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ACOM CO., LTD.

Chairman, President & CEO: Shigeyoshi Kinoshita
Contact: Corporate Planning Dept., Telephone: 03-5533-0621
Code Number: 8572
https://www.acom.co.jp/

The status of corporate governance of the Company is described below:

I Basic Policies on Corporate Governance, and Capital Structure, Company Outline and Other General Information

1. Basic Policy

The ACOM Group, guided by its lifelong "circle of trust" spirit, maintains an ongoing corporate commitment to respecting other people, putting the customer first, and conducting creative and innovative management. Based on this commitment, we are seeking to deepen mutual trust between our stakeholders and ourselves and thus progress in partnership with society.

In order to meet the expectations of stakeholders and build stronger trust, we will strengthen corporate governance as a key management priority. To this end, we will take steps to enhance the soundness, transparency, and efficiency of our operations and achieve sustained increases in our shareholder value.

We recognize that effective internal control systems are essential to creating an appropriate corporate governance framework. Based on this recognition, we are encouraging all members of our organization to join forces in building internal control systems and assuring their effectiveness, under the leadership of the Chairman, President & CEO. At the same time, we are constantly evaluating, verifying, and improving the effectiveness of internal control mechanisms already in place.

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

ACOM implements all individual principles in the corporate governance code.

[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

[Principle 1.7]

Pursuant to relevant laws, it is provided in our regulations of board of directors that transactions with directors and material transactions with major shareholders require prior approval of the board of directors.

[Principle 3.1]

(i) Guiding Principles of the Company (Corporate Philosophy, etc.), Management Strategy and Management Plan

(1) Guiding Principles of the Company (Corporate Philosophy, etc.)

Please refer to "Corporate Philosophy" on our website.
(https://www.acom.co.jp/corp/english/about-us/philosophy/)

(2) Management Strategy and Management Plan

Please refer to "Medium-term Management Plan" on our website.
(https://www.acom.co.jp/corp/english/ir/management/medium-term_management_plan/)

(ii) Basic approach and key policies on corporate governance

Please refer to "I. 1. Basic Policy" of this report for our basic approach and key policies on corporate governance.

(iii) Policies and procedures for determining compensations for senior management and directors

Please refer to "II. 1. [Compensation for Directors]" of this report for our policies and procedures for determining compensation for senior management and directors.

(iv) Policies and procedures for appointing senior management and nominating candidates for directors

(1) Policies

(A) Appointing Senior Management

In order to conduct swift and pertinent business execution, the company appoints individuals with rich experience, in-depth insight and high expertise with view of appointing the best personnel to the most fitting duty.

(B) Nominating Candidates for Directors (Excluding Those Serving as Members of Audit & Supervisory Committee)

In order to materialize supervision on management, the company nominates individuals with rich experience, in-depth insight and high expertise with view of appointing the best personnel to the most fitting duty.

(C) Nominating Candidates for Directors Serving as Members of Audit & Supervisory Committee

In order to achieve sound development of the company and improve social trust, the company nominates individuals with view of appointing the best personnel to the most fitting duty as it considers balancing diverse perspectives on matters such as knowledge on finance and accounting, expertise on the Company's business segment and insight into corporate management.

(2) Procedures

(A) Appointing Senior Management

The board of directors resolves appointments based on policies above after examinations are conducted and proposals are made by appointment and remuneration committee, which includes Independent Outside Directors.

(B) Nominating Candidates for Directors (Excluding Those Serving as Members of Audit & Supervisory Committee)

The board of directors resolves appointments based on policies above after examinations are conducted and proposals are made by appointment and remuneration committee, which includes Independent Outside Directors.

(C) Nominating Candidates for Directors Serving as Members of Audit & Supervisory Committee

The board of directors resolves appointments based on policies above upon agreement by the Audit & Supervisory Committee after examinations are conducted and proposals are made by president.

(v) Explanation on Appointment of Senior Management and Nomination of Individual Candidates for Directors

Explanation on appointment of senior management and nomination of individual candidates for directors (excluding those serving as members of Audit & Supervisory Committee) and directors serving as members of Audit & Supervisory Committee is mentioned on our convocation notice for ordinary general meeting of shareholders which is available for inspection on our website.
(https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/)

[Supplementary Principle 4.1.1]

The Company delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors, to president and director. Moreover, the "Rules for the Board of Directors" of the Company provides the matters to be discussed at the Board based on laws and the article of incorporations. With regard to other business executions, the Board aims for expedite decision-makings and business execution, and clarification of roles of supervision and execution through following measures: appointing directors

in office; providing division of duties, and roles and responsibilities on “Rules for Division of Duties within the Company”; and delegating business execution to executive officers.

[Principle 4.9]

With regard to the Company’s policy on selecting candidates for Independent Outside Directors, the Company puts emphasis on whether the candidate fulfills criterion on independence of independent directors set forth by Tokyo Stock Exchange, owns rich experience, deep insight and high expertise.

[Supplementary Principle 4.11.1]

The Board of Directors of the Company consists of ten members, three of whom are Independent Outside Directors, in order to expedite decision-makings and ensure effective mutual monitoring among directors. In order to ensure diverse perspectives in the Board, the Company appoints individuals with following qualifications as Directors: rich experience within the Company or from different companies; deep insight and high expertise.

[Supplementary Principle 4.11.2]

Information on individual directors who have material concurrent post including other listed companies is mentioned on our convocation notice for ordinary general meeting of shareholders which is available for inspection on our website.
(https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/)

[Supplementary Principle 4.11.3]

The Company conducts annual analysis and evaluation on effectiveness of the Board every year. The Company conducted self-evaluation by distributing surveys regarding effectiveness of the Board to all directors this fiscal year. The Board of the Company conducted analysis and evaluation on its effectiveness based on the results of surveys.

Consequently, the Company confirmed that the Board fulfills each and all of its function in formulation of management strategies and targets, settling management challenges, supervision on risk managements and business executors. Thus, the Company concluded that its current Board functions properly and its effectiveness is ensured.

Nonetheless, the Company also recognized that there are issues to be addressed such as deepening essential discussions and improving to further elaboration in content used at the Board. Therefore, the Company strives for improvement on these issues.

The Board identified needs to deepen essential discussions. In order to address this issue, the Company adopted Audit & Supervisory Committee structure in June 2017 which enables the Board to delegate decision-making on matters related to the execution of significant business operations other than matters to be resolved at the Board to President and Director. Moreover, the Company narrowed down topics to be resolved at the Board.

While the company will operate the Board of Directors in manners as described below, the Company will sustain periodic analysis and evaluation on effectiveness of the Board and continue its efforts to ensure enhanced effectiveness of the Board.

(1) The Board will decide material business management matters, such as management strategies and business plans, and also will determine basic policies for building corporate governance and internal control systems. The Board will monitor and supervise the execution of duties.
(2) Material subjects will be exhaustively selected as agendas based on regulations for matters to be resolved at the Board, provided in rules of the Board of Directors. The Board will discuss such selected material in timely and appropriate manner.
(3) The Company will distribute materials to be used at the Board prior to the meeting to make it efficient and vigorous. Prior explanations will be given when deemed necessary.
(4) The Board will receive periodic reports on business managements, etc. and supervises business execution.

[Supplementary Principle 4.14.2]

The Company provides trainings to directors when deemed necessary upon their inaugurations. Even after their assumption of offices, the Company provides continuous training programs on diverse topics such as market trend of the Company's business segment and global economic issues

[Principle 5.1]

(1) Development of Systems to Promote Constructive Dialogues with Shareholders

In addition to the ordinary general meeting of shareholders, the director in charge of Public & Investor Relations Office presides over dialogues with shareholders. Public & Investor Relations Office collaborates with relevant departments and conducts interim and annual earnings release conferences, domestic conferences (6 times a year), overseas IR roadshow (once a year) and individual IR meetings (from 200 to 300 meetings per year).

Feedbacks given through these contacts with shareholders are reported to the Board of Directors.

(2) Basic Policy on Measures to Promote Constructive Dialogues with Shareholders

The Company strives for timely and appropriate dialogues with every shareholder to attain continuous growth and mid- to long-term enhancement in corporate value. With regard to information disclosure, we will endeavor to expand our disclosure proactively beyond the scope of disclosure required by laws and regulations to information deemed beneficial to facilitate understanding of the Company by shareholders.

Upon disclosing such information, we will strive to disclose information in fair and prompt manner to both the domestic and the overseas shareholders through our website and processes designated by the Tokyo Stock Exchange.

In certain cases, forward-looking statements may be included in the information that we disclose. In regard to such forward-looking statements, we will strive to fully explain our assumptions, uncertain factors, etc. in order to avoid giving a false impression to the market.

In order to prevent divulgence of financial results information and ensure fairness of information disclosure, certain period prior to announcement of financial results shall be regarded as "Silent period" where we refrain from making any comments or answering inquiries regarding financial results.

2. Capital Structure

Ratio of shareholding by foreign investors	Less than 10%

[Major Shareholders] (Updated)

Name	Number of Shares Held (shares)	Shareholding Ratio to Total (%)
Mitsubishi UFJ Financial Group, Inc.	588,723,490	36.88
Maruito Shokusan Co., Ltd.	273,467,550	17.13
Maruito Co., Ltd.	125,533,430	7.86
Foundation of Kinoshita Memorial Enterprise	92,192,320	5.77
Maruito Shoten Co., Ltd.	38,733,200	2.42
General Incorporated Association Kyoeikai Trust Account	32,598,830	2.04
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	31,572,800	1.97
Shigeyoshi Kinoshita	30,007,260	1.87
NOBUKA CO., LTD.	30,000,000	1.87
Japan Trustee Services Bank, Ltd. (Trust Account 4)	26,822,000	1.68

Controlling Shareholders (except for the Parent Company)	—
Parent Company	Mitsubishi UFJ Financial Group, Inc. (MUFG) (Listed in Tokyo, Code Number: 8306)

Supplementary Description

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3. Outline of the Company

Stock exchange and section	Tokyo Stock Exchange, First Section
Account settlement	March
Industry	Other financial business
Number of employees (consolidated basis) as of the latest fiscal year end	Not less than 1,000
Operating revenue (consolidated basis) as of the latest fiscal year end	Between 100 billion yen and less than 1 trillion yen
Number of consolidated subsidiaries as of the latest fiscal year end	Less than 10

4. Guidelines for the Protection of Minority Shareholders in Transactions with Controlling Shareholders

Although ACOM engages in transactions with MUFG Group's companies, which include borrowing funds and guaranteeing unsecured card loans, the fairness of these transactions is ensured because they are based on our code of conduct of adhering to fair market rules and proper commercial practices. And like transactions with unrelated companies, they are based on impartial judgments made in accordance with internal rules, etc.

5. Other Special Circumstances that may Significantly Affect Corporate Governance

Under a business and capital alliance with MUFG and its subsidiary, The Bank of Tokyo-Mitsubishi UFJ, Ltd., ACOM serves as the core company for the MUFG Group's consumer finance business. In addition, under a contract relating to corporate management, ACOM engages in consultations and makes reports to MUFG concerning important corporate matters. Nevertheless, while decisions on matters such as management policy and business strategy reflect the corporate management policy of the parent company, these decisions are based on ACOM's own judgments, and as such a certain level of independence as a listed company is ensured.

II Status of Other Corporate Governance Structure Including Corporate Management Organization Relating to Decision-Making, Execution and Monitoring for Managerial Purposes

1. Matters Concerning the Organizational Structure and Operation of the Organization

Organizational form	Company with Audit & Supervisory Committee

[Directors]

Number of Directors in the Articles of Incorporation (Updated)	15
Term of Directors in the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors (Updated)	10
Appointment of Outside Directors	Applicable
Number of Outside Directors (Updated)	3
Number of designated Independent Directors in Outside Directors (Updated)	3

Relationship with the Company (1) (Updated)

Name	Description	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Tatsuya Ito	Attorney-at-law											
Osamu Takada	From other company											
Takashi Doi	Attorney-at-law											

*: Key to "Relationship with the Company"
*: "○" is used when the director in concern falls under the criteria "currently or recently," whereas "△" is used when he/she fell under the criteria in "past."
*: "●" is used when a close relative of the director in concern fall under criteria "currently or recently," whereas "▲" is used when such person fell under the criteria in "past."
a. Person who executes business of the Company or a subsidiary;
b. Person who executes business or a non-executive director of a parent company;
c. Person who executes business of a fellow subsidiary;
d. Person/entity for which the Company is a major client or a person who executes business for such person/entity;
e. Major client of the Company or a person who executes business for such client;
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/auditor compensation from the Company;
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation);

h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above)
i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company;
j. Person who executes business for an entity receiving contributions from the Company;
k. Others.

Relationship with the Company (2) (Updated)

Name	Member of Audit & Supervisory Committee	Independent Director	Supplementary Description on the Conforming Item	Reason for Appointment
Tatsuya Ito	○	○	—	- Mr. Tatsuya Ito is an Outside Director as stipulated under Article 2, Paragraph 15 of the Company Law. - He has garnered rich experience and knowledge centered around financial practice and corporate legal affairs through years of duty in the financial industry, the industry to which the Company belongs. He also has experience as an attorney-at-law. Therefore, the Company believes that its supervisory functions will be further reinforced by reflecting his strength in the management of the Company. - As he has no potential conflict of interest with general shareholders and meets the independence requirements of the Tokyo Stock Exchange, he has been designated as an independent director.
Osamu Takada	○	○	—	- Mr. Osamu Takada is an Outside Director as stipulated under Article 2, Paragraph 15 of the Company Law. - He has rich experience and knowledge acquired through years of duties at a trading company. He also has experience as a corporate manager and achievements as an Outside Director. Therefore, the Company believes that he can supervise the management of the Company and offer appropriate opinions from an external perspective. - As he has no potential conflict of interest with general shareholders and meets the independence requirements of the Tokyo Stock Exchange, he has been designated as an independent director.
Takashi Doi	○	○	—	- Mr. Takashi Doi is an Outside Director as stipulated under Article 2, Paragraph 15 of the Company Law. - In light of his expert knowledge and experience acquired through years of duties as an attorney-at-law, he is judged as being capable of monitoring corporate management from a legal point of view. Therefore, the Company believes that he can contribute to further enhancement of the audit system and corporate governance of the Company. - As he has no potential conflict of interest with general shareholders and meets the independence requirements of the Tokyo Stock Exchange, he has been designated as an independent director.

[Audit & Supervisory Committee]

Details on Members and Chairperson (2) (Updated)

	Total Number of Members	Number of Full-time Member	Number of Inside Directors	Number of Outside Directors	Chairperson
Audit & Supervisory Committee	4	2	1	3	Inside Director

Assignment of Directors and Employees to Support Duties of Audit & Supervisory Committee (Updated)	Applicable

Matters on Independence of Directors and Employees from Directors in Charge of Business Execution (Updated)

The Company has established the Administration for Audit & Supervisory Committee to assist in the Audit & Supervisory Committee's duties, and assign assistants for the Audit & Supervisory Committee. Employees to assist the Audit & Supervisory Committee will be exclusively in charge of work that assists the Audit & Supervisory Committee, and will not be subject to instructions and orders from the Directors (except for Directors serving as Members of Audit & Supervisory Committee) and other operational organizations. Assignment, transfer, evaluation and disciplinary action of employees who assist the Audit & Supervisory Committee will be decided after discussion with the Audit & Supervisory Committee.

Collaboration among Audit & Supervisory Committee, Accounting Auditors and the Internal Audit Department (Updated)

(A) Collaboration between Audit & Supervisory Committee and Accounting Auditors

Audit & Supervisory Committee confirms the accounting auditor's auditing plan for the relevant fiscal year, and receive audit reports and the overview and results of the audit.

In addition, the Company promotes collaboration between Audit & Supervisory Committee and accounting auditors by having opinion exchange meetings when necessary, as well as being present at audits.

(B) Collaboration between Audit & Supervisory Committee and the Internal Audit Department

Internal Audit Department ensures collaboration with Audit & Supervisory Committee through following two measures: prior consultation with the Committee on its auditing plan for the relevant fiscal year; and reporting progress and results of audits, etc.

[Optional Committee]

Establishment of Any Optional Committees Equivalent to Appointment Committee or Remuneration Committee (Updated)	Applicable

Details on Optional Committees: Members and Chairpersons (Updated)

	Name of the Committee	Total Number of Members	Number of Full-time Members	Number of Inside Directors	Number of Outside Directors
Committee Equivalent to Appointment Committee	Appointment and Remuneration Committee	5	0	4	1
Committee Equivalent to Remuneration Committee	Appointment and Remuneration Committee	5	0	4	1

	Name of the Committee	Number of Outside Experts	Number of Other Members	Chairperson
Committee Equivalent to Appointment Committee	Appointment and Remuneration Committee	0	0	Inside Director
Committee Equivalent to Remuneration Committee	Appointment and Remuneration Committee	0	0	Inside Director

Supplementary Description

—

[Independent Director]

Number of Independent Directors (Updated)	3

Other Matters Concerning Independent Directors

ACOM designates all outside directors who meet requirements as independent directors.

[Incentives]

Status of implementation of incentive programs for Directors	Not applicable

Supplementary Description to the Relevant Item

Our first priority is to resume dividends. Therefore, incentive programs are the next below. For the purposes of elevation of morale of Directors and employees, enhancement of motivation for higher performance and future recruitment and securing of talented personnel, we concern with introducing incentive programs.

Persons eligible to receive stock option	

Supplementary Description to the Relevant Item

—

[Compensation for Directors]

Status of disclosure (Individual compensation for Directors)	Individual compensation for Directors is not disclosed

Supplementary Description to the Relevant Item (Updated)

Compensation for Directors (April 1, 2016, to March 31, 2017)
Aggregate annual compensation for Directors: 151 million yen

Amount of compensation or methods of policy decisions (Updated)	Applicable

Disclosed Information Regarding Amount of Compensation or Methods of Policy Decisions

The Company determines the amount of compensations payable to Directors (excluding Directors serving as Members of Audit & Supervisory Committee) in consideration of business results and other factors, within the total amount of compensations resolved at shareholders' meetings. The amount of compensation payable to Members of Audit & Supervisory Committee is determined at consultation with Members of Audit & Supervisory Committee in consideration of their duties and responsibilities, within the total amount of compensations resolved at shareholders' meetings.

[Supporting System for Outside Directors] (Updated)

When meetings of the Board of Directors are held, the Company distributes the materials for the meetings by one day prior to the meetings in principle.

To support the Audit & Supervisory Committee' duties, the Company established "the Administration for Audit & Supervisory Committee" and assigned persons to assist its duties. Employees to assist the Audit & Supervisory Committee will be exclusively in charge of work that assists the Audit & Supervisory Committee, and will not be subject to instructions and orders from the Directors (except for Directors serving as Members of Audit & Supervisory Committee) and other operational organizations.

2. Matters Concerning the Functions of Execution of Duties, Audit and Monitoring, Appointment and Determination of Compensation, etc. (Outline of Status of System for Corporate Governance) (Updated)

(1) Outline of current framework of management structure

(A) Board of Directors and Directors

In order to speed up decision-making and ensure effective mutual monitoring among directors, the Company has a Board of Directors with ten members, three of whom are Outside Directors.

The Company has concluded a limited liability agreement with each of the five non-executive Directors (three of whom are Outside Directors), which limits the liability for damage under Article 423, Paragraph 1, of the Companies Act to the extent of the amount stipulated in the law, in accordance with the provision of Article 427, Paragraph 1, of the Act.

The Board decides important business management matters, such as management strategies and planning, and also determines basic policies for building corporate governance and internal control systems. The Board delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors, to president and director. The Board monitors and supervises the execution of matters delegated to president and director.

It meets once every quarter in principle, and more as deemed necessary.

(B) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of four members, three of whom are Outside Directors.

The Committee holds meetings regularly to receive reports concerning important matters relevant to audit and supervision, hold discussions, and pass resolutions.

(C) Executive Officers

The company introduced an executive officer system in June 2003. The Board of Directors appoints executive officers, determines their function, lines of responsibility and authority, and delegates execution of operations to them. In these ways, decision-making and business execution are expedited, while supervision and execution functions are clearly separated. The Company has 19 executive officers, nine of whom are directors in office, and four of the ten members of the Board of Directors serve concurrently as executive officers.

(D) Executive Officers' Meeting

The Executive Officers' Meeting consists of Representative Directors and executive officers who serve concurrently as directors. In the presence of Selected Members of Audit & Supervisory Committee (hereinafter "Selected Committee Members"), the Executive Officers' Meeting discusses and makes decisions related to the execution of important business operations delegated by the Board of Directors to the President and Director, and deliberates management policies and management plans in advance for resolution at the Board of Directors Meeting in accordance with basic policies determined by the Board of Directors.

The Executive Officers' Meeting assembles three times a month, in principle, and more as deemed necessary.

(E) Committees

(a) Compliance Committee

The Compliance Committee, appointed by the Board of Directors, consists of experts from outside the Company and representative directors of the Company. In the presence of Selected Committee Members, it discusses and makes recommendations about the following compliance-related matters.

- Items relating to formulation, revision or abolishment of the ACOM Group Code of Ethics and Code of Conduct;
- Important items related to establishment and operation of compliance systems;
- Items relating to formulation of basic plans;
- Items relating to the correction of major violations, actions for improvement and recurrence prevention measures; and
- Important items related to other compliance issues.

The Compliance Committee meets six times a year, in principle, and more as deemed necessary.

(b) Risk Management Committee

The Risk Management Committee consists of Representative Directors and executive officers who serve concurrently as directors, etc. In the presence of Selected Committee Members, the Committee discusses and makes decisions on the matters related to risk evaluation, the matters related to risk management priority measures and other important items related to risk management. It also deliberates in advance the status of sustenance in general of the Company's risk management approach for resolution at the Board of Directors Meeting.

The Risk Management Committee meets at least once every quarter, in principle, and more as deemed necessary.

(c) Financial Information Disclosure Committee

The Financial Information Disclosure Committee consists of executive officers who concurrently serve as directors in office that are in charge of the relevant departments. In the presence of Selected Committee Members, the Committee deliberates in advance the items related to the improvement of the financial disclosure system and the financial information to be disclosed for resolution at the Board of Directors Meeting, in order for the disclosure of the financial information to be made in accordance with the relevant laws in a timely and in an appropriate manner.

The Financial Information Disclosure Committee meets at least once every quarter, in principle, and more as deemed necessary.

(d) Appointment and Remuneration Committee

The Appointment and Remuneration Committee consists of five directors, including independent outside directors. The Committee deliberates in advance the appointment of candidates and remuneration for directors (excluding directors serving as members of Audit & Supervisory Committee) for resolution at the Board of Directors Meeting.

The Appointment and Remuneration Committee meets twice a year, in principle, and more as deemed necessary.

(2) Status of Internal Audit and Audit by Audit & Supervisory Committee

(A) Internal Audit

With an auditing staff of seventeen people, the Internal Audit Department verifies, evaluates, and recommends ways to address problems pertaining to compliance status, including observance of relevant laws, internal control initiatives, and other activities of the Company's business execution departments. In addition to ensuring conformity with various rules, the Department obtains an accurate understanding of the risks facing the Company. Based on this understanding, it conducts risk approach audits to evaluate the risk management stance of each relevant entity within the Company, and reports the results of such audits regularly to the Board of Directors and the Audit & Supervisory Committee. In addition, the Internal Audit Department conducts direct audits of subsidiaries in the ACOM Group and provides assistance to auditing staff of such subsidiaries, thus ensuring establishment of an effective Group auditing system.

(B) Audit by Audit & Supervisory Committee

Based on the Company's auditing policies and auditing plans, the Audit & Supervisory Committee attends the Executive Officers' Meeting and other important meetings and committees. Through examination of the Company's business and financial situation, the Audit & Supervisory Committee audits the execution of business by directors (excluding directors serving as members of Audit & Supervisory Committee) and makes appropriate and timely suggestions and recommendations to facilitate establishment of legal compliance and business ethics protocols. In addition, the Audit & Supervisory Committee works together with the accounting

auditors and the Internal Audit Department to ensure an accurate grasp of operating status and monitors and verifies the condition of internal control systems. The Audit & Supervisory Committee endeavors to share information in the Group with company auditors of its subsidiaries through active communications with the directors and company auditors of the subsidiaries.

A Member of Audit & Supervisory Committee, Kazuo Fukumoto, has abundant knowledge about financial and accounting affairs with his experience of having served as Chief General Manager of the corporate planning and administration and accounting departments and Executive Officer of the Company, as well as Director in charge of accounting department after his assumption of office.

(3) Status of Accounting Audit

(A) Names of Certified Public Accountants (CPAs) who audit the Company's Accounts, the audit corporation to which they belong, and their years of continuous audit service to the Company

Designated employee, managing partner: Taiji Suzuki, Deloitte Touche Tohmatsu LLC
Designated employee, managing partner: Hitoshi Torii, Deloitte Touche Tohmatsu LLC
Designated employee, managing partner: Kunikazu Awashima, Deloitte Touche Tohmatsu LLC

*Since all three auditors have served ACOM for less than seven years, their years of service have been omitted.

* The abovementioned audit corporation has put mechanisms in place to prevent the managing partners from participating in the auditing of the Company's accounts for longer than a certain period of time.

(B) Breakdown of Team Auditing the Company's Accounts

CPAs:	6 persons
Assistant certified public accountants, etc.:	5 persons
Other staff:	21 persons

(C) Breakdown of compensation for Auditors

Amounts of compensation, etc. for Accounting Auditors of the Company:

- Amount of compensation, etc. for the duties provided for in Article 2-1 of the Certified Public Accountants Act: 111 million yen
- Amount of compensation, etc. for the duties other than those provided for in Article 2-1 of the Certified Public Accountants Act: 2 million yen

(4) Breakdown of Compensation for Directors

(A) Directors: Number of payees: 9; Amount paid: 151 million yen
(B) Company Auditors: Number of payees: 4; Amount paid; 53 million yen

3. An overview of corporate governance system and reasons for employing such a system (Updated)

The Company shifted from a company with a Board of Company Auditors to a company with an Audit & Supervisory Committee with the approval of the general meeting of shareholders held in June 2017.

Of the four Members of Audit & Supervisory Committee, three are Outside Directors to ensure the independence of audits. Selected Committee Members attend important meetings including Executive Officers' Meeting, and committee meetings, ensuring a system in which they have opportunities to offer their opinions.

The Company aims to establish a structure capable of swift decision makings by delegating decision makings on material business executions to directors from the Board of Directors. The Board of Directors aims to enhance its supervisory functions thorough monitoring and other measures on delegated matters. Moreover, the Company aims to improve transparency and objectivity of its management with Audit & Supervisory Committee where majority of members are outside directors conduct audit and supervisory functions.

III Status of Implementation of Measures Concerning Shareholders and Other Stakeholders

1. Status of Efforts Made for Vitalization of General Meeting of Shareholders and Facilitation of Exercise of Voting Rights (Updated)

	Supplementary Description
Early Dispatching Convocation Notice for Ordinary General Meeting of Shareholders	The latest date of Ordinary General Meeting of Shareholders was June 22, 2017. The date of Dispatching Convocation Notice for Ordinary General Meeting of Shareholders was May 31, 2017.
Fixing the date for the General Meeting of Shareholders by avoiding inconvenient days	The Company fixes the date of the General Meeting of Shareholders for several days prior to those of other companies to enable shareholders to attend the meeting.
Exercise of voting rights by the electromagnetic means	Exercising voting rights is available by PC or Mobile Phone through Website.
Participation in electronic voting platform for institutional and other investors and other measures to enhance environment for institutional investors to execute their voting rights	The Company has participated in the “Electronic Voting Platform” for provided by ICJ, Inc. from 2015 (the 38th Annual General Meeting of Shareholders).
Providing Convocation Notice (Summary) in English	Convocation Notice in English is disclosed at the Company website.

2. Status of Investor Relations Activities (Updated)

	Supplementary Description	Explanations made by the Representative
Establishment and disclosure of Disclosure Policy	Our website (https://www.acom.co.jp/corp/english/ir/policy/) contains “IR Policy.”	
Financial Results Conferences for financial analysts and institutional investors are held on a regular basis.	The President & CEO explains the details of the business results and management plans for fiscal year-end in early May and the second-quarter period in early November. In late July and late January, respectively, the Chief PR & IR Officer, provides explanations of the business results for the first quarter and third quarter (as for the period from April 1, 2016, to March 31, 2017).	Applicable

	Supplementary Description	Explanations made by the Representative
Financial Results Conferences for investors at overseas are held on a regular basis.	The Chief PR & IR Officer explains the details of the business results for fiscal year-end in early May and the second-quarter period in early November (as for the period from April 1, 2016, to March 31, 2017).	Not applicable
Investor Relations materials are disclosed on the Company website.	Our website (https://www.acom.co.jp/corp/english/ir/) contains Securities Reports, brief statements of financial results, news releases, Annual Report, presentation material, Data Book, monthly report, convocation notice for ordinary general meeting of shareholders and Business Report in Japanese and English (as for the period from April 1, 2016, to March 31, 2017).	
A section/individual has been designated to take charge of investor relations.	Public & Investor Relations Office engages investor relations activities.	

3. Status of Efforts Made to Respect the Stakeholders' Position

	Supplementary Description
Respect for Stakeholders' Position is provided for under the internal rules, etc.	The Company includes "Respecting other people" and "Putting the customer first" under its corporate philosophy and the ACOM Group's Code of Ethics.
Implementation of environmental protection activities, CSR activities, etc.	Guided by the basic principle of the "Circle of Trust" spirit on which it was founded, the Company embraces a corporate philosophy emphasizing contribution to enriched cultural lifestyles. The Company engages in various social contribution activities in social welfare and regional contribution.
Formulation of policies for the provision of information to stakeholders	The ACOM Group's Code of Ethics provide for "maintaining transparency of management" and "disclosure of management information in timely and appropriate manner." The Company endeavors to maintain and improve transparency of management for the benefit of stakeholders through accurate and prompt disclosure of various management information. Concurrently, the Company concentrates on diverse investor relations activities both in domestic and overseas. These consisted of, but not limited to: earnings release conferences for the press, investors and institutional analysts; individual interviews; conference calls and overseas IR roadshow.

IV Basic Policies on the Internal Control System

1. Basic stance on internal control system and the development of such a system (Updated)

The Company resolved as described below on the development of its internal control system to ensure the appropriateness of its business activities, in accordance with the Companies Act, etc.

The Company is making efforts to periodically evaluate the status of improvement of the internal control system, take remedial measures as necessary, review the system to respond to changes in the business environment, etc. and improve the effectiveness of the internal control system.

[Basic Policy of Establishing ACOM Group's Internal Control System]

(1) System to ensure that execution of duties by the Directors and employees of the Company and its subsidiaries complies with laws, regulations and the Articles of Incorporation of the Company

(A) The Company regards compliance as the highest priority in the corporate management, and establishes the ACOM Group Code of Ethics and Code of Conduct, while developing the rules for compliance and various internal rules and making employees fully aware of them.

(B) The Company and its subsidiaries establish a committee on compliance, etc. and place officers in charge of compliance and departments with across-the-board responsibilities for compliance.

(C) The Company and its subsidiaries formulate compliance plans, while managing their progress.

(D) The Company and its subsidiaries establish contact points for reporting and inquiry by employees concerning the act of violations or possible violations of compliance.

(E) In accordance with the ACOM Group Code of Ethics and the Company Group's basic policy with respect to antisocial forces, the Company develops a system to prevent relations with antisocial forces and ensure appropriate business operations.

(F) In accordance with the Company Group's basic policy for the internal control over financial reporting, the Company develops a system to ensure the accuracy and reliability of financial reporting. The Company also establishes a system to disclose financial information by setting up a Financial Information Disclosure Committee.

(G) The Company establishes an internal audit department and ensures its independence and specialties. It also develops an internal audit system in accordance with the rules on internal audit to ensure the soundness and appropriateness of its business activities. In order to contribute to the development of internal controls at the subsidiaries of the Company, an internal audit department of the Company audits the subsidiaries and assists the subsidiaries with their audits.

(2) System concerning storage and management of information on the execution of duties by Directors of the Company

(A) In accordance with the rules for confidential information management and related rules, the Company establishes procedures for managing documents related to the execution of duties by the Directors (including electromagnetic records), stores and manages such information in an appropriate manner, ensuring that such documents are available for inspection by directors when necessary.

(B) In order to maintain the appropriateness of information storage and management, the Company appoints personnel responsible for information security management, determines the roles of respective organizations, officers and employees, and stores and manages information in a systematic manner. The Company regularly verifies the status of information storage and management.

(3) Rules concerning loss risk management and other systems of the Company and its subsidiaries

(A) The Company and its subsidiaries establish a system for proper and efficient risk management in accordance with the rules for risk management.

(B) In order to manage risks in an integrated manner, the Company and its subsidiaries establish a committee on risk management, etc. and officers and responsible departments in charge of risk management.

(C) The Company and its subsidiaries establish a system to minimize economic losses and loss of credibility and to continue or swiftly resume business operations in cases where risks that may have significant internal or external impacts arise.

(4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries

(A) The Company formulates management policies and management plans of the Company Group and carries out business management based on appropriate methods.

(B) The Board of Directors delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors to President and Director. The Company establishes the Executive Officer's Meeting presided over by President and Director to discuss and decide on delegated matters.

(C) The Company and its subsidiaries, based on internal rules, etc., determine the division of duties by each organization and the criteria of decision making for each position so as to make decisions more quickly and execute duties more efficiently.

(5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries

(A) While maintaining independence as a publicly-traded company, the Company coordinates with the parent company in accordance with the rules for consultation and reporting with the parent company. The Company also establishes the Group's business management systems in accordance with the parent company's policy for its group management so as to contribute to the appropriate business operations of both of the groups.

(B) The Company establishes departments for managing its subsidiaries, and manages its subsidiaries in accordance with the rules for management of subsidiaries, etc. The subsidiaries of the Company report important matters related to management and business execution to the Executive Officers' Meeting of the Company.

(6) System for employees to assist the Audit & Supervisory Committee of the Company in the execution of their duties

(A) The Company will establish the Administration for Audit & Supervisory Committee to assist in the Audit & Supervisory Committee's duties, and assign assistants for the Audit & Supervisory Committee.

(B) The number of employees to assist the Audit & Supervisory Committee and their requirements will be decided after discussion with the Audit & Supervisory Committee.

(C) Employees to assist the Audit & Supervisory Committee will be exclusively in charge of work that assists the Audit & Supervisory Committee, and will not be subject to instructions and orders from the Directors (except for Directors serving as Members of Audit & Supervisory Committee) and other operational organizations.

(D) Assignment, transfer, evaluation and disciplinary action of employees who assist the Audit & Supervisory Committee will be decided after discussion with the Audit & Supervisory Committee.

(7) System for reporting to the Audit & Supervisory Committee of the Company

The Company reports the following matters at the Company and its subsidiaries to the Audit & Supervisory Committee. In addition, the Company will not treat any person who has reported to the Audit & Supervisory Committee unfavorably as a reprisal to such reports.

(i) Matters which may significantly damage the company
(ii) Material breach of laws and regulations, etc.
(iii) Implementation status and results of an internal audit
(iv) Status of whistleblowing and the details of cases reported
(v) Other matters that the Audit & Supervisory Committee ask the company to report

(8) Other systems to ensure that audits are effectively implemented by the Audit & Supervisory Committee of the Company

(A) The Company will ensure a system that allows Members of Audit & Supervisory Committee selected by the Audit & Supervisory Committee to: attend the Executive Officers' meetings, and other important meetings and committees; and have access to the important documents concerning the execution of duties, such as statutory documents.

(B) President and Director will have regular meetings with Members of Audit & Supervisory Committee selected by the Audit & Supervisory Committee to exchange opinions on issues with which the Company should deal, issues concerning the execution of duties, and primary issues on audits. They will also take actions regarding the matters that the Audit & Supervisory Committee deems necessary to be addressed.

(C) Directors (except for Directors serving as Members of Audit & Supervisory Committee) and employees will respect the rules of the Audit & Supervisory Committee and other rules, including audit policies, and will cooperate with the Audit & Supervisory Committee for inspection and consultation requests.

(D) The internal audit department will establish a cooperation system with the Audit & Supervisory Committee in order to contribute to ensuring the effectiveness of audits by the Audit & Supervisory Committee.

(E) The Audit & Supervisory Committee specifies a budget for expenses acknowledged by the Audit & Supervisory Committee to be necessary for the execution of their duties. Any expenses expended urgently or extraordinarily beyond the budget can be claimed after the event.

2. Basic stance on the Exclusion of Anti-Social Forces and the Status of Improvement

(1) Basic Policies on the Exclusion of Anti-Social Forces

The Company ensures that it carries out its business in a way that is both appropriate and safe by clarifying the Code of Conduct on the basic position to be taken against anti-social forces and groups to the effect that "the Company will not succumb to any unjust demands or acts of interference with businesses by anti-social forces such as so-called corporate racketeers and crime syndicates," and that "the Company will take uncompromising actions against any aforementioned unjust demands, etc. in coordination and cooperation with the relevant departments, and inform immediately the relevant regulatory authorities of such events and enlist their cooperation," as well as by laying down the basic policy against anti-social forces, which all executives and employees are required to observe.

(2) Status of Improvement toward Exclusion of Anti-Social Forces

(A) Establishment of internal rules

The Company has established internal rules providing for the basic matters concerning the improvement and establishment of a system to prevent business with anti-social forces, and actions to be taken.

(B) Control department

In April 2008, the Company designated the Compliance Department as the controlling department regarding actions to be taken against anti-social forces, and to give support to and control the departments that may have contact with anti-social forces.

(C) Coordination with external professional institutions

In addition to notifying police and obtaining legal advice in an emergency, the Company endeavors to reinforce coordination with external professional institutions by participating in the regular meetings of the

Council for the Prevention of Specific Violations, of which the Company is a member, to receive guidance from law enforcement authorities, and to provide workshops for practical operation staff.

(D) Collection and management of information

The Company has established a centralized system of collecting, managing and storing in the database information relating to anti-social forces.

(E) Status of formulating manuals for countermeasures

The Company has created manual that provides for specific countermeasures against anti-social forces.

(F) Status of implementation of workshops

To obtain further understanding of the internal rules and manuals, and make sure appropriate actions are taken, e-learning study are conducted at the workplace. In addition, study meetings such as video-assisted training sessions are carried out for staff at the workplace by the department addressing countermeasures against anti-social forces.

V Others

1. Introducing Takeover Defense

Introducing Takeover Defense	Not applicable

Supplementary Description to the Relevant Item

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2. Other Matters Concerning Corporate Governance System (Updated)

[Outline of Timely Disclosure System]

(1) Our basic policies for timely disclosure

The Company discloses information based on Financial Instruments and Exchange Act and timely disclosure rules, etc. established by Tokyo Stock Exchange. The Company has made an effort for strict information management under following basic policies.

Management and disclosure methods for important information are executed by internal rules of the Company such as "Regulations on prevention of insider trading" and "Manual for insider information management."

○ Based on procedures stipulated by Tokyo Stock Exchange, the Company discloses information in timely and proper manner regarding "Information on business, operation and financial results of listed company that may have an extremely material influence on investors' investment decisions," which comes from Financial Instruments and Exchange Act and timely disclosure rules, etc. established by Tokyo Stock Exchange.

○ Considering the influence on investors' investment decisions and in order to respond to shareholders and investors' expectations, the Company discloses information in timely and proper manner by internal rule and procedures even if the information is not applicable to "Timely disclosure of corporate information," established by Tokyo Stock Exchange.

(2) Status of internal framework regarding timely disclosure

(A) Decision making

For the matters decided by Board of Directors and Executive Officer's Meeting, directors who are in office and in charge, Corporate Planning Dept., Public & Investor Relations Office, General Affairs Dept. and related divisions engage in consultation under the timely disclosure rules. The Company makes judgments on importance of information and necessity of timely disclosure.

(B) Significant events

We have established a structure to have the chief general manager of the General Affairs Dept. be immediately informed from each department, including the subsidiaries, when material information arises in the Company or its subsidiaries.

Directors who are in office and in charge, Corporate Planning Dept., Public & Investor Relations Office, General Affairs Dept., and related departments hold conferences based on the timely disclosure policy, etc. Significance of the events and the necessity of announcement are evaluated and then reported to Board of Directors and Executive Officer's Meeting.

(C) Information regarding financial results

Information regarding financial results are consulted in advance by "Financial Information Disclosure Committee" where executive managing officer in charge of Treasury Dept. is appointed as the chairman. It is disclosed in timely and proper manner after approval from Board of Directors.

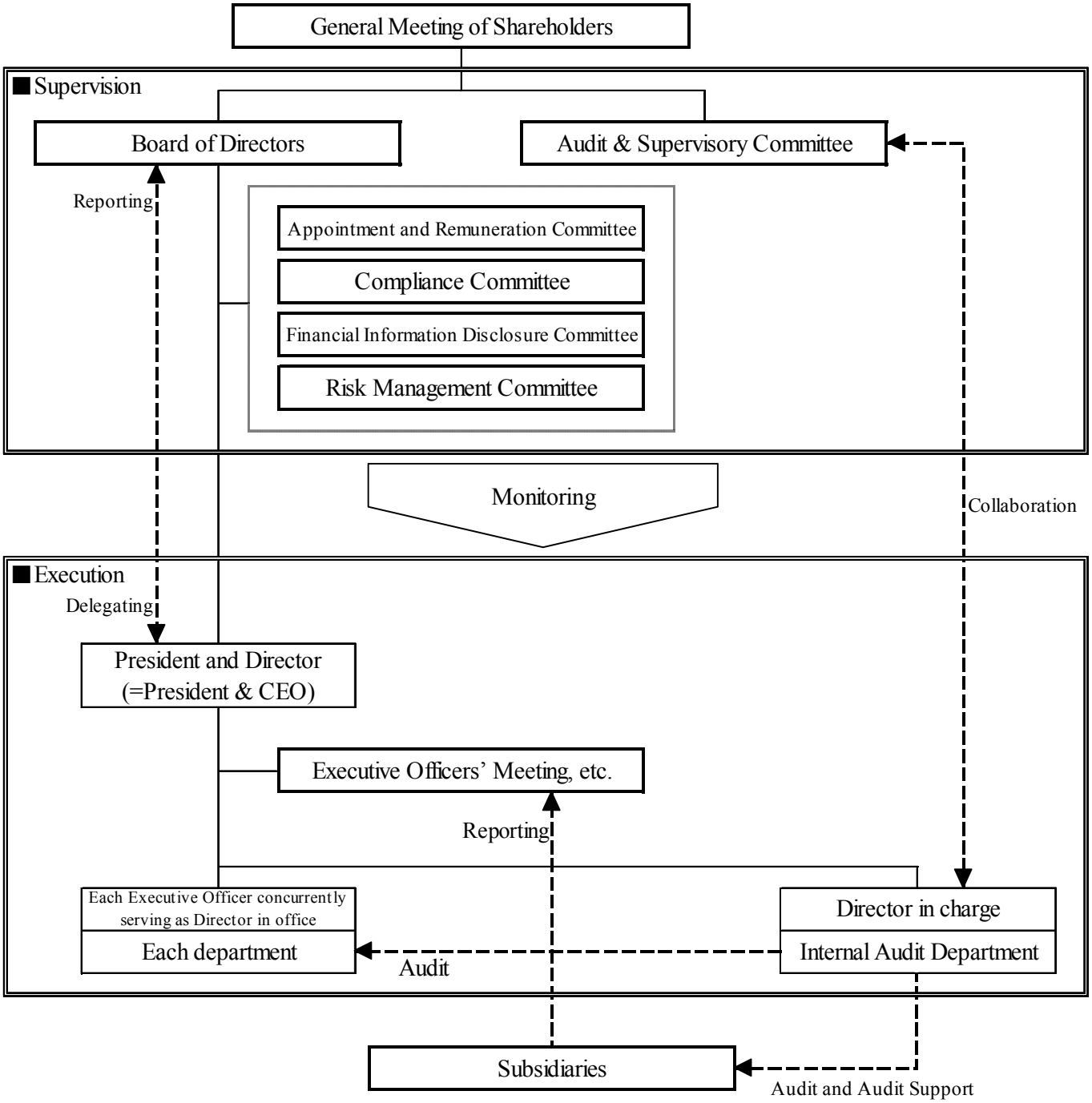
(3) Timely Disclosure Methods

Important information, which is applicable to timely disclosure rules established by Tokyo Stock Exchange, is disclosed through TDnet provided by Tokyo Stock Exchange. After the information is disclosed, the Company promptly distributes the information to the press and posts it on the Company's website to ensure timely and fair disclosure.

(4) Monitoring for framework of timely disclosure

To ensure that framework of timely disclosure is appropriately working, the company monitors the framework. Internal audit division periodically executes internal audit, and Audit & Supervisory Committee executes the monitoring from their independent and objective standpoints.

Corporate Governance and Internal Control System Structure



Internal System of Timely Disclosure for the Company Information

