Corporate Governance Report

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CONEXIO Corporation

Hiroo Inoue, Representative Director and President

Contact: Corporate Planning Department, +81-3-5331-3702

Securities Code: 9422

http://www.conexio.co.jp/index.html

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

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

1. Basic Views [Revised]

Under the philosophy statement "the Company is to connect people and values," the Company desires to achieve sustainable growth of enterprise value by contributing to the realization of a secure and comfortable society and deepening the bond of trust with all stakeholders.
As a basic policy to achieve this, the Company, recognizing the ongoing improvement of corporate governance as one of the important management issues, has strengthened the supervision of the management by, among others, appointing several independent outside directors and corporate auditors in addition to the oversight by the Board of Corporate Auditors as a company adopting an organizational structure with the presence of corporate auditors (and the Board of Corporate Auditors) (*kansayaku secchi kaisha*) and voluntarily establishing, as advisory committees to the Board of Directors, the Nomination and Remuneration Committee and the Governance Committee consisting of members including independent outside directors. The Company has also strengthened the internal checking function of the organization with the Internal Audit Department and the Internal Control Committee.
In addition, the Company has taken appropriate measures to protect shareholders rights and ensure equality among shareholders in effect and strives to disclose information in a timely and appropriate manner and to have fruitful dialogue with investors.
Based on these basic views and policy on corporate governance, the Company strives to put in place an effective corporate governance system.

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

[Principle 1.1 Securing the Rights of Shareholders]
Supplementary Principle 1.1.1 Cause analysis of opposing votes and responses
Starting from the next annual general shareholders meeting (19th term), if a considerable number of votes are cast against a Company's proposal although the proposal is approved, the Company will analyze the reason and the cause of the opposing votes and report the results to the Board of Directors to decide whether any responses are required.

[Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings]
Supplementary Principle 1.2.4 English translation of notice of general shareholders meeting
The Company will provide a partial translation of notice of general shareholders meeting in English starting from the next annual general shareholders meeting (19th term). In the future, we will enhance the content of disclosure in English as we improve the English disclosure capability.

[Principle 3.1 Full Disclosure]
v) Explanations with respect to the individual appointments and nominations
The reason for the nomination of candidates for outside directors/outside corporate auditors is provided in II.1. [Directors] Outside Directors' Relationship with the Company (2) / [Corporate Auditors] Outside Corporate Auditors' Relationship with the Company (2) of this Report. The Company will state the reason for the nomination of all candidates for directors and corporate auditors in the notice of general shareholders meeting starting from the next annual general shareholders meeting (19th term).

[Principle 4.1 Roles and Responsibilities of the Board of Directors (1)]
Supplementary Principle 4.1.3 Appropriate oversight of succession planning
Going forward, succession plans for the Chief Executive Officer and others will be approved and appropriately supervised by the Board of Directors after they are deliberated by the Nomination and Remuneration Committee, which was established on October 28, 2015 and consists of members including independent outside directors.

[Principle 4.10 Use of Voluntary Mechanism]
Supplementary Principle 4.10.1 Establishment of advisory committees on a voluntary basis
Going forward, standards and processes for the appointment of senior management executives and the nomination of director candidates, the design of the remuneration plan, etc., will be approved by the Board of Directors after they are deliberated by the Nomination and Remuneration Committee. For more details, please refer to II.2. of this Report.

[Principle 4.11] Preconditions for the Effective Functioning of the Board of Directors and the Board of Corporate Auditors
Supplementary Principle 4.11.3 Evaluation of the Board of Directors
Going forward, opinions on the effectiveness of the Board of Directors as a whole will be collected from all directors and corporate auditors and analyzed and evaluated by the Governance Committee, which was established on October 28, 2015 and is chaired by an independent outside officer. The Board of Directors will work to improve its functions based on the feedback of their results.

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

The corporate governance initiatives taken by the Company are described in the notice of general shareholders meeting, annual securities report, CSR report, the website of the Company, etc., in addition to this Report, for your review.
The disclosure based on the principles of the Corporate Governance Code is as follows:

[Principle 1.4 Strategic-Shareholdings]
1. Policy on strategic-shareholding
The Company may acquire shares of business partners as a means of creating business opportunities or strengthening business relationships for the purpose of increasing the enterprise value of the Company. In such cases, we appoint a responsible department for each shareholding and determine whether to invest in a particular investee in comprehensive consideration of the strategic significance or economic rationality of the shareholding.
We also examine the achievement of the purpose of the acquisition, medium- to long-term economic rationality, and future outlook once a year to decide whether to continue to hold such shares.

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

[Principle 1.7 Related Party Transactions]
Any competitive transaction or conflict of interest transactions with the Company carried out by a director or

any other important related party transactions are subject to internal approval and the approval of the Board of Directors as necessary in accordance with the provisions of laws and regulations, the articles of incorporation, the board of directors regulations, and other internal regulations.

[Principle 3.1 Full Disclosure]
1. Company objectives (e.g., business principles), business strategies and business plans
Our objectives (reason for existence) are as follows: Under the philosophy statement “the Company is to connect people and values,” we aim to cherish one’s feelings, move customers, and contribute to the realization of a secure and comfortable life and society. For more details our corporate objectives, please refer to the website of the Company.
(http://www.conexio.co.jp/corporate/corporate_philosophy.html)
For our business strategies and plans, please refer to our summary financial reports, annual securities reports, results briefing materials, etc.

2. Basic views and guidelines on corporate governance
As stated in I.1. Basic Views of this Report.

3. Policies and procedures in determining the remuneration of the senior management executives and directors
Please refer to II.1. [Directors] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods of this report.

4. Policies and procedures for the appointment of senior management executives and the nomination of candidates for directors and corporate auditor
Please refer to II.2. of this Report.

5. Explanations with respect to the individual appointments and nominations
Please refer to I.1. [Reasons for Non-compliance with the Principles of the Corporate Governance Code] of this Report.

[Principle 4.1 Roles and Responsibilities of the Board of Directors (1)]
Supplementary Principle 4.1.1 Outline of the scope of delegation to the management
Matters prescribed by laws and regulations, the articles of incorporation, and board of directors regulations and other matters equivalent thereto are decided by the Board of Directors. Other matters are delegated to the management and the authority and responsibilities of each individual are clearly defined in accordance with resolutions of the Board of Directors and internal regulations.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]
Please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

[Principle 4.11 Preconditions for the Effective Functioning of the Board of Directors and the Board of Corporate Auditors]
Supplementary Principle 4.11.1 Views on the appropriate balance between knowledge, experience and skills of the Board of Directors as well as on its diversity and size
Please refer to II.2. of this Report.

Supplementary Principle 4.11.2 Concurrent positions held by directors and corporate auditors
The Company discloses significant concurrent positions held by each director and corporate auditor, including those at other listed companies, in the notice of general shareholders meeting.

Supplementary Principle 4.11.3 Evaluation of the Board of Directors
Please refer to I.1. [Reasons for Non-compliance with the Principles of the Corporate Governance Code] of this Report.

[Principle 4.14 Training of Directors and Corporate Auditors]
Supplementary Principle 4.14.2 Training policy
The Company provides directors and corporate auditors with lectures and training given by lawyers on compliance topics including laws and regulations that are applicable to the Company and corporate

governance on an ongoing basis. In addition, newly appointed outside officers are provided with training and information about the history, business, and business strategies of the Company as appropriate. Going forward, training will be provided based on the training policy and plan that will be deliberated by the Governance Committee and approved by the Board of Directors.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
Policy for the internal arrangements and initiatives to promote constructive dialogue with shareholders

(1) Dialogue with shareholders is supervised by the President and the chief functional officer in charge of investor relations to promote active dialogue and timely and appropriate information disclosure.
(2) The department in charge of investor relations exchanges information with corporate planning, general affairs, finance, accounting, and legal affairs departments as appropriate on a daily basis under the system of organic coordination.
(3) As a means of enhancing the opportunities to have direct dialogue with shareholders other than interview on an individual basis, the Company conducts an informal gathering for discussion with shareholders after the close of each annual general shareholders meeting in addition to regular results briefings for institutional and individual investors.
(4) Opinions and concerns of shareholders identified through the dialogue with shareholders are summarized by the department in charge of investor relations and reported to the Board of Directors and departments in charge as necessary for the sharing and effective use of such information.
(5) Insider information is strictly managed in accordance with internal regulations. To prevent the leakage of earnings information and ensure fairness, dialogue with investors is restricted during the quiet period for investor relations activities, which starts on the first day of the month immediately following the end of each quarter and ends on the date of the announcement of financial results (quarterly or annual).

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders] [Revised]

Name / Company Name	Number of Shares Owned	Percentage (%)
ITOCHU Corporation	26.996,000	48.27
BNY FOR GCM CLIENT ACCOUNTS (E) ISG	2,146,014	3.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,329,000	2.38
HIKARI TSUSHIN, INC.	1,243,800	2.22
BNY FOR GCM CLIENT ACCOUNTS (E) BD	927,720	1.66
CBNY-GOVERNMENT OF NORWAY	740,118	1.32
CONEXIO Employee Stock Ownership Association	529,725	0.95
Fukuda Seisakusho Y. K.	425,000	0.76
Japan Trustee Services Bank, Ltd. (Trust Account)	408,100	0.73
DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613	289,697	0.52

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

Supplementary Explanation [Revised]

1. The Company holds 11,185,016 shares of its own stock (20.0%), but is excluded from the list of major shareholders above.

2. According to the Report of Possession of Large Volume submitted to the Director of the Kanto Local Finance Bureau by Tower Investment Management Co., Ltd. as of September 19, 2013, it was reported to hold the following shares as of September 13, 2013. However, as the Company has been unable to confirm the number of shares effectively held by the company at the end of the second quarter under review, this shareholding is not included in the table above. The details of the shareholding as reported in the Report of Possession of Large Volume are as follows:

Large volume holder:	Tower Investment Management Co., Ltd. (Representative Director & President: Shinya Fujiwara)
Address:	Noyori Building 2F, 1-2-18, Minato-ku, Tokyo
Number of shares held:	3,767,300
Percentage of shares held:	6.74%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

ITOCHU Corporation is a majority shareholder of the Company. Although there are certain transactions between ITOCHU Corporation and the Company as of the date of submission of this Report such as the payment of salary to seconded employees and sales of mobile phones, they are not disclosed in the note as "related party transactions" as their amounts are extremely small. The Company enters into fair transactions with ITOCHU Corporation only to the extent necessary and under the terms that are not significantly inconsistent with those of normal transactions with third parties.
It is prescribed in the "Corporate Code of Conduct" and the "CSR Policy" that the Company will carry out fair transactions with all its business partners. This rule is strictly enforced under the oversight of the General Affairs Department, which serves as the secretariat for the CSR Committee, and compliance with the rule is regularly checked by the legal counsel, corporate auditors, and the Internal Audit Department.

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

As a consolidated subsidiary of ITOCHU Corporation, the Company is subject to certain requirements designed to ensure reliability in consolidated financial reporting, the effective functioning of the group-wide internal control system, and timely disclosure. However, we believe that the independence has been secured with regard to the management and business activities of the Company based on the general principles of ITOCHU Corporation that respect the independence of its listed subsidiaries and aim to ensure equality among their shareholders.
In addition, the Company is managed in a manner to respect shareholders other than the parent company and to value the independence from the parent company.

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

1. Organizational Composition and Operation

Organization Form	Company with corporate auditors (*kansayaku secchi kaisha*)

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hajime Miyamoto	From another company								△			
Kazuo Hosoi	From another company								○			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

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

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hajime Miyamoto	○	Independent officer of the Company Mr. Hajime Miyamoto, who is designated as an independent officer of the Company, had worked for KYOCERA Document Solutions Japan Inc. in the past and the Company has carried out certain transactions with the company. However, the description of these transactions is omitted because the Company has determined that there is no possibility that these transactions will affect the judgment concerning the exercise of voting rights of shareholders given the size and the nature of them.	- With his past experience as a director of other companies as well as extensive experience, knowledge, etc., of the information and communications industry, he is expected to help the Company strengthen its supervisory function over the execution of duties by the directors. - We have been appointed him as an independent officer of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.
Kazuo Hosoi	○	Independent officer of the Company Mr. Kazuo Hosoi, who is designated as an independent officer of the Company, had worked for Oracle Corporation Japan in the past and currently works for T.D.I. Co, Ltd. and the Company has carried out certain transactions with these companies. However, the description of these transactions is omitted because the Company has determined that there is no possibility that these transactions will affect the judgment concerning the exercise of voting rights of shareholders given the size and the nature of them.	- As he has extensive experience as a senior management executive, we can expect him to exercise supervisory and checking functions over the management based on his broad knowledge as a senior management executive. - We have been appointed him as an independent officer of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee [Revised]	Established

Committee's Name, Composition, and Attributes of Chairperson [Revised]

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside director	Inside director

Supplementary Explanation [Revised]

The Nomination and Remuneration Committee, which consists of the Representative Director and President (chairperson), an internal (part-time) director, and two independent outside directors, deliberates mainly on the following matters and states its opinions and provides advice to the Board of Directors.

[Main matters for deliberation]

・Composition of the Board of Directors

・Nomination (appointment) criteria and process for candidates for directors/corporate auditors and executive officers

・Succession plan

・The design of the remuneration plan for directors and executive officers

[Corporate Auditors]

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

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Corporate auditors and accounting auditors exchange opinions and inquire information through meetings, by telephone, etc. Corporate auditors sometimes attend meetings for audit result reporting or physical inventory taking given by the accounting auditor.
In addition, full-time corporate auditors provide advice to the Internal Audit Department in developing audit plans and attend meetings at which the Internal Audit Department reports internal audit results to the President to keep abreast of the results. Full-time corporate auditors also keep in touch with the Internal Audit Department on a daily basis to monitor the status of internal audit.
Similarly, the Internal Audit Department and the accounting auditor exchange information and opinions to coordinate with each other.

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

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takashi Endo	Lawyer													
Hirotake Abe	CPA													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

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

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
k. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the corporate auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the corporate auditor himself/herself only)
m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Takashi Endo	○	Lawyer Independent officer of the Company	- We expect him to exercise the supervisory function over the management from the perspective of a legal expert. - We have been appointed him as an independent officer of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.

Hirotake Abe	○	CPA Independent officer of the Company	- We expect him to exercise the supervisory function over the management from the perspective of an accounting expert. - We have been appointed him as an independent officer of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.

[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors [Revised]	4

Matters relating to Independent Directors/Corporate Auditors

The Company has established the nomination and independence criteria for outside directors and outside corporate auditors. The Company has designated all qualifying outside officers as independent officers.

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

[Independence criterion]
The Company designates a person who does not fall under any of the following criteria as an independent officer:
1. Outside director
(1) A person who currently holds or had held anytime during the last 10 years before the assumption of office any of the following positions at the Company or its subsidiary:
   a. Executive (meaning executive director, executive officer, or employee; the same shall apply hereinafter);
   b. Non-executive director (limited to those who had been an executive of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a non-executive director); or
   c. Corporate auditor (limited to those who had been an executive of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a corporate auditor).
(2) A person who currently holds or had held anytime during the last 5 years before the assumption of office any of the following positions at the parent company of the Company:
   a. Executive or
   b. Non-executive director.
(3) A person who currently is or had been anytime during the last 1 year before the assumption of office an executive of a fellow subsidiary of the Company:
(4) A person who currently is or had been anytime during the last 1 year before the assumption of office a person whose main business partner is/was the Company or an executive of such a person.
(5) A person who currently is or had been anytime during the last 1 year before the assumption of office a person who is/was a main business partner of the Company or an executive of such a person.
(6) A person who currently is or had been anytime during the last 1 year before the assumption of office a consultant, accounting expert, or legal expert who receives/received a significant amount of money or other property from the Company other than remuneration as an officer of the Company (if the person who receives/received such property is an organization, such as a juridical person, association, etc., a person who belong to such an organization).
(7) A close relative of a person who falls under the following description (excluding those who are

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

[Incentives]

Incentive Policies for Directors	Introduction of a performance-based remuneration plan

Supplementary Explanation [Revised]

An amount calculated using a formula that derives a multiplier to determine monthly remuneration amount from performance indicators such as net income is paid as performance-based remuneration subject to the approval of the general shareholders meeting.

Recipients of Stock Options	

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure

Supplementary Explanation

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

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

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

In the fiscal year ended March 2015, the Company paid 131 million yen to eight directors (including 5 million yen to two outside directors) as fixed remuneration. The annual general shareholders meeting also approved the payment of 52 million yen to five inside directors as performance-based remuneration (bonuses).
The amount of remuneration of directors is determined as follows: The fixed remuneration amount is determined by the representative director within the total amount approved by the general shareholders meeting and in accordance with the internal regulations after considering the practice of corporate ethics, the compliance of Corporate Code of Conduct, or the organizational operations from the long-term perspective. In addition, an amount calculated using a formula that derives a multiplier to determine monthly remuneration amount from performance indicators such as net income is paid as performance-based remuneration subject to the approval of the general shareholders meeting.
Going forward, the director remuneration plan will be deliberated by the Nomination and Remuneration Committee and approved by the Board of Directors.

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

To support outside directors, the Corporate Planning Department provides them with board meeting materials together with their explanation in advance. In addition, they are provided with various opportunities to understand the business of the Company on an ongoing basis. The Company also plans to hold meetings with the representative director for the exchange of opinions as well as the "Independent Outside Officer Liaison Conference" to exchange information and share perspectives from an independent and objective standpoint and has appointed a "Chief Independent Outside Director" to improve the system pertaining to the coordination with the management, directors, and corporate auditors.
Outside corporate auditors are provided with necessary information by the full-time corporate auditors during the meetings of the Board of Corporate Auditors and other times as appropriate. In addition, they will be provided with training opportunities and financial support to such training as well as financial support to receive advice from external experts, as necessary. The Company has also appointed an employee to serve as an assistant to the outside corporate auditors and the independence of this employee from directors has been ensured pursuant to a resolution of the Board of Directors.

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

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

(Board of Directors)
1. The Board of Directors consists of seven directors (including two outside directors) and holds regular meetings once a month. The Board makes decisions on important management matters and supervises the execution of duties by the directors in accordance with the provisions of laws and regulations, the articles of incorporation, the Board of Directors Regulations, etc.
2. Directors, based on their roles determined by the Board of Directors, execute the businesses of the Company in accordance with the provisions of laws and regulations, the articles of incorporation, the Board of Directors Regulations, and other internal regulations. The representative director and the directors who execute the businesses of the Company report the status of the execution of their duties to the Board of Directors on a monthly basis, in principle.
3. To further enhance the governance function of the Board of Directors, the Company has elected to establish the Nomination and Remuneration Committee and the Governance Committee as advisory committees on a voluntary basis. The main matters for deliberation and their structure are as follows:

■Nomination and Remuneration Committee

[Main matters for deliberation]

・Composition of the Board of Directors

・Nomination (appointment) criteria and process for candidates for directors/corporate auditors and executive officers

・Succession plan

・The design of the Remuneration plan for directors and executive officers

[Structure]
Chairperson: Representative Director and President
Committee members: One internal (part-time) director and two independent outside directors

■Governance Committee

[Main matters for deliberation]

・Basic governance policy

・Evaluation of the Board of Directors

・Training policy

[Structure]
Chairperson: Chief Independent Outside Director
Committee members: Representative Director and President, two inside directors (including one part-time director), one independent outside director, and one full-time corporate auditor.

4. Regarding the composition of the Board of Directors, the Company ensures the diversity of knowledge, experience, and skills of the members by nominating candidates with diverse knowledge and backgrounds who have a thorough knowledge of management, legal affairs, financial accounting, etc., from the outside of the Company including candidates for corporate auditors after securing a certain number of directors from the inside of the Company from the perspectives of sales, management, and corporate planning. It is also prescribed in the articles of incorporation that the number of directors shall not exceed 10 for agile operations.
5. Candidates for a director position are proposed by the Representative Director and President to the Board of Directors based on their personal characteristics, skills, and insight and the Board of Directors decides the final candidates. Going forward, in addition to the procedure described above, the nomination criteria and

processes for director candidates will be deliberated by the Nomination and Remuneration Committee and approved by the Board of Directors.
For the status of outside directors, please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

(Board of Corporate Auditors)
1. The Board of Corporate Auditors consists of four corporate auditors (including two outside corporate auditors) and holds regular meetings once a month.
2. Corporate auditors, pursuant to the Board of Corporate Auditors Regulations and the Corporate Auditor Audit Standards and based on the audit policies and audit plans developed by the Board of Corporate Auditors, conduct audits of the execution of duties by the directors to examine its appropriateness through such means as attending important meetings such as those of the Board of Directors, investigating the status of businesses and property, and coordinating with the accounting auditor.
3. It is also prescribed in the articles of incorporation that the number of corporate auditors shall not exceed 5 for agile operations.
4. Candidates for a corporate auditor position are proposed by the Representative Director and President to the Board of Directors based on their personal characteristics, skills, and insight and the Board of Directors decides the final candidates after obtaining the consent of the Board of Corporate Auditors. Going forward, in addition to the procedure described above, the nomination criteria and processes for corporate auditor candidates will be deliberated by the Nomination and Remuneration Committee and approved by the Board of Directors after obtaining the consent of Board of Corporate Auditors.
For the status of outside corporate auditors, please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

(Management Committee, Personnel Committee, and CSR Committee)
With regard to the matters within the scope of the business execution authority of the President, the Management Committee consisting of full-time directors (who concurrently serve as officers in charge or department heads) and department heads as permanent members holds meetings once a month in principle to advise the President on his important decisions. The Personnel Committee plays a similar role with regard to important matters concerning personnel affairs. The CSR Committee advises the President in the fields of workplace safety (Safety and Health Committee), environmental protection activities (Environmental Committee), information security (Information Security Committee), compliance (Compliance Committee), internal control (Internal Control Committee), etc., while having these committees carry out various activities through which the Company can fulfill its social responsibilities and increase the chance of survival.

(Status of audits)
1. Internal audit
The Internal Audit Department reports directly to the President and has a team of nine dedicated members engaging in internal audits in coordination with corporate auditors. The scope of these audits encompasses business activities of internal organizations in general and audits are conducted in accordance with the annual plan. Specifically the Department audits the status of compliance with laws and regulations, the articles of incorporation, and internal regulations as well as the appropriateness of internal control procedures (the design status) and the accuracy and efficiency of their operations (the operation status). Based on the audit results, the Department gives specific advance and recommendations to resolve any issues. The Department also works to raise the level of internal control in overall business operations by checking the remediation status. In addition, the Department is responsible for the independent assessment of the reporting on internal controls over financial reporting and conducts the assessment of the design and operation status of internal controls over financial reporting at the internal organizations subject to assessment. The Department reports audit results as appropriate to the President and full-time corporate auditors and regularly to the Board of Directors and the Board of Corporate Auditors.
2. Corporate auditor audit
As part of corporate auditor audit, the full-time corporate auditor conducts audits on a daily basis based on the annual audit plan and reports results to the Board of Corporate Auditors. In addition, each corporate auditor regularly visits sites where sales activities take place and conducts interviews with various departments. The full-time corporate auditor, Mr. Shinji Shibata, has accumulated significant experience in business management and internal audit over many years and has deep knowledge of business management and risk management. The outside corporate auditor, Mr. Hirotake Abe, is a certified public accountant and has expert

knowledge of finance and accounting.
3. Accounting audit
The Company has entered into an audit contract with Deloitte Touche Tohmatsu LLC for audits required to be performed by an accounting auditor under the Companies Act and the Financial Instruments and Exchange Act (including internal control audit). In the 18th term, the following certified public accountants performed accounting audits and internal control audits and the number of years of continued engagement as an accounting auditor has not exceeded the number of years prescribed by the Certified Public Accountants Act.
Designated limited liability and managing partners: Hiroshi Matsumura (of Deloitte Touche Tohmatsu LLC)
Designated limited liability and managing partners: Emiko Minowa (of Deloitte Touche Tohmatsu LLC)
Assistants: Seven certified public accountants and 12 other assistants

<Terms and conditions of the liability limitation agreements with directors (excluding those who are executive directors, etc.) and corporate auditors>
The Company, pursuant to Article 427(1) of the Companies Act, has entered into an agreement with Director Tatsushi Shingu, Outside Director Hajime Miyamoto, Outside Director Kazuo Hosoi, Outside Corporate Auditor Hirotake Abe, and Corporate Auditor Tokuichiro Yoshimura, prescribing that if the officer involved has been without knowledge and has not been grossly negligent in performing his or her duties that have given rise to the liability prescribed in Article 423(1) of the Companies Act, the officer would be held liable for damages up to the higher of 10 million yen or the minimum liability amount prescribed by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System [Revised]

The Company has elected to be a company with corporate auditors (and the Board of Corporate Auditors) (*kansayaku secchi kaisha*) as the Company believes that it is desirable that the supervision of the management by corporate auditors from the standpoint of experts is in place in addition to mutual oversight among directors to ensure sound corporate operations under an effective mutual check-and-balance system.
The Company has also appointed 10 executive officers dedicated to business execution (as of the date of submission of this Report) including three full-time director other than the President who concurrently serve as executive officers based on the belief that directors who have a thorough knowledge of business operations should be involved in important management decision-making in order to enhance the satisfaction of our business partners and customers and to achieve sustainable long-term growth of enterprise value, while swiftly adapting to the changing business environment.
Moreover, in addition to the appointment of multiple independent outside directors and corporate auditors, the Company has established, on a voluntary basis, the Nomination and Remuneration Committee and the Governance Committee consisting of members including independent outside directors as advisory committees to the Board of Directors.
With these mechanisms, the Company has determined that the governance system of the Company is functioning effectively.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sent the notice of the annual general shareholders meeting for the fiscal year ended March 2015 five days (three business days) before the statutory deadline.
Scheduling AGMs Avoiding the Peak Day	The Company held the annual general shareholders meeting for the fiscal year ended March 2015 on June 25, 2015 to avoid the peak day for annual general shareholders meetings.
Allowing Electronic Exercise of Voting Rights	The Company accommodates the exercise of voting rights through the Internet and mobile phones.
Other	To promote the exercise of voting rights, the Company discloses the notice of general shareholders meeting to the Tokyo Stock Exchange and publishes it in the website of the Company before it is sent to shareholders. Also for deeper understanding of shareholders, the Company conducts a webcast of business report slides, which are also published on the website of the Company. In addition, the Company holds an informal gathering for discussion with shareholders after the close of each annual general shareholders meeting for exchange of opinions with shareholders in a friendly atmosphere.

2. IR Activities [Revised]

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	Holds annual investor briefings for individual investors for deeper understanding of the business, management plan, and financial results of the Company.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Holds regular investor briefings for analysts and institutional investors twice a year (after the announcement of the results for the first half of the year and for the full year) in addition to meetings held as appropriate on an individual basis for per understanding of the financial results and the management policy of the Company.	Yes
Posting of IR Materials on Website	Publishes earnings information, annual securities reports, and stock information as well as quarterly results briefing materials, timely disclosure materials, and various other information. * IR section of the website of the Company: http://www.conexio.co.jp/ir/index.html	
Establishment of Department and/or Manager in Charge of IR	Officer in charge of investor relations: Mitsuru Murata, Director and Managing Executive Officer, Chief Functional Officer and Chief Compliance Officer Department in charge of investor relations: Corporate Planning Department, PR and IR Section Person in charge of investor contact: Noriaki Kanno, General Manager, Corporate Planning Department	

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates in the corporate philosophy, the Corporate Code of Conduct, and the CSR Policy that the Company will respect stakeholders and aim to achieve sustainable growth of its enterprise value.
Implementation of Environmental Activities, CSR Activities etc.	Major offices of the Company have obtained the ISO certification for environmental management and information security. The Company has also established under the CSR Committee a committee in charge of the preparation and publication of the CSR reports and various activities for compliance, safety and health, and internal control for the promotion of collaboration with our stakeholders based on the Corporate Philosophy and the CSR policy.
Development of Policies on Information Provision to Stakeholders	As explained in V2 of this Report, policies for the management and external disclosure of material information are prescribed in internal regulations and specific steps are prescribed in the manual of the department in charge of investor relations.
Other	With the percentage of female employees being close to 60%, the Company works to improve the work environment and culture on an ongoing basis to promote the empowerment of female employees and help them to keep a good balance between carrier development/work and family. In the fiscal year ended March 2015, the Company conducted the "Leader Challenge Training" for the development of female leaders and the "Step-Up Training" for the development of female store managers and the latter resulted in the promotion of 10 participants to female store managers. In October 2013, the Company was accredited as a "child rearing support company" based on the "Act on Advancement of Measures to Support Raising Next-Generation Children," which was enacted by the Ministry of Health, Labour and Welfare, and received the "Kurumin" next-generation mark certification. In February 2015, the Company was accredited as a "work-life balance promotion company" in Shinjuku-ku, Tokyo where our head office is located in recognition of our initiatives for "child rearing support" and "the creation of a friendly workplace." Furthermore, the Company was granted a special encouragement award at the "Ikumen Award 2015" ceremony hosted by the Ministry of Health, Labour and Welfare. We understand that this was in recognition of our efforts, including the work efficiency improvement and the reduction of total working hours through the "work method improvement project," emails to eligible employees and their supervisors to encourage the use of childcare leave, enlightenment activities targeting executives at meeting, and the reports on male employees who took childcare leave in company newsletters and the internal portal, which resulted in an increase in the number of male employees who took childcare leave. The Company will continue to promote diversity, work-life balance, and the empowerment of diverse human resources including persons with shorter working hours and persons with disabilities.

IV. Matters Related to the Internal Control System

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

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

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

(1) Corporate governance

a. The Board of Directors makes decisions on important management matters and supervises the execution of duties by the directors in accordance with the provisions of laws and regulations, the articles of incorporation, etc.

b. Directors, based on their roles determined by the Board of Directors, execute the businesses of the Company in accordance with the provisions of laws and regulations, the articles of incorporation, and other internal regulations.

c. The representative director and the directors who execute the businesses of the Company report the status of the execution of their duties to the Board of Directors on a monthly basis, in principle.

d. Corporate auditors, in coordination with the accounting auditor, audit the appropriateness of the execution of duties by directors in accordance with the Board of Corporate Auditors Regulations and the "Corporate Auditor Audit Standards."

e. In principle, the Company dispatches directors and corporate auditors to subsidiaries to monitor the conformance of their execution of duties with the requirements of laws and regulations and the articles of incorporation.

(2) Compliance

a. Directors and employees are required to behave in accordance with the "Corporate Philosophy" and the "Corporate Code of Conduct" of the Company.

b. The Company appoints the Chief Compliance Officer and establishes a department in charge of the overall supervision of compliance-related matters. The Company also establishes and implements a "Compliance Program" and strives to fully enforce it to the directors, corporate auditors, and employees of its subsidiaries.

c. The Company regularly provides the directors, corporate auditors, and employees of its subsidiaries with training on legal compliance and other topics to raise awareness of compliance.

d. The Company administers a whistleblower program based on the Whistleblower Program Regulations for the prevention and early detection of wrongdoings. The Company also puts in place a hotline contact for whistleblower reports by the directors, corporate auditors, and employees of its subsidiaries.

e. The Company ensures that the Compliance Committee consisting of members including the legal counsel holds regular meetings to monitor compliance with compliance programs and systems.

f. Based on the reports from the Compliance Committee, results of internal audit, etc., the Board of Directors reviews and revises the compliance programs and systems regularly and as appropriate.

g. The Company ensures that any and all relationships with anti-social forces, which threaten the order and safety of the civic life, are eliminated and handles any unjust demands from these forces resolutely in coordination with external expert organizations such as the police and lawyers.

(3) Structure to ensure the appropriateness of financial reporting

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

(4) Internal audit

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

2. Structure to keep and manage information about execution of duties by the directors of the Company

(1) The Company, in accordance with the Document Management Regulations, the Information Security Regulations, and other internal regulations, appropriately preserves and manages statutory documents such as the minutes of the general shareholders meeting and the meetings of the Board of Directors as well as documents containing important information about the execution of duties (including electromagnetic records; the same shall apply hereinafter) together with any related materials.

(2) Directors and corporate auditors may examine such documents, etc. at any time.

3. Regulations and other structures concerning the management of risk of loss at the Company and its subsidiaries and structures concerning the reporting of matters concerning the execution of duties by the directors, etc. of the subsidiaries

(1) The Company puts in place necessary risk management structures and techniques at the Company and its subsidiaries by establishing the transaction risk (credit) limits, the appropriate authority concerning investment and the provision of loans, regulations and standards concerning information security management, etc. and by prescribing matters at the subsidiaries requiring the prior approval of the Company, matters to be reported to the Company by the subsidiaries, etc., in the Affiliated Company Management Regulations.

(2) Based on the "Management Review System," which ensures the systematic review of risks that affect the management of the Company, the effectiveness of the structure to manage these risks is reported to the Board of Directors.

4. Structure to ensure the efficiency of the execution of duties by the directors of the Company and its subsidiaries

(1) In order to make decisions concerning the execution of duties in an appropriate and agile manner, the Company establishes as an advisory committee to the President the Management Committee, which discusses the enterprise-wide management policy, business plans, and other important matters concerning the execution of duties to support the decision-making by the President. Similarly, the Personnel Committee and the CSR Committee are established and the former supports the decision-making by the President regarding the matters related to important personnel evaluation and the latter regarding the matters related to the workplace safety, environmental protection activities, information security, compliance, and internal control. The administration of these committees is prescribed in the Regulations concerning Permanent Organs.

(2) The Company provides its subsidiaries with management services in such fields as personnel management, finance and accounting, and compliance as necessary.

(3) By establishing various internal regulations such as the Division of Duties/Authority and Responsibilities Regulations and the Affiliated Company Management Regulations at the Company and its subsidiaries, the Company ensures the clarification of the authority and responsibilities of directors and employees and enables the appropriate and efficient execution of their duties.

(4) The Company and its subsidiaries develop annual plans taking into consideration the medium- to long-term perspective to clarify the goals that should be achieved by the Company and individual organizations and monitors the progress on a monthly basis to take any necessary measures. The Company links the degree of achievement of the plan with employee bonuses through the performance evaluation of each organization.

5. Structure to ensure proper management of the business of the enterprise group consisting of the Company and its parent company and subsidiaries

(1) The Company, in accordance with the Affiliated Company Management Regulations and other internal regulations, manages its subsidiaries and provides them with management guidance.

(2) In addition, the Company is managed in a manner to respect shareholders other than the parent company and to value the independence from the parent company.

6. Matters concerning the assignment of employees to assist corporate auditors with their duties in the case where such assignment is requested by corporate auditors and measures to ensure the independence of such employees from the directors of the Company and the effectiveness of instructions given to such employees

(1) In the case where the assignment of employees to assist corporate auditors with their duties is requested by corporate auditors, the Company promptly assign such employees after consulting with corporate auditors. Corporate auditor can give such employees directions and orders regarding the matters necessary for the implementation of audits.

(2) Evaluation, personnel changes, disciplinary proceedings of such employees are subject to prior consultation with corporate auditors.

(3) In the case where such employees are assigned to assist corporate auditors on a full-time basis, in performing such duties, they receive directions and orders only from corporate auditors and do not receive directions and orders from directors and other employees. In the case where such employees are concurrently assigned to another department, they shall give priority to the duties to corporate auditors.

7. Structure for the reporting to corporate auditors of the Company by directors and employees of the Company and directors, corporate auditors, etc., and employees of the subsidiaries of the Company (including those who have received reports from these persons) and other structures concerning the reporting to corporate auditors

(1) The directors of the Company and the directors and corporate auditors of the subsidiaries of the Company shall report matters that significantly affect the Company and its subsidiaries, the implementation status of internal audit, the occurrence status of internal information, etc., in addition to the matters required by laws and regulations, to the corporate auditors of the Company.

(2) The employees of the Company and its subsidiaries may report directly to the corporate auditors of the Company the following matters promptly after detecting them: a. any matter that may cause significant damage to the Company and its subsidiaries and b. any significant violation of laws and regulations or the articles of incorporation.

(3) Upon request of the corporate auditors of the Company, the directors and employees of the Company and the directors, corporate auditors, and employees of the subsidiaries of the Company shall promptly report relevant matters concerning business execution to them.

(4) Any disadvantageous treatment of a person who has made a report to the corporate auditors of the Company on the grounds of such a report is prohibited and the Company strives to fully enforce this rule to the directors, corporate auditors, and employees of the Company and its subsidiaries.

8. Other structures to ensure the effectiveness of audits conducted by the corporate auditors of the Company

(1) Regular meetings for exchange of opinions between the President and corporate auditors are held.

(2) The Internal Audit Department consults with corporate auditors on annual internal audit plans and otherwise ensures close exchange of information and coordination with them through, for example, consultation and exchange of opinions about the results of internal audits and any findings and recommendations.

(3) Corporate auditors may independently engage lawyers, certified public accountants, or other external experts if it is deemed necessary for the implementation of audit.

(4) If a corporate auditor requests the advance payment of costs for the execution of his/her duties, the Company will promptly settles such costs or liabilities unless it is determined that they are not necessary for the execution of duties.

2. Basic Views on Eliminating Anti-Social Forces

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System [Revised]

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

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

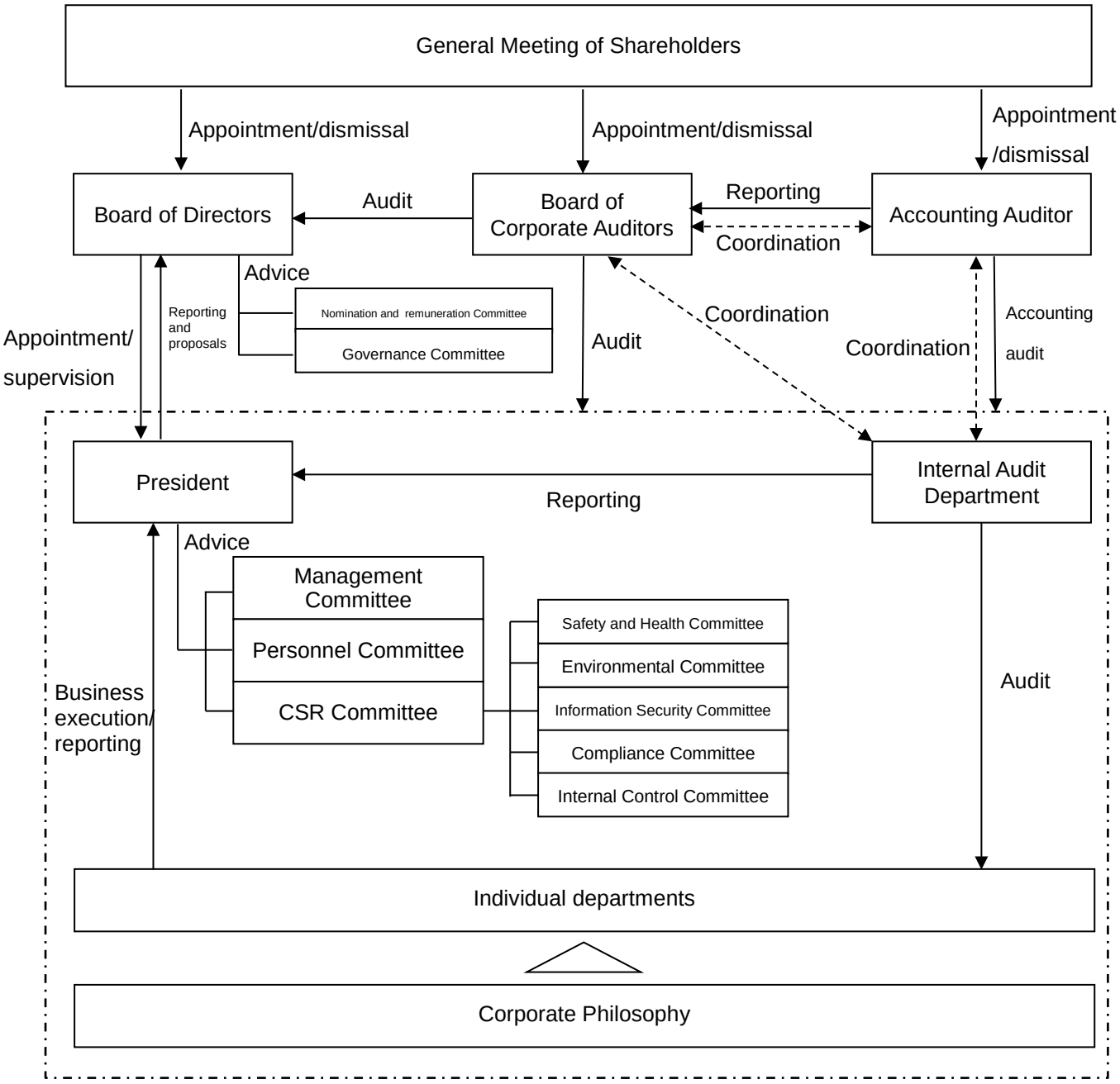
3. Internal structures concerning timely disclosure
(1) Corporate decision
A corporate decision refers to the fact that an organ of the Company that makes business execution decisions has made a decision that is expected to significantly affect the investment decisions of the investors of the securities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

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

(3) Timely disclosure
The disclosure content is prepared in compliance with the Timely Disclosure Rules and related regulations such as the Disclosure Ordinance. The Corporate Planning Department serves as the secretariat to the Management Committee and is in charge of internal and external public relations. The Departments also manages the "corporate decisions" that are made internally in a centralized manner in coordination with the

General Affairs Department which is the secretariat to the Compliance Committee and in charge of legal affairs. The Finance and Accounting Department and the Corporate Planning Department, in coordination with each other, mainly prepare “earnings information” while properly performing security management.
Whether disclosure practices are appropriate is audited by the Internal Audit Department, which reports directly to the President. The Corporate Planning Department, the Finance and Accounting Department, and the General Affairs Department receives advice from experts such as the accounting auditor or a printing company to prevent errors.

Corporate Governance Structure Chart



Outline of the Timely Disclosure Structure (schematic illustration)

