GAKUJO Co.,Ltd.

Corporate Governance

Last Update: February 20, 2019
GAKUJO Co., Ltd.
Representative Director and President: Kiyokazu Nakai
Contact: Administrative Department: 06-6346-6830
Securities Code: 2301
http://company.gakujo.ne.jp

This document explains the corporate governance of GAKUJO Co., Ltd. (the “Company”).

I Basic views on corporate governance, capital structure, corporate attributes, and other basic information

1. Basic Views

Our basic views on corporate governance are as described in the following “Basic Philosophy” and “Management Philosophy,” both of which have been long upheld since our foundation.
[Basic Philosophy]
We endeavor to be a company contributing to society through our work.
[Management Philosophy]
With firm belief in future success, and with unfaltering drive, intending to be a pioneer in the information industry,

1. We are dedicated to virtuous and fair sales operations;

2. We always face up to daunting challenges without fear;
3. We plan, develop, and propose products that meet the current needs of the age;
4. We are sincerely and honestly determined to present not only good products, but also good workers; and
5. We aspire to share successes and hardships with our customers.

Based on the above philosophy, we view corporate governance as a framework in which proper operational execution systems are established, in which the Board of Directors are actively engaged in the corporate decision-making process, and in which management surveillance and fraud prevention are properly executed.

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

[Supplementary Principle 1-2-4] < Improvement of environment for exercising voting rights and English translation of convocation notice >
We constantly endeavor to promote and improve relevant environments in which shareholders' rights can be substantially secured and properly exercised.
For information transmission to foreign shareholders, account-settlement documents disclosed on our Web site are translated into English.
At present, convocation notices of general meetings of shareholders are not translated into English because the percentage of foreign investors is not high. However, as the percentage rises in future, and exceeds, for example, 20%, English translations may be considered.
Furthermore, platforms that facilitate the exercising of voting rights are not utilized at present because of the relatively low percentage of institutional investors; the introduction of such platforms will also be considered as the percentages rises, with the costs to be incurred, etc., to be taken into account.

[Supplementary Principle 4-1-3] < Succession planning for the CEO and other top executives >
We are not currently engaged in planning for the selection and development of successors to the Representative Director and President, who is the chief executive officer. Our policy is to use ample time in order to select a new CEO from among qualified candidates while taking into consideration the character, accomplishments and capabilities of these candidates as well as the opinions of external directors and external corporate auditors at meetings of the Board of Directors.

[Supplementary Principle4-2-1] < The proper setting of the remuneration ratio linked to mid- to long-term performance results and the remuneration ratio of cash and stock. >
For directors' remuneration, in addition to fixed amount remuneration (monthly), and bonuses linked to short-term performance results, a restricted-stock system is introduced as remuneration linked to mid- to long-term results.
Decisions regarding the policy for directors' remuneration and the amount to be paid, in order to contribute to the Company's sustained growth, will continue to take into account all applicable factors while placing emphasis on discussions

at meetings of the Board of Directors.

[Supplementary Principle 4-10-1] < Use of optional approach >
The Company is a company with Board of Corporate Auditors and has no independent advisory committee. Although independent external directors are not currently a majority of the total number of directors, decisions about the appointment and dismissal of directors and corporate auditors are made by the Board of Directors, which includes independent external directors and independent external corporate auditors. Remuneration is determined following examinations by the Board of Directors, which includes independent external directors and independent external corporate auditors, and is within the limit for total remuneration resolved at the general meeting of shareholders.
In addition, we believe that governance is properly functioning for decisions about other important matters as these decisions are made after thorough discussions and examinations by the Board of Directors, which includes independent external directors and independent external corporate auditors.

[Supplementary Principle 4-12-1] < Operations of the Board of Directors >
Each director/corporate auditor is notified of the meeting schedule for the Board of Directors, to be held next fiscal year. A meeting of the Board of Directors is held every month. Board materials are sent in advance, as required. Any information required by Directors to make important decisions are deemed to be presented and shared at weekly operational report meeting attended by directors, full-time corporate auditors, and responsible persons in charge of departments.
With regard to deliberation of each agenda at a meeting of the Board of Directors, sufficient time is deemed to be spent at the initiative of the chairperson, who makes it a rule to seek opinions of officers attending the meeting concerning each agenda.

[Disclosure based on the principles of the CorporateGovernance Code] Updated

Disclosure items based on the principles of the Corporate Governance Code, as indicated below.

[Principle 1-4] < Policies for strategic shareholdings >
The Company's policy is to retain only strategic shareholdings that contribute to the Company's sustained growth and the growth of corporate value. We will properly reexamine current strategic shareholdings and sell all or part of holdings that do not have significant benefits.
For execution of voting rights as to strategic shareholdings, we are taking appropriate measures by making decisions properly based on making a contribution to the Company's growth and corporate value as well as to shareholders' value.

[Principle 1-7] < Management system forrelated-party transactions >
When the Company engages in transactions with its directors and competitors, in order to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders, etc., a Board resolution should be required. In addition, each officer is required to submit a "Confirmation concerning Related Parties" every year to identify

any and all transactions with them and their relatives, etc.

[Principle 2-6] < Roles of Corporate Pension Fund as Asset Owner >
The policy for pension fund assets is to use a safe and long-term approach for comprehensive earnings required for the reliable payment of pensions to fund beneficiaries.
For pension fund asset management, we appoint persons in charge of the Finance Department who have the necessary knowledge and experience. We are constantly acquiring the latest information and new knowledge in order to further upgrade expertise for asset management. We have constant communications with several asset management organizations in order to receive professional knowledge and advice in a timely manner. We establish a policy-based asset weighting and reexamine this weighting as needed while checking and assessing asset management performance.

[Principle 3-1] < Basic views and policiesconcerning the management philosophy, management strategies, management plans,and corporate governance >
(1) The Company objectives (management philosophy and basic philosophy) are indicated on the Compliance Guideline page of our Web site, and thoroughly observed by all officers and employees.
https://company.gakujo.ne.jp/compliance/index.html
(2) For company management plans, the mid-term management plan is established from time to time, and indicated on our Web site accordingly.
https://company.gakujo.ne.jp/ir/materials/index.html
(3) Basic views and policies concerning corporate governance are as indicated in “1.1 Basic views,” herein.

< Policies and procedures in determining remuneration of directors, etc. >
Directors’ remuneration consists of the basic monthly remuneration and bonus. The basic remuneration is calculated, based on the title of each director, within the upper limit of the total amount determined at a general meeting of shareholders, considering the levels generally applied within the industry and other companies of a similar scale, and determined at a resolution in a meeting of the Board of Directors, including independent external directors.
Bonuses are determined, based on the personal contributions in connection with corporate performance within each term.
Furthermore, remuneration-type restricted stocks are provided as directors’ remuneration, etc., within the scope approved at a general meeting of shareholders.
Remuneration for each corporate auditor is also calculated within the upper limit of the total amount determined at a general meeting of shareholders, and determined at a resolution of the Board of Corporate Auditors.

< Policies and procedures, as well as reasons, for appointment and nomination of candidates for directors and corporate auditors >
In consideration of the current scale of business operations and other factors, the Company regards it as appropriate to have four directors, including one external director, in order to maintain the objectivity and transparency of corporate

management.
When appointing candidates for directors and corporate auditors, the Representative Director and President proposes appropriate candidates. Selections take into account the balance of knowledge, experience, and ability of directors, as well as the diversity of the entire Board, according to the internal rules on qualification standards for selecting directors. The Board of Directors, which includes independent external directors, then discusses the proposed candidates, approves the final selections and submits the candidates as an agenda item at the general meeting of shareholders. Reasons for individual selections/appointments are disclosed, as appropriate.

[Supplementary Principle 4-1-1] < Overview of scope of matters delegated to the management >
The Company ensures that matters to be resolved by the Board of Directors, and other similarly important matters, are discussed and determined by the Board of Directors, including external directors and corporate auditors. Matters to be decided concerning operational performances are delegated to the relevant directors in charge, according to the overall directions in management plans and management strategies, etc., to be discussed by the Board of Directors, so that the decision-making and management processes can be expedited effectively. The performances of the respective directors in charge are supervised by the Board of Directors.
The details about matters to be delegated are specified in the Functional Authority Regulation and the Circular-based Decision-Making (Ringi) Regulation, etc.

[Principle 4-8] < Action policy forselecting independent external directors constituting at least one third of thetotal number of directors >
At present, the Company has one external director and two external corporate auditors who are registered as independent officers.
Due to the importance of the role of external directors specified in the Corporate Governance Code, we believe that independent external directors should be approximately one-third of all directors. We will study measures for increasing the number of external directors, including the selection of suitable candidates.

[Principle 4-9] < Independence criteriafor independent external directors >
The Company selects and appoints independent external directors in accordance with the requirements for external directors, stipulated in the Companies Act of Japan and the independence criteria specified by the financial instruments exchange.
In that process, the Company makes it a rule to select candidates for independent external directors who are expected to contribute to frank, active, and constructive discussions at Board meetings.

[Supplementary Principle 4-11-1] < Views on appropriate balance between knowledge, experience, and ability, as well as the diversity and scale of the Board of Directors as a whole >
The Company considers that the Board of Directors should be composed of directors equipped with diverse experiences,

broad perspectives, and advanced skills appropriate to supervise business performances and to make important decisions/assessments expeditiously and correctly. For external directors, two persons capable of proper supervision of business performances from the external perspective are selected and appointed.

[Supplementary Principle 4-11-2] < Concurrent positions of directors and corporate auditors held at other listed companies >
Our external directors or external corporate auditors do not hold concurrent positions at other listed companies. Our directors and corporate auditors, other than the external directors and external corporate auditors, do not hold concurrent positions at other listed companies.
Concurrent positions of directors and corporate auditors are as described in the Convocation Notice of the General Meetings of Shareholders.
http://www2.tse.or.jp/disc/23010/140120190107457289.pdf

[Supplementary Principle 4-11-3] < Overview of results of analyses and evaluations for effectiveness of the Board of Directors as a whole >
The Board of Directors meeting is generally held every month to discuss or report important items thoroughly and expeditiously, as appropriate.
For external directors and external corporate auditors, proper information exchange opportunities are provided prior to each meeting of the Board of Directors so that active discussions may ensue.
The effectiveness of the Board of Directors as a whole is evaluated by conducting annual hearings with directors concerning the Board management methods, contents of agenda, and frequency of utterances by each director, etc. With these efforts, the effectiveness is deemed to be sufficiently secured.

[Supplementary Principle 4-14-2] < Training policies for directors and corporate auditors >
Newly elected directors and corporate auditors receive training about the business activities of the Company, industry trends and other subjects when assuming their posts.
The Company supports directors and corporate auditors in their performance of duties by providing them with information on recent industry trends, relevant business situations and other items so that they can fulfill their duties to the fullest extent.
Newly elected external directors and external corporate auditors also receive explanations about management strategies, service operation status, business challenges and other items from the relevant officers and the Administrative Department when assuming their posts so that they have a sufficient understanding on these matters.

[Principle 5-1] < Policies for improvement of systems and actions to promote constructive dialog with shareholders >
The Company has a strong commitment to a constructive dialog with investors, including our shareholders, as shown by the following activities, in order to achieve sustainable growth and enhance corporate values.

(1) Relevant activities are reviewed and implemented, as appropriate, at the initiative of the director in charge of the Administrative Department and the manager of the Administrative Department, under the comprehensive supervision of the Representative Director and President, in coordination with the related departments.

(2) Dialog methods include convocation of information meetings for results of operations, open and forthright operations of general meetings of shareholders, proper information disclosure by means of the Company Web site, and visits to institutional investors.

(3) The Representative Director and President, the director in charge of the Administrative Department, and the general manager of the Administrative Department report investors' opinions and other feedback to the Board of Directors, as appropriate.

(4) In the dialog with shareholders and investors, no insider information (unpublicized significant facts) is transmitted. Insider information is managed according to the "Regulations concerning Management of Internal Information, etc.," the "Rules on Insider Trading of Stocks, etc.," and other relevant internal regulations.

(5) Shareholder surveys are used as required to determine the composition of the Company's shareholders.

[Principle 5-2] < Establishment of business plans by reflecting the cost of capital >
The Company allocates IT system investments, human resources and other resources in a timely manner to key business operations and services with growth potential based on the proper determination of the cost of capital and while reexamining the business portfolio as needed from a medium- to long-term perspective. In addition, this information is disclosed in a suitable manner.

2. Capital structure

Foreign shareholding ratio	10% or more, and less than 20%

[Status of major shareholders] Updated

Name/company name	Number of shares owned	Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,044,000	13.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,912,800	12.29
Ambitious Inc.	1,500,000	9.64
GAKUJO Co., Ltd.	800,856	5.14

The Asahi Shimbun Company	778,000	5.00
Asahi Gakusei Shimbunsha	778,000	5.00
Kiyokazu Nakai	629,600	4.04
Gakujo Employee Stock Ownership Association	549,500	3.53
JPLLC CLIENT SAFEKEEPING ACCOUNT	507,800	3.26
Taishi Nakai	421,300	2.70

Controlling shareholder (except for parent company)	———
Parent company	None

Supplementary explanation
———

3. Corporate attributes

Listed stock market and market section	Tokyo Stock ExchangeFirst Section
Fiscal year-end	October
Business category	Services
Number of employees (consolidated) as of the end of the previous fiscal year	100 or more, and less than 500
Sales (consolidated) as of the end of the previous fiscal year	Less than 10 billion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	Less than 10

4. Guidelines for measures to protect minority shareholders in conducting transactions, etc. with controlling shareholders

———

5. Other special circumstances that may have a material impact on corporate governance

———

II Business management organization and other corporate governance systems with regard to decision-making, execution of business, and oversight in management

1. Organizational composition and operations, etc.

Organization form	Company with Corporate Auditors

[Directors]

Maximum number of directors, stipulated in Article of Incorporation	7
Term of office for director, stipulated in Article of Incorporation	2 years
Chairperson of the Board	President
Number of directors Updated	4
Selection status of external director	Selected
Number of external directors	1
Number of independent directors among external directors	1

External directors' relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Sakae Miki	From other company											○

* Categories of relationship with the Company

* “○” when the director presently falls, or has recently fallen, within the category; “△” when the director fell within the category in the past
* “●” When a close relative of the director presently falls, or has recently fallen, within the category; “▲” when a close relative of the director fell within the category in the past

a. Executive officer in a listed company or its subsidiary
b. Executive officer or non-executive director of a parent company of a listed company
c. Executive officer of a brother company of a listed company
d. Person whose main business partner is a listed company or an executive officer of the same
e. Main business partner of a listed company or an executive officer of the same
f. Consultant, accountant, or legal expert who receives a large amount of cash or other properties from a listed company, in addition to executive remuneration
g. Major shareholder of a listed company (if the said major shareholder is a corporation, an executive officer in the said corporation)
h. Executive officer in a business partner of a listed company (that does not correspond to d, e, or f; applies only to the person in question)
i. Executive officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
j. Executive officer in an entity that receives a donation from a listed company (applies only to the person in question)
k. Others

External directors’ relationships with the Company (2) Updated

Name	Independent director	Supplementary explanation for applicable items	Reasons for appointment
Sakae Miki	○	———	Following his long career with The Asahi Shimbun, Mr. Sakae Miki gained extensive exper

Voluntary establishment of committees corresponding to nomination committee or remuneration committee	Not established

[Corporate auditors]

Establishment of the board of corporate auditors	Established
Maximum number of corporate auditors, stipulated in Article of Incorporation	5
Number of corporate auditors	3

Cooperation among corporate auditors, accounting auditors, and internal audit departments

Corporate auditors, accounting auditors, and internal audit departments strive to share information on operational and accounting issues by exchanging opinions regularly at compilation of audit plans or quarterly audits, etc.

Appointment of external corporate auditors	Appointed
Number of external corporate auditors	2
Number of external corporate auditors who are designated as independent officers	2

External corporate auditors' relationships with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kiyoshi Hori	Attorney													○
Yoshinobu Mae	Tax accountant													○

* Categories of relationship with the Company
* "○" when the corporate auditor presently falls, or has recently fallen, within the category; "△" when the corporate auditor fell within the category in the past
* "●" when a close relative of the corporate auditor presently falls, or has recently fallen, within the category; "▲" when a close relative of the corporate auditor fell within the category in the past

a. Executive officer in a listed company or its subsidiary
b. Non-executive director or accounting advisor of a listed company or its subsidiary
c. Executive officer or non-executive director of a parent company of a listed company
d. Corporate auditor of a parent company of a listed company
e. Executive officer of the brother company of a listed company
f. Person whose main business partner is a listed company or an executive officer of the same
g. Main business partner of a listed company or an executive officer of the same
h. Consultant, accountant, or legal expert who receives a large amount of cash or other properties from a listed company, in addition to executive remuneration
i. Major shareholder of a listed company (if the said major shareholder is a corporation, an executive officer in the said corporation)
j. Executive officer in a business partner of a listed company (that does not correspond to f, g, or h; applies only to the person in question)
k. Executive officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
l. Executive officer in an entity that receives a donation from a listed company (applies only to the person in question)
m. Others

External corporate auditors' relationships with the Company (2)

Name	Independent officer	Supplementary explanation for applicable items	Reasons for appointment
Kiyoshi Hori	○	———	Mr. Kiyoshi Hori works primarily as an attorney. The Company has thus appointed
Yoshinobu Mae	○	———	Mr. Yoshinobu Mae works primarily as a tax accountant. The Company has thus ap

[Matters relating to independent officers]

Number of independent officers Updated	3

Other matters relating to independent officers

———

[Incentives]

Implementation status of policies concerning incentives for directors	Introduction of performance-based remuneration: Introduction of a restricted-stock system

Supplementary explanation for applicable items

Directors' remuneration is paid according to their individual performance attained in each term, based on the Company policy that each director is obligated to clarify his/her responsibility for performances in fulfillment of his/her duties. In addition, the Company has adopted a share remuneration-type restricted stocks designed to provide compensation linked to corporate share prices in order to provide each director with a mid- to long-term incentive for performance improvement, based on individual roles.

[Matters relating to remuneration to directors]

Disclosure (of individual remuneration of each director)	Individual remuneration is not disclosed.

Supplementary explanation for applicable items

Individual remuneration is not disclosed.

Policy on determination of remuneration amounts or calculation methods	Not established

Disclosure of policy on determination of remuneration amounts or calculation methods

———

[Supporting system for external directors (external corporate auditors)]

The Company selects and appoints external directors and external corporate auditors. Any necessary information to be transmitted specifically to external corporate auditors is provided primarily by the full-time corporate auditors. When any explanations or materials are necessary prior to a meeting of the Board of Directors, relevant matters are provided by the Administrative Department, functioning as a secretariat for the Board of Directors; pertinent information is also transmitted by directors and departments in charge.

2. Matters concerning functions of business execution, auditing, oversight, nomination, and remuneration decisions (overview of current corporate governance system) Updated

The Board of Directors has four members. Meetings are regularly held once a month and ad hoc meetings are held as required. Corporate auditors (two of whom are external corporate auditors) attend important meetings, including meetings of the Board of Directors, to supervise corporate management practices.
With regard to corporate management execution, in order to expedite business practices and to grasp any departmental problems and respond to them without delay, weekly operational report meetings attended by directors, corporate auditors, and responsible persons in charge of departments nationwide are held through the teleconference system; in addition, all of them attend a monthly operational report meeting at the Head Office. Corporate auditors (full-time) always attend meetings of the Board of Directors, the weekly operational report meetings, and the monthly operational report meetings to express their opinions, as appropriate, and to maintain close coordination with persons in charge of internal audits in order to enhance the effectiveness of their auditing functions. The Company establishes the Internal Audit Office (one director and one internal auditor) as part of the internal check system, directly under the President, to audit departmental operations according to audit plans. Audit results are expeditiously reported to the President and are used for guidance to audited departments to improve the items pointed out. The auditees are requested to report the improvement status to ensure that business operations are conducted according to regulations. In the implementation of audits, the effectiveness is enhanced by close coordination with corporate auditors. With regard to accounting audits, Deloitte Touche Tohmatsu LLC is selected and appointed for the task, and assigned not only to conduct regular audits, but also to provide the Company with proper consultation and confirmation concerning accounting issues, as appropriate, in order to enhance the transparency and

accuracy of accounting operations. The certified public accountants who performed accounting audits for the Company were Mr. Toshio Wada and Minoru Nishikata, both of whom are members of Deloitte Touche Tohmatsu LLC. As of October 2018, the continuous audit period for Mr. Wada was five years, and that for Mr. Nishikata was four years.

3. Reasons for adopting current corporate governance system Updated

The appointment of one external director and two external corporate auditors is considered to be a sufficient preventive measure or a safety valve against unbridled business practices by the management at the Board of Directors. These external officers perform proper supervising functions for the management by attending not only the Board of Directors' meetings, but also other important meetings.
Weekly operational report meetings, attended by directors, corporate auditors, and responsible persons in charge of departments nationwide, are held through the teleconference system; in addition, all of them attend a monthly operational report meeting at the Head Office. Corporate auditors (full-time) always attend meetings of the Board of Directors, the weekly operational report meetings, and the monthly operational report meetings to express their opinions, as appropriate, and maintain close coordination with persons in charge of internal audits in order to enhance the effectiveness of their auditing functions.

III Implementation of measures for shareholders and other stakeholders

1. Measures to vitalize general meetings of shareholders and to ensure the smooth exercising of voting rights

	Supplementary explanations
Scheduling a general meeting of shareholders by avoiding the peak day	The Company sets the date for settlement of account on the last day of October, and holds a regular general meeting of shareholders near the end of January.

2. IR activities

	Supplementary explanations
Regular investor briefings for analysts and institutional investors	The President gives regular management briefings in person for analysts and insti
Posting IR materials on the Web site	The Company endeavors to disclose accurate information on its Web site in a time

Establishment of department (manager) in charge of IR	The officer in charge of IR is the Representative Director and President. The depa

3. Measures in order to respect the shareholders' position

	Supplementary explanations
Others	With regard to personal information protection, the Company establishes the "Personal Information Protection Policy" in order to exhibit its dedication to high ethical standards and corporate behaviors. The Company also establishes the "Personal Information Protection Regulation" based on the requirements of the Compliance Program (JISQ15001) and is certified to indicate "Privacy Mark" by JIPDEC.

Ⅳ Matters related to the internal control system

1. Basic views on the internal control system and progress of system development Updated

The Company establishes the following "Basic Philosophy" and "Management Philosophy" as fundamental guidelines for all directors, corporate auditors, and employees to follow in performing their business operations.

[Basic Philosophy]
We endeavor to be a company contributing to society through our work.

[Management Philosophy]
With firm belief in future success, and with unfaltering drive, intending to be a pioneer in the information industry,

1. We are dedicated to virtuous and fair sales operations;
2. We always face up to daunting challenges without fear;
3. We plan, develop, and propose products that meet the current needs of the age;
4. We are sincerely and honestly determined to present not only good products, but also good workers; and
5. We aspire to share successes and hardships with our customers.

The Company regards it an important management responsibility to establish and implement proper business execution systems according to the above philosophy.

1. Systems for ensuring compliance with laws, regulations, and the Company's Articles of Incorporation in execution of duties by directors and employees
In order to ensure the sustainable growth of the corporation, the Company considers it essential for all directors and employees to regulate their conduct in a fair and ethical manner in the spirit of strict compliance, and establishes

appropriate systems and structures accordingly.

(1) The Company endeavors to ensure that codes of conduct applied to directors and employees are thoroughly communicated and understood, and implements annual compliance training targeted at directors and employees, Furthermore, the Company not only complies with laws and regulations, but also acts according to business ethics and social norms as a responsible member of society, and strives to realize sound corporate management.

(2) Directors perform respectively assigned duties according to the relevant decisions made by the Board of Directors, and report the performance status to the Board of Directors.

(3) The Board of Directors is attended by external directors and external corporate auditors who are attorneys at law, and who supervise and check directors' execution of duties, including the establishment/implementation status of internal control systems, according to the Compliance Guidelines, the Board of Directors Regulation, and the Job Authority Regulation, etc.

(4) The Company introduces and implements a whistle-blower system connected to a law firm and an external operational outsourcee to ensure that compliance-related problems, including legal violations, etc., can be expeditiously detected and solved.

2.System for retention and management of information relating to execution of duties by directors

Information concerning decisions made at meetings of the Board of Directors, operational performance report meetings, and other important meetings, as well as information concerning the execution of duties of directors should be safely and properly retained, depending on the retention media, based on the Document Management Regulation and the Personal Information Protection Regulation, etc. The directors and corporate auditors maintain these documents so that they can always be made available.

3.Regulations and other systems for managing risks of losses

Against various risks, according to their magnitudes and possibilities, the Company always prepares proper countermeasures in advance, and performs systematic actions to minimize the risks.

(1) Against risks relating to personal information protection, the Company acquires "Privacy Mark," certifying the establishment of regulations for personal information protection according to the compliance program requirements (JISQ15001), and establishes education/training and management systems to be applied to directors and employees.

(2) In the case of any serious danger or emergency situation, the Company establishes the "Emergency Headquarters" led by the Representative Director and President as the Head, who takes command of handling the situations and establishes systems for taking actions promptly and properly.

4. Systems to ensure efficient execution of duties by directors

(1) The Company holds not only regular monthly meetings of the Board of Directors, but also ad-hoc meetings of the Board of Directors, in order to discuss, review, and decide important matters, as appropriate.

(2) In order to share the progress status of departmental operational figures and other relevant information, as well as

problems, weekly operational report meetings attended by directors, corporate auditors, and responsible persons in charge of departments nationwide are held; in addition, all of them attend a monthly operational report meeting so that business operations can be executed expeditiously and efficiently.

5.Systems for ensuring proper operations of the corporate group consisting of the Company, its parent company, and subsidiaries

The Company, at present, has no parent company or subsidiary, etc.; however, if any corporate group is formulated in the future, the Company will implement proper administrative control by establishing management regulations for related companies, etc.

6.The Company, at present, has no parent company or subsidiary, etc.; however, if any corporate group is formulated in the future, the Company will implement proper administrative control by establishing management regulations for related companies, etc.

When the corporate auditors request employment of employees assisting their duties, the Board of Directors, in consultation with the corporate auditors, makes necessary personnel assignment. The personnel affairs of such employees should be maintained independently from the Board of Directors by making it necessary to obtain prior consent of the corporate auditors.

7.Matters concerning ensuring the effectiveness of instructions to employees assisting the duties of corporate auditors

The provision that employees supposed to assist duties of corporate auditors need to comply with the corporate auditors' instructions and orders must be thoroughly communicated and understood by directors and employees of the Company.

8.Systems for reporting to corporate auditors by directors and employees, and other systems for reporting to corporate auditors

(1) Corporate auditors attend not only meetings of the Board of Directors but also important meetings including operational report meetings, etc., in order to grasp important decision-making processes and contents and operational execution status, conduct on-site investigations at relevant departments and hearings, etc. with persons in charge of departments, access important documents, including those for the circular-based decision-making process (Ringi-sho), and seek explanations from directors and employees, as required. In that case, directors and employees need to make prompt reports.

(2) The Company establishes systems in which, when directors and employees detect any legal violations and other facts that could cause significant damage to the Company, they need to submit prompt reports to corporate auditors or the Board of Corporate Auditors.

(3) The Company prohibits any unfair treatment of directors and employees who have made reports to corporate auditors or the Board of Corporate Auditors because of having made such reports, and ensures that this prohibition provision is thoroughly communicated to, and understood by, directors and employees.

9. Other systems for ensuring effective audits by corporate auditors

(1) The Representative Director and President exchanges opinions regularly with corporate auditors at a monthly meeting of the Board of Directors, and holds regular meetings with corporate auditors to exchange opinions about issues to be handled and other important matters concerning audits.

(2) Corporate auditors maintain close coordination with the Internal Audit Office, receive internal audit plans and result reports from the Internal Audit Office, and endeavor to develop a close relationship with the Internal Audit Office by attending internal audits on site.

(3) Corporate auditors regularly exchange opinions with accounting auditors and the Administrative Department, and establish a system in which they can confirm the adequacy of financial reports through those regular exchanges.

(4) When the Company is requested by corporate auditors for advance payment of expenses, approved by public laws and regulations for execution of their duties, the Company, after discussing the matter with the relevant department, makes the payment or discharges debts without delay, unless such expenses or debts for which the payment is requested are deemed unnecessary for the corporate auditors' execution of duties.

2. Basic views on elimination of antisocial forces and implementation status

The Company thoroughly forbids any relation with antisocial forces that threaten the order and safety of civil society, and has no transactions with corporations, organizations, and individuals that may be linked with such forces. The Company also avoids any connection with such forces in advance, never succumbs to unjust demands from them, and solves such problems by legal means.In order to eliminate antisocial forces, the Company reinforces coordination with the police and other administrative bodies, as well as external specialized organizations, including attorneys at law, etc., by exchanging relevant information and attending various training sessions, etc., and promotes internal educational efforts by enhancing internal handling manuals, etc.

V Others

1. Adoption of anti-takeover measures

Adoption of anti-takeover measures	Adopted

Supplementary explanations for applicable items Updated

At the meeting of the Board of Directors held on December 5, 2016, the Company decided to update the measures concerning large-scale purchases of the Company's shares (anti-takeover measures) by means of partial re-organizations/amendments, rather than substantive changes of the content, as an arrangement for preventing any

inappropriate person from controlling the financial and operational policies of the Company (B (2), Item 3, Article 118 of the Enforcement Regulations for the Companies Act) in light of the basic policy for the status of persons controlling the determination of financial and operational policies of the Company, as stipulated in Item 3, Article 118 of the Enforcement Regulations for the Companies Act, and had the decision approved by the shareholders at the Regular General Meeting of Shareholders of the Company for the 39th Term, held January 20, 2017. For more details, please refer to the following page of the Company Web site:
https://company.gakujo.ne.jp/ir/press/index.html

2. Other matters concerning corporate governance system, etc. Updated

The Company endeavors to maintain proper systems constantly by making proper reviews and modifications on its corporate governance system in response to the ever-changing environments surrounding it. The outline is as stated in the schematic diagram below.

In addition, the Company has an internal system for timely disclosure of corporate information as described below. The outline is as stated in the schematic diagram below.

1. Timely Disclosure System
The Company has established the “Rules for Management of Internal Information, etc.,” for timely and appropriate disclosure in order to grasp material facts without delay. Additionally, the Company has in place a system whereby the Administrative Department centrally controls information for prompt disclosure. We have appointed the director in charge of the Administrative Department as the chief administrative manager. In addition, the Company holds training workshops and seminars for employees to promote awareness regarding the importance of managing internal information and improve their ability to make correct judgments on items that constitute internal information.

2. Grasping Material Facts
（1）Information related to decisions
The Company has in place a system by which important matters are decided without delay in regular monthly board of directors’ meetings and extraordinary board of directors’ meetings (held as necessary). All directors, statutory auditors, and the head of the Administrative Department (who records the minutes) attend board of directors’ meetings, and we attempt to disclose decisions that are judged to warrant disclosure promptly through the Administrative Department.
（2）Information related to material facts
When a material fact is distinguished, the department responsible for the said fact will send complete information immediately to the Administrative Department, which will then report it to the board of directors. Simultaneously, we will examine the content of the said fact and try to disclose information through the Administrative Department without delay if we judge that the fact warrants disclosure.

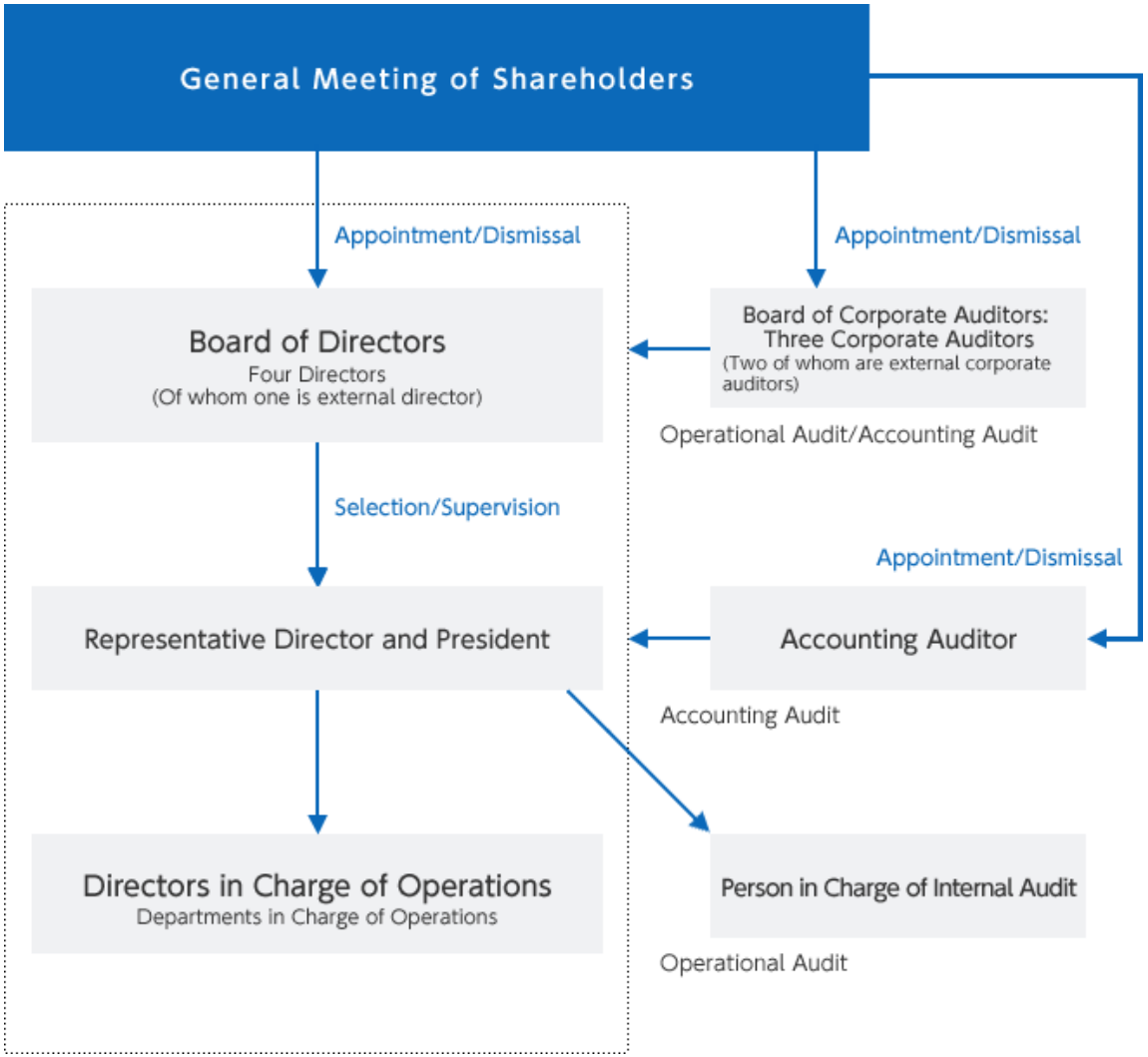
In addition, in order to be certain of distinguishing material facts, the Company instructs the heads of all divisions and departments to submit “a pledge letter related to management of internal information, etc.” to the board of directors to ensure that the heads report such facts accurately and quickly.

(3) Information related to financial results

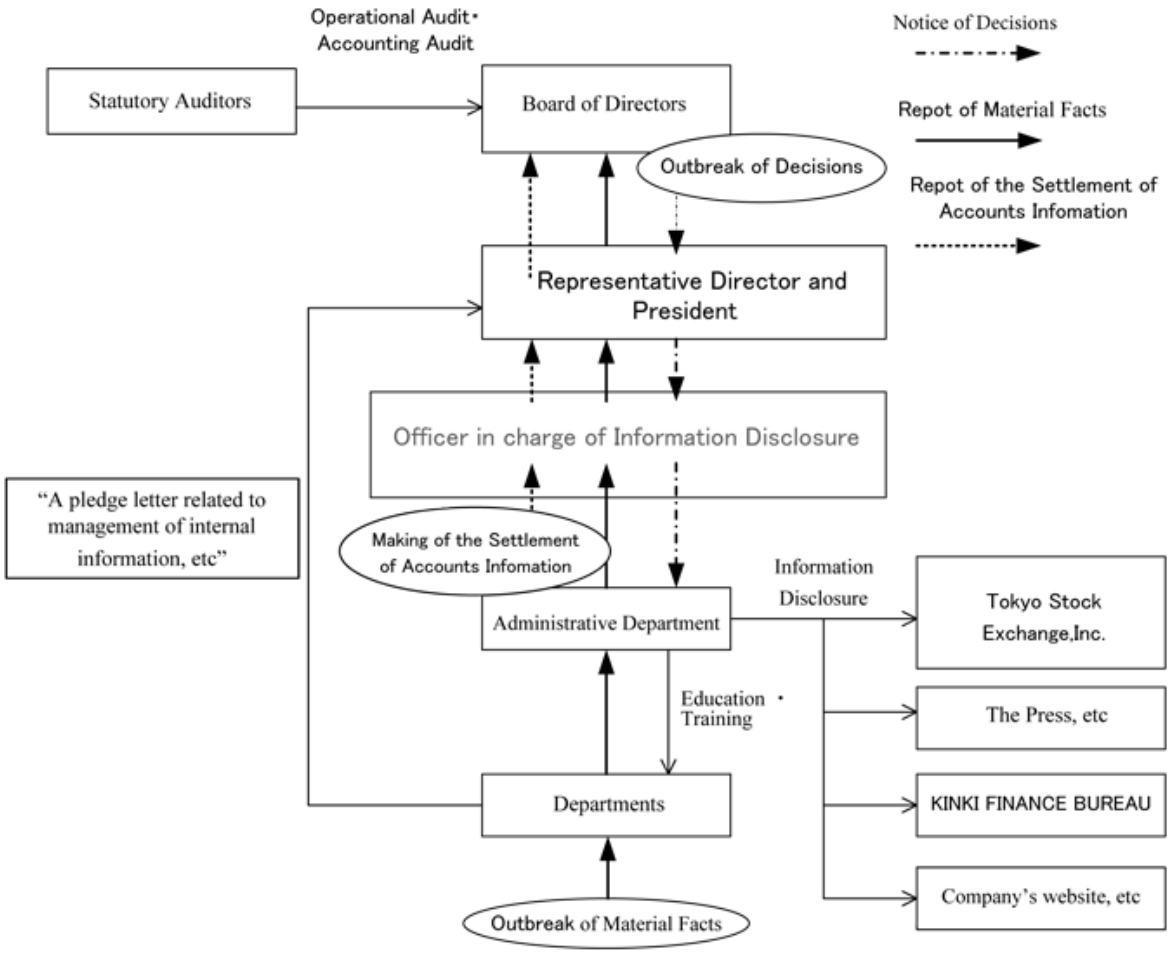
The Administrative Department finalizes numbers for financial statements as quickly as possible, sends them to be audited by statutory auditors, obtains final approval on the financial results from the board of directors, and discloses information on financial results on the same day. The Company makes it a rule to announce financial results roughly 45 days after the financial closing date. Furthermore, statutory auditors check transactions as necessary throughout the financial period in an effort to prepare accurate information regarding financial results.

3. Disclosure of material facts

The Administrative Department makes announcements pursuant to the rules specified by TD-NET, etc.; subsequently, it discloses the information to the press immediately. As soon as announcements to the press are made, the distributed materials will be available for viewing on the Company’s website.


General Meeting of Shareholders
Appointment/Dismissal
Appointment/Dismissal
Board of Directors
Four Directors
(Of whom one is external director)
Board of Corporate Auditors:
Three Corporate Auditors
(Two of whom are external corporate auditors)
Operational Audit/Accounting Audit
Selection/Supervision
Appointment/Dismissal
Representative Director and President
Accounting Auditor
Accounting Audit
Directors in Charge of Operations
Departments in Charge of Operations
Person in Charge of Internal Audit
Operational Audit

Internal System for Timely Disclosure of Corporate Information



Acrobat Reader is required to view these PDF files.