey were analyzed and evaluated.

Within the survey, Directors were asked to self-assess 23 items, including composition of the Board of Directors, management of the Board of Directors, structure underpinning the Board of Directors and a comprehensive evaluation for the fiscal year ended December 2019. The results indicated almost as high scores as the previous survey for each item, and that Directors believe the effectiveness of the Company's Board of Directors continues to be ensured.

At the same time, it has been brought to the attention of the Company that there is ongoing room for improvement so as to further deepen and stimulate discussion at the Board of Directors Meeting. Those are sufficient discussion time for individual proposals at the Board of Directors Meeting and how and when documents are provided to ensure sufficient time for Directors to review proposals in advance, as well as the need to have even deeper discussions at the Board of Directors regarding new risks that could impact our business.

Going forward, based on the results of the evaluation of effectiveness, the Company will aim to heighten the effectiveness of the Board of Directors and realize further enhancements in corporate value by making improvements with regard to the issues brought to light.

**Supplementary Principle 4-14-2 [Training Policy for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members]**

Necessary training opportunities are provided, including short courses provided by external institutions, at the time of appointment and continually after appointment, so that Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members can obtain and update the knowledge and information needed for fulfilling their roles and duties appropriately.

When appointing new Outside Directors from different industry that are non-executive Directors, the President, Representative Director and CEO provides opportunities for them to acquire the knowledge and information concerning the market structure and business and services structure as it relates to the Company.

**Principle 5-1 [Policy for Constructive Dialogue with Shareholders]**

The Group considers shareholders to be an important stakeholder and for this reason it encourages constructive dialogue with shareholders within a reasonable scope, even outside the venue of the General Meeting of Shareholders, from the perspective of realizing sustainable growth and enhancing medium- to long-term corporate value.

Additionally, the Company encourages discussions on important management policies and corporate governance, among other topics, with major shareholders who have an investment policy that particularly requires them to seek out medium to long-term returns.

The Company's policy on establishing a system and making efforts to promote constructive dialogue with shareholders is outlined below.

- (1) General dialogue with shareholders, including meetings with investors, will be supervised by the President, Representative Director and CEO, while the General Manager of the Finance and IR Department will engage in dialogue with shareholders as the person responsible and the dedicated investor relations department will support these efforts.
- (2) The Company's investor relations department will take the lead in gathering necessary information from dialogue with shareholders, including meetings with investors, and opinions gained through dialogue with shareholders will be shared at regular meetings held involving the General Managers of Indirect Departments so that operations are conducted while incorporating proactive collaboration with related departments.
- (3) In order to enhance means of dialogue outside of individual meetings, the Company will engage in activities to deepen understanding of the Company, by holding business performance briefings will be made to institutional investors semi-annually, making efforts to conduct sincere question and answer sessions at General Meetings of Shareholders, and providing information disclosures through the Company's website. Going forward, the Company will seek to enhance the nature of dialogue based on the opinions and requests of investors.
- (4) All matters of dialogue with shareholders, including meetings with investors and dialogue outside of meetings, is reported to the President, Representative Director and CEO. In addition, the opinions of shareholders gained from dialogue are reported to executive management and the Board of Directors as needed based on the level of importance.
- (5) The management of insider information is conducted in a thorough manner with an emphasis placed on the equality of information, pursuant to company regulations.

## 2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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### 【Status of Major Shareholders】

Name / Company name	Number of shares held (shares)	Percentage (%)
Hirano Associates Co., Ltd.	13,894,600	37.39
Hikari Tsushin Co., Ltd.	4,850,600	13.05
Japan Trustee Services Bank, Ltd. (Trust account)	1,821,400	4.90
The Master Trust Bank of Japan, Ltd. (Trust account)	1,690,100	4.55
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,041,900	2.80
State Street Bank and Trust Company 505019	607,600	1.64
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	452,400	1.22
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	442,800	1.19
Japan Trustee Services Bank, Ltd. (Trust account 5)	386,600	1.04
State Street London Care of State Street Bank and Trust. Boston SSBTC A/C UK London Branch Clients-United Kingdom	370,100	1.00

Controlling Shareholders (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Year-end	December
Type of Business	Services
Number of Employees (consolidated) as of the End of Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From 10 billion yen to less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 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 Organizations and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Format of organization	Company with an Audit & Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Outside Directors designated as Independent Directors	3

#### Outside Directors' Relationship with the company (1)

Name	Attribute	Relationship with company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kouji Sasaki	Tax accountant											
Masataka Uesugi	Attorney											
Hideyuki Totani	Certified Public Accountant											

\* Conditions met regarding the relationship with the Company

\* ○ is put if the principal presently satisfies or has recently satisfies the condition, and △ is put if the principal satisfies the condition in the past

\* ● is put if a close relative presently satisfies or has recently satisfies the condition, and ▲ is put if a close relative satisfies the condition in the past

a. An executor of business of a listed company or its subsidiary

b. An executor of business or non- executor of business Director of the parent company of a listed company

c. An executor of business of a sister company of a listed company

d. An individual or executor of business that undertakes major transactions with a listed company

e. The main business partner of a listed company or its executor of business

f. A consultant, accounting professional, or legal professional who receives large sums of monetary or other compensation from a listed company in addition to the compensation received as an officer

g. A major shareholder of a listed company (if the major shareholder is a corporation, an executor of business of the corporation)

h. An executor of business (individual only) of a business partner of a listed company (in which d, e, and f above are not applicable)

i. An executor of business (individual only) of a company which has a relationship of mutual appointment of Outside Directors

j. An executor of business (individual only) of an organization receiving donations from a listed company

k. Other

## Outside Directors' Relationship with the company (2)

Name	Designation as Audit & Supervisory Committee Members	Designation as Independent Director	Supplementary explanation of the Relationship		Reason for Appointment
Kouji Sasaki	●	●	Apr. 1966	Joined Tokyo Regional Taxation Bureau and worked in the general affairs division, before later working in tax offices	Kouji Sasaki possesses a wealth of experience in finance and accounting as a licensed tax accountant, and the Company believes that his knowledge and experience can be utilized to enhance the Company's audit functions and risk management functions. Besides, he makes useful opinions and suggestions based on the past background, from the viewpoints of compliance and management. For this reason, the Company has selected him as Outside Director who is an Audit & Supervisory Committee Member.
			Dec. 1984	Passed the tax accountant examination	
			June. 1995	Retired as a special examiner at Nakano tax office	
			Sept. 1995	Opened Sasaki Tax Accounting Office	
			Dec. 1999	Outside Audit & Supervisory Board Member of the Company	
			Sept. 2008	Audit & Supervisory Board Member of Fullcast HR Research Institute Co., Ltd. (currently Fullcast Co., Ltd.)	
			Mar. 2016	Director (Full-time Audit & Supervisory Committee Member) of the Company (present post)	
					(Reason for designated an independent officer) He satisfies the requirements of independence stipulated by the Tokyo Stock Exchange and he also satisfies the "Standards for Independence of Outside Officers" stipulated by the Company. He was designated as independent officer based on the judgment that there is no concern of special interests with the Company and conflict of interest with general shareholders.
Masataka Uesugi	●	●	Apr. 1995	Registered as an attorney-at-law (Tokyo Bar Association)	Masataka Uesugi possesses a wealth of experience as an Attorney-at-Law and experience as an Audit & Supervisory Board Member for other companies and the Company believes that his knowledge and experience can be utilized to enhance the Company's audit functions and risk management functions. For this reason, the Company has selected him as Outside Director who is an Audit & Supervisory Committee Member.
			Apr. 1999	Founded Uesugi Law Office	
			June. 2003	Partner of Amlec Law and Accounting Firm	
			June. 2003	Audit & Supervisory Board Member of Digital Arts Inc.	
			June. 2004	Audit & Supervisory Board Member of Nextech Co., Ltd.	
			Dec. 2012	Outside Audit & Supervisory Board Member of F-PLAIN Corporation.	
			Dec. 2013	Outside Audit & Supervisory Board Member of Ceres inc. (present post)	
			Nov. 2014	Outside Audit & Supervisory Board Member of Aiming Inc. (present post)	
			Mar. 2015	Founded Sakurada Dori Partners (Partner; present post)	
			Mar. 2016	Director (Audit & Supervisory Committee Members) of the Company (present post)	
			June. 2016	Director (Audit & Supervisory Committee Member) of Digital Arts Inc. (present post)	
					(Reason for designated an independent officer) He satisfies the requirements of independence stipulated by the Tokyo Stock Exchange and he also satisfies the "Standards for Independence of Outside Officers" stipulated by the Company. He was designated as independent officer based on the judgment that there is no concern of special interests with the Company and conflict of interest

				with general shareholders.
Hideyuki Totani	•	•	<p>Oct. 2003      Joined Ernst &amp; Young ShinNihon LLC</p> <p>June. 2007      Registered as Certified Public Accountant</p> <p>July. 2007      Partner at Seiwa Audit Corporation (currently RSM Seiwa Audit Corporation.)</p> <p>June. 2013      Outside Audit &amp; Supervisory Board Member of F-PLAIN Corporation</p> <p>July.2014      Outside Audit &amp; Supervisory Board Member of Ichigo Holdings, Inc. (present post)</p> <p>Dec. 2015      Auditor of F-PLAIN Corporation (present post).</p> <p>Mar.2016      Director (Audit &amp; Supervisory Committee Member) of the Company (present post)</p> <p>July. 2016      Representative Partner at Seiwa Audit Corporation (currently RSM Seiwa Audit Corporation.) (present post)</p>	<p>Hideyuki Totani possesses a wealth of experience as an Accounting Auditor and experience as an Audit &amp; Supervisory Board Member for other companies and the Company believes that his knowledge and experience can be utilized to enhance the Company's audit functions and risk management functions. For this reason, the Company has selected him as Outside Director who is an Audit &amp; Supervisory Committee Member.</p> <p>(Reason for designated an independent officer)</p> <p>He satisfies the requirements of independence stipulated by the Tokyo Stock Exchange and he also satisfies the "Standards for Independence of Outside Officers" stipulated by the Company. He was designated as independent officer based on the judgment that there is no concern of special interests with the Company and conflict of interest with general shareholders.</p>

### 【Audit & Supervisory Committee】

#### Composition and Attribution of Chairperson

	All Committee members	Full-time members	Inside Directors	Outside Directors	Chairman
Audit & Supervisory Committee	3	1	0	3	Outside Director

Presence of Directors or employees that should support the duties of the Audit & Supervisory Committee	None
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#### Reason for adopting the current system

The Company has determined the system as for supporting the activities of Audit & Supervisory Committee Members for conducting audits appropriately is in place and a sufficient support system is also in place, based on the establishment of support personnel in case Audit & Supervisory Committee Members deem it necessary, the personnel evaluations of support personnel will be conducted by the Audit & Supervisory Committee, and the Company will bear the costs required for audits, etc.

#### Cooperation between the Audit & Supervisory Committee, the Accounting Auditor and the Internal Audit Department

In the Board of Directors Meetings, Outside Directors who are Audit & Supervisory Committee Members provide necessary comments for resolutions and discussions as required, and state opinions on resolutions and discussions as the need arises, from the perspective of decision-making processes used in execution of duties by Directors (excluding Audit & Supervisory Committee Members) and in corporate resolutions are appropriate.



Audit & Supervisory Committee Members and the Internal Audit Department work towards mutual cooperation through formulation of audit plans and reporting on outcomes of internal audits. As the Audit & Supervisory Committee meetings audit plans and detailed explanations on audit plans are carried out in a timely manner by PricewaterhouseCoopers Aarata LLC., the Company's Accounting Auditor.

The internal control department (the Personnel and Legal Department) summarizes findings from effectiveness assessments on the state of operation and maintenance of internal controls. The President, Representative Director and CEO then report the summarized findings to the Board of Directors Meetings, the Audit & Supervisory Committee and Accounting Auditor as required in a timely manner. Even in cases where there dishonest actions have been committed by people with roles that are crucial for internal control as part of financial reporting, or where major changes have been made in internal control, they still report to the Board of Directors Meeting, the Audit & Supervisory Committee and Accounting Auditors as required in a timely manner.

**[Voluntary Establishment of Committees]**

Voluntary Establishment of Committees Corresponding to Nomination Committee or Remuneration Committee	None
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**[Independent Directors]**

Number of independent Directors	3
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Matters relating to independent Directors

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**[Incentives]**

Incentives Policies for Directors	Performance-linked compensation and stock option
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Supplementary explanation of this item

The Company discussed and approved the following matter at the 24th General Meeting of Shareholders held on March 24, 2017. The Company will make revision to its executive compensation system as part of its management reforms and will further solidify links between the Company's business performance and stock price. Toward this end, the Company has decided to issue share acquisition rights as stock options to the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members. The same shall apply hereinafter) in order to improve business performance continually over the medium to long term and further enhance morale and the motivation to increase corporate value by having Directors share with shareholders not only the benefits of an increase in stock price, but also the risk of a decrease in stock price.

It has been decreased with regard to the amount of compensation paid to Directors, the approval has been received at the 23rd General Meeting of Shareholders held on March 25, 2016 that the annual remuneration amount will be less than 200 million yen (not including the employee salary of Directors who serve concurrently as employees). Also approved the issuance of share acquisition rights as stock options to the Company's Directors within a scope that falls under the total annual compensation amount already approved.

Stock compensation-type stock options adopt consolidated operating profit, a primary financial target of the Medium-Term Management Plan, as the indicator related to performance-linked remuneration. Share acquisition rights can be exercised within the limit exercisable units, from among the allocated share acquisition rights, determined based on the level of achievement of the consolidated operating income target for the fiscal year ending December 2020, which is the final fiscal year of the Medium-Term Management Plan. The consolidated operating profit target for the fiscal year ending December 2020 is used as the indicator, and as such, there are not results for this target in the current fiscal year.

Furthermore, the Company has not established a policy on the determination of the payment ratio of

performance-linked remuneration and non-performance-linked remuneration.

For additional details, please refer to the Company's "Securities Report for the fiscal year ended December 2019, Section 4 Status of Filing Company, 1. Status of Stock, (2) New Stock Acquisition Rights, 1) Details of Stock Option System (p. 29–31)."

(Reference)

Securities Report for the fiscal year ended December 2019

[https://www.fullcastholdings.co.jp/dcms\\_media/other/annualreport\\_20200330\\_eng.pdf](https://www.fullcastholdings.co.jp/dcms_media/other/annualreport_20200330_eng.pdf)

Recipients of stock options	Inside Directors
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Supplementary explanation of this item

The Company has introduced a stock option system for Directors (excluding Directors that are Audit & Supervisory Committee Members).

**[Director Compensation]**

Disclosure of Individual	No individual disclosure
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Supplementary explanation of this item

With regards to Director compensation, the Company discloses the number of persons receiving compensation and the total amount of compensation in securities report and business report.

The amount of compensation paid to Directors in the fiscal year ended December 2019

Directors (excluding Audit & Supervisory Committee Members and Outside Directors):	4 persons/124 million yen
Directors (Audit & Supervisory Committee Members but excluding Outside Directors):	— persons/— yen
Outside Officers:	3 persons/14 million yen

(Notes)

1. The limit on remuneration determined at the General Meeting of Shareholders held on March 25, 2016 is less than 200 million yen annually for Directors (excluding Directors who are Audit & Supervisory Committee Members).  
In addition, at the General Meeting of Shareholders held on March 24, 2017, discussions were held and approval granted regarding the issuance of stock acquisition rights as part of stock options to be granted to the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) within the scope of their remuneration.
2. The limit on remuneration determined at the General Meeting of Shareholders held on March 25, 2016 is less than 50 million yen annually for Directors who are Audit & Supervisory Committee Members.

Policy on Determining Compensation Amounts and Calculation Method	Yes
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Disclosure of Policy on Determining compensation amounts and calculation method

It is stated in the Articles of Incorporation that officers' remuneration is stipulated based upon decisions made at the Annual General Meeting of Shareholders.

The Company decides on the amount of remuneration for executive officers once each year, and in particular for the President, Representative Director and CEO these amounts reflect both the degree of responsibility and results in business performance, and must be within the range of compensation limits determined at the General Meeting of Shareholders.

The body with authority for determining policy on decisions on the amount of the remuneration of the Company's officers and the calculation method is the Board of Directors. The remuneration of directors (excluding directors who are Audit & Supervisory Committee Members) is determined individually based on deliberations by the Board of Directors, including 3 independent outside directors who are Audit & Supervisory Committee Members, in order to secure transparency. During the relevant fiscal year, deliberation and resolution were made by the Board of Directors as follows.

- March 29, 2019: Deliberation and resolution on remuneration of directors (excluding directors who are Audit & Supervisory Committee Members)

The remuneration of Directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

#### **[Support system for Outside Directors (Outside Corporate Auditors)]**

The Company has determined the system as for supporting the activities of Audit & Supervisory Committee Members for conducting audits appropriately is in place and a sufficient support system is also in place, based on the establishment of support personnel in case Audit & Supervisory Committee Members deem it necessary, the personnel evaluations of support personnel will be conducted by the Audit & Supervisory Committee, and the Company will bear the costs required for audits, etc.

#### **[Status of those who are former Representative Director and President, etc.]**

Name of Advisor/Senior Advisor, etc. who is former Representative Director and President, etc.

Name	Post	Job description	Contract/working pattern (permanent/temporal, remuneration, etc.)	Retirement date	Period of office
—	—	—	—	—	—

Total number of Advisors/Senior Advisors, etc. who are former Representative Director and President, etc.	0
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Others

It is stipulated in the Articles of Incorporation that Advisor or Senior Advisor of the Company can be appointed based on decisions made at the Board of Directors meeting. However, this system is not employed currently.

## **2. Matter on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (overview of current Corporate Governance System)**

### **1) Board of Directors Meeting**

It is our policy for the composition of the Board of Directors to include multiple Outside Directors (2 or more) and to report all Outside Directors as Independent Directors as stipulated by the Tokyo Stock Exchange.

As of March 30, 2020, the Board was comprised of 4 Directors (excluding Directors who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members (3 of whom are Outside Directors) for a total of 7 members (7 males and no female). The Board of Directors ensures transparent management and makes decisions on matters of importance for management, such as supervision of execution of overall management of Our Group, decisions on Group optimization strategies that are vital to Group management, and responses to common challenges facing our Group.

The Board of Directors comprises 7 members: Representative Director and CEO Kazuki Sakamaki, Chairman of the Board of Directors Takehito Hirano, Director Takahiro Ishikawa, Director Shiro Kaizuka, Audit & Supervisory Committee Member Kouji Sasaki, Audit & Supervisory Committee Member Masataka Uesugi, and Audit & Supervisory Committee Member Hideyuki Totani. The Board of Directors Meeting is basically presided by Kazuki Sakamaki.

The Board of Directors Meeting was held 12 times during the fiscal year ended December 2019. Excluding one absence by one Director, all of the Board of Directors Meetings were attended by all Directors. The main matters considered included the Medium-Term Management Plan (including a review of the plan and updates), shareholder returns and the capital policy, M&As and business alliances, internal control and compliance, officer remuneration, corporate governance (including an examination of the appropriateness of retaining cross-shareholdings and an evaluation of the effectiveness of the Board of Directors), and related party transactions.

### **2) Audit & Supervisory Committee**

The Audit & Supervisory Committee consists of 3 Outside Directors who are independent and Audit & Supervisory Committee Members (3 males and no female) and discusses, deliberates and makes decisions on important matters concerning audits. The Audit & Supervisory Committee also works to establish ties in which it can receive timely reports from Accounting Auditors.

The Audit & Supervisory Committee comprises 3 members: Audit & Supervisory Committee Member Kouji Sasaki who serves as the Chairman, Audit & Supervisory Committee Member Masataka Uesugi, and Audit & Supervisory Committee Member Hideyuki Totani. The Audit & Supervisory Committee Meeting is basically presided by Kouji Sasaki.

### **3) General Manager of the Personnel and Legal Department**

The General Manager of the Personnel and Legal Department works to promote a climate of compliance awareness, which is a prerequisite for company management, throughout the entire group of companies, and promote compliance with social and in-house rules. In addition, evaluation for improvement, maintenance and validity of the internal control system and guidelines related to financial reporting, and internal auditing work including information security system organization are used to improving the corporate value of our Group.

### **4) Accounting Auditors**

As an auditing company in charge of accounting audits, we have entered into contracts with PricewaterhouseCoopers Aarata LLC. for audits based upon the Financial Instruments and Exchange Act and the Companies Act. In addition to

regular audits, we also receive confirmation on issues regarding accounting and internal control as required, and endeavor to ensure that our accounting practices and internal control systems are adequate.

#### 5. Policy and procedure for nomination of candidates for Directors and deciding on remuneration for upper management and Directors

As stated in “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information, 1. Basic Views, Disclosures Based on the Principle of the Corporate Governance Code, Principle 3-1 [Full Disclosure and Transparency] 3. and 4.” of this report.

#### 6. Status of audits

For additional details, refer to the Company’s Securities Report for the fiscal year ended December 31, 2019, “Part 4: Status of Submitting Companies, 4. Corporate Governance, (3) Status of audits 1), 2), 3) (p. 47).”

(Reference)

Securities Report for the fiscal year ended December 31, 2019

[https://www.fullcastholdings.co.jp/dcms\\_media/other/annualreport\\_20200330\\_eng.pdf](https://www.fullcastholdings.co.jp/dcms_media/other/annualreport_20200330_eng.pdf)

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

As of March 30, 2020, Fullcast Holdings Co., Ltd. is a company with a Board of Directors Meeting, which is comprised of 7 Directors, including 4 Directors (excluding those who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members, and also a company with an Audit & Supervisory Committee, which is comprised of 3 Directors who are Audit & Supervisory Committee Members.

To achieve the aforementioned basic principles and goals of corporate governance, we have chosen Outside Directors to serve as 3 of our 7 Directors, and in so doing we aim to strengthen the supervisory function of overall enforcement from an external perspective.

Regarding Directors who are Audit & Supervisory Committee Members, by appointing all 3 as Outside Auditors (one of them being a fulltime Audit & Supervisory Committee Members), we perform effective and appropriate oversight of business execution by Directors, and have put in place a system that ensures objectivity and neutrality.

We believe that these systems allow our corporate governance to function properly.

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

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Right

	Supplementary explanation
Scheduling AGMs Avoiding the Peak Day	The Company holds the General Meeting of Shareholders at the end of March every year
Proving Convocation Notice in English	Proving from the 23rd General Meeting of Shareholders (for FY2015 ended December 31, 2015) and also in the 27th General Meeting of Shareholders (for FY2019 ended December 31, 2019)

#### 2. IR Activities

	Supplementary explanation	Whether there has been explanation offered by the representative him/herself
Creating and posting of the disclosure policy	The disclosure policy is disclosed in Japanese and English URL <a href="https://www.fullcastrholdings.co.jp/en/disclosure_policy.html">https://www.fullcastrholdings.co.jp/en/disclosure_policy.html</a>	
Regular briefing sessions for analysts and institutional investors	Briefing sessions (which explanations by the Representative) are held for analysts and institutional investors regularly: twice per year (end of first half and end of year)	Yes
Posting of IR materials on website	The company profile, interview with the CEO, business report, and disclosure matters are disclosed in Japanese and English URL <a href="https://www.fullcastrholdings.co.jp/en.html">https://www.fullcastrholdings.co.jp/en.html</a>	
Establishment of department and Manager in charge of IR	Yasutomi Tomotake General Manager of Finance and IR Department	

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

	Supplementary explanation
Stipulation of Internal Rules for Respecting the position of stakeholder	The disclosure policy is published on the Company's IR website URL <a href="https://www.fullcastrholdings.co.jp/en/disclosure_policy.html">https://www.fullcastrholdings.co.jp/en/disclosure_policy.html</a>

#### **IV. Matters Related to Internal Control Systems**

##### **1. Basic View on Internal Control Systems and the Progress of System Development**

###### **1. Basic view on internal control systems and the progress of system development**

- 1) The following measures shall be taken in order to ensure a system of preventive measures regarding risk, compliance with laws and ordinances, and risk management (hereinafter, Risk Management System) at the Board of Directors Meeting.
  - a) For matters that can affect our entire company – such as important non-customary transactions, important accounting estimates, transactions with companies and Directors, and important transactions with subsidiaries – decisions must be made by the Board of Directors.
  - b) The Chief Executive Officer (hereinafter, CEO) regularly reports to the Board of Directors about efforts being made for the Risk Management System and business process improvement. When serious problems arise, they are reported immediately to the Board of Directors Meeting.
- 2) The following measures will be taken to ensure the Risk Management System is maintained in the performance of duties by Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees (the same “Risk Management System” detailed in “1)”)
  - a) The CEO shall be placed as chief of risk management and the General Manager of the Personnel and Legal Department as the chief of risk management practices. Risk managers in charge of each Group company shall be placed within the Company, while the General Manager of the Personnel and Legal Department, under the direction of the CEO, will supervise practices of “b” through “g”.
  - b) Put in place administrative authority regulations, and work to establish internal control systems that will prevent authority from being centralized in specific people.
  - c) Establish a Risk Management System based on these regulations in accordance with basic risk management regulations.
  - d) Create standards for important information that must be reported immediately to the Board of Directors and disclosure standards, to carry out timely disclosure of issues of noncompliance, risks and other important information.
  - e) Provide specific training for Directors (excluding Directors who are Audit & Supervisory Committee Members), managerial employees and regular employees. In cases where relevant laws have been enacted or revised, or where major scandals or accidents have arisen in the Group or other companies, we quickly provide any necessary guidance.
  - f) With the rigorous Risk Management System in business management and internal auditing being conducted, through the risk managers placed within the Company who are in charge of each Group company, every effort shall be made to ensure thorough Risk Management System at each Group company.
  - g) In transactions throughout all of our businesses, processes established by financial statements, and business accounting systems we check all events for the possibility of misstatements or mistakes, and streamline systems to ensure that no fraudulent actions are taken during the course of our business processes. Also, when and where necessary, we set up lateral organizations for the specific purpose of streamlining various processes.
- 3) The following measures shall be taken to put in place systems for storing and managing information.
  - a) The General Manager of the Personnel and Legal Department will instruct Directors (excluding Directors who

are Audit & Supervisory Committee Members) and employees to appropriately store and manage documents based on document management rules.

- b) The General Manager of the Personnel and Legal Department shall store and manage materials relating to the following documents (including electromagnetic records) for at least ten years:
  - Minutes from Annual General Meeting of Shareholders
  - Minutes from Board of Directors Meeting
  - Financial documents
  - Other documents determined by the Board of Directors Meeting
- c) Directors (excluding Directors who are Audit & Supervisory Committee Members) and Audit & Supervisory Committee Members can always review documents in “b” above.

4) The following measures shall be taken to ensure the efficient execution of duties of Directors of Fullcast Holdings Co., Ltd. and the Fullcast Group.

- a) At the beginning of initial Board of Directors Meeting in each term, Directors shall develop a business plan toward achieving the common goals of all employees. Directors shall regularly review the results with the Board of Directors.
- b) As a foundation for systems to ensure that work is being executed efficiently by Directors, the Board of Directors Meeting shall in principle be held at regular one-month intervals, and extraordinary sessions shall also be held whenever necessary.
- c) Regarding execution of work based upon decisions made at the Board of Directors Meeting, organizational rules, division of duties regulations, and administrative authority regulations, their responsibilities and execution procedures shall be decided.

5) The following measures shall be taken in order to develop a system for ensuring proper operations in the business group.

- a) The Company shall draw up a Fullcast Group Employee Code of Conduct for all Group companies, and work to gain compliance by all employees. As well as making ensuring compliance by the whole company, the Board of Directors at Group companies will also lead by example by acting based on this code of conduct.
- b) Where they have been discovered serious legal violations by Group companies or other important facts concerning risk have been discovered, Directors and employees at Group companies must report to the General Manager of the Personnel and Legal Department, who shall in turn report them to the CEO. Under the direction of the CEO, the General Manager of the Personnel and Legal Department will conduct and supervise an audit of the reported facts, and where deemed necessary, will decide upon appropriate countermeasures. Also, where necessary, the CEO shall report matters to the Board of Directors, and the General Manager of the Personnel and Legal Department shall report it to the Audit & Supervisory Committee.
- c) The General Manager of the Personnel and Legal Department will instruct the Group companies to put in place appropriate internal control systems.

6) The following measures shall be taken to develop a system for ensuring the effectiveness of audits carried out by Audit & Supervisory Committee.



- a) Where a request is made by an Audit & Supervisory Committee Member for an employee to be allocated to assist in their work, the Company's employees shall be assigned to provide them with assistance. Audit & Supervisory Committee Member's assistants shall not be subject to the direction of Directors (excluding those who are Audit & Supervisory Committee Members), and Audit & Supervisory Committee Members shall conduct their performance reviews. Consent must be gained from the Audit & Supervisory Committee to transfer or reprimand those employees assisting them.
- b) Audit & Supervisory Committee Member's assistants shall not jointly take on posts that involve execution of work.
- c) Where Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group have discovered facts about legal violations or matters that may cause significant damage to the Company, they must promptly report these facts to an Audit & Supervisory Committee Member. Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group who report these matters shall be kept anonymous and persons who report these matters will not be treated unfairly because they reported these matters.
- d) A whistleblower hotline will be set up outside the Company. Persons who use the whistleblower system will be kept anonymous and these individuals will not be treated unfairly because they used the whistleblower system. In addition, a system will be put in place to report information submitted to the whistleblower hotline outside the Company to the General Manager of the Personnel and Legal Department and Full-time Audit & Supervisory Committee Member.
- e) Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group must report immediately to an Audit & Supervisory Committee Member if requested by an Audit & Supervisory Committee Member to report matters concerning the execution of business.
- f) Audit & Supervisory Committee Members can attend the Board of Directors Meetings of subsidiaries and other meetings deemed necessary for audit purposes by Audit & Supervisory Committee Member. In addition, Audit & Supervisory Committee Members can browse documents they determine as necessary for audit purposes.
- g) Audit & Supervisory Committee Members shall work closely with the Accounting Auditor and Internal Audit Departments and can receive advice from outside experts such as an attorney, when necessary.
- h) When an Audit & Supervisory Committee Member requests the prepayment of expenses for carrying out their duties, the Company shall pay such costs or obligations immediately, excluding instances where deliberations with the department in charge determine that the costs or obligations related to the request are not necessary for the execution of the Auditor & Supervisory Committee Member's duties.

## **2. Basic View on Eliminating Anti-Social Forces**

The following measures shall be taken to develop a basic concept toward eliminating anti-social forces and to ensure its effectiveness.

- a) The Company and Group companies shall act in accordance with the Fullcast Group Employee Code of Conduct, sever relations with anti-social forces, and not conduct any transactions with such forces.
- b) Information on anti-social forces shall be collected in-house, managed as well as used with information from external specialized agencies, which in turn are used to determine whether or not the counterpart is anti-social.

- c) Unreasonable requests from anti-social forces shall be firmly rejected. Furthermore, the unreasonable demands shall be handled with a firm stance as an organization.
- d) Links with external specialized agencies shall be built in order to provide access to cooperation and appropriate advice on elimination of anti-social forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	None
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Supplementary explanation of this item

At present, the Company has not stipulated any measures that would have the effect of blocking a takeover. When adopting such measures, the Company will ensure proper procedures are carried out after carefully considering the need and rationale for such measures, which will be implemented only after providing sufficient explanation to shareholders.

### 2. Other Matters Concerning to the Corporate Governance System

The status of women in the workplace at the Company and the Group is as follows.

There are 26 female managers (10.2%) compared to a total of 256 managers overall. (As of December 31, 2019)

