Corporate Governance Report

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of CONEXIO Corporation which has been reported to the Tokyo Stock Exchange.
CONEXIO Corporation provides this translation for reference and convenience purpose only and without any warranty as to its accuracy or otherwise, in the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

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

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

1. Basic Views

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

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

The Company has complied with all Principles of the Corporate Governance Code.

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

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

[Principle 1.4 Strategic-Shareholdings]
1. Policy on reduction of strategic-shareholding
While the Company may acquire shares of business partners as a means of creating business opportunities or strengthening business relationships, the holding of such shares is limited to the minimum amount necessary. If the holding of shares is deemed inappropriate, the Company will sell such shares by taking all factors into consideration, such as the impact on the market.

2. Examination of strategic-shareholding
We appoint a responsible department for each acquired strategic-shareholding and determine whether to invest in a particular investee in comprehensive consideration of the strategic significance or economic rationality (including capital cost).
Previously, such determination had not been made by the Board of Directors from the viewpoint of materiality in terms of monetary amount; from this fiscal year onwards, however, following the review of the internal regulations, listed shares will be examined on an issue-by-issue basis once a year by the Board of Directors with respect to the achievement of the purpose of the acquisition, medium- to long-term economic rationality (including capital cost) and future outlook to decide whether to continue to hold such shares.

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

[Principle 1.7 Related Party Transactions]
Any competitive transaction or conflict of interest transactions with the Company carried out by a director or transactions of any other important related party are subject to internal approval and the approval of the Board of Directors as necessary in accordance with the provisions of laws and regulations, the articles of incorporation, the board of directors regulations, and other internal regulations.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]
The Company only has a lump-sum retirement payment plan and does not have a corporate pension fund plan.

[Principle 3.1 Full Disclosure]
1. Company objectives (e.g., business principles), business strategies and business plans
Our objectives (reason for existence) are as follows: Under the philosophy statement “the Company is to connect people and values,” we aim to cherish one’s feelings, touch customer’s heart, and contribute to the realization of a secure and comfortable life and society. For more details of our corporate objectives, please refer to the website of the Company.
https://www.conexio.co.jp/en/ir/vision/ (in English text)
https://www.conexio.co.jp/corporate/vision/ (in Japanese text)

For our business strategies and plans, please refer to the website of the Company, our summary financial reports, annual securities reports, results briefing materials, etc.
Please also refer to the basic policy of the medium-term management plan “CONEXIO Plan 2020” (covering the period from the fiscal year ended March 31, 2019, through the fiscal year ending March 31, 2021) that the Company has formulated.
https://www.conexio.co.jp/en/ir/library/earning/2017/financialreport_FY17Q4.pdf (in English text)
https://www.conexio.co.jp/corporate/target/ (in Japanese text)
(please refer to“1. Overview of operating results, etc. (3) Outlook”on page 4 of the Appendix)

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

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

4. Policies and procedures for the appointment/dismissal of senior management executives and the nomination of candidates for Directors and Corporate Auditors
Please refer to II.2. of this Report.

5. Explanations with respect to the individual appointment/dismissal and nomination
Reasons for nomination of each candidate for Directors and Corporate Auditors are described in the notice of general shareholders meeting.
https://www.conexio.co.jp/en/ir/library/meeting/2018/generalmeeting_190606.pdf (in English text)
https://www.conexio.co.jp/ir/library/meeting/2018/2018001/shoshu_190530.pdf (in Japanese text)

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

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

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

Supplementary Principle 4.11.2 Concurrent positions held by Directors and Corporate Auditors
The Company discloses significant concurrent positions held by each Director and Corporate Auditor, including those at other listed companies, in the notice of general shareholders meeting.

Supplementary Principle 4.11.3 Evaluation of the Board of Directors
The Company regards efforts to improve the effectiveness of the Board of Directors as an important part of continuous improvement of corporate governance. As part of these efforts, the Company conducts an effectiveness assessment in principle once a year, and the effectiveness assessment for the fiscal year ended March 31, 2019 was conducted as follows:

(Effectiveness assessment process)
The effectiveness assessment was conducted under the leadership of the Governance Committee, which is a voluntary advisory committee to the Board of Directors and is chaired by an Independent Outside Director, and the results of the assessment were discussed and reviewed by the Board of Directors.

(Effectiveness assessment results)
After confirming that the responses to questionnaire items were generally appropriate through the assessment process outlined above, the Company concluded that the effective functioning of the Board of Directors is ensured.

The Company concluded that the following four points, which were included in the future steps set forth in the previous fiscal year, have all been dealt with and generally improved.

1. Monitoring of the medium-term management plan
2. Enhancement of prior explanations
3. Composition of the Board of Directors (pursuit of diversity)
4. Provision of training opportunities to Directors and Corporate Auditors

In this fiscal year, the questionnaire included many columns in which respondents could make comments, as a result of which the Company received diverse opinions and suggestions and recognized newly-emerged room for improvement for the following three points:

1. Status of committees (Nomination and Remuneration Committee and Governance Committee)
2. Formulation of corporate strategy
3. Improvement of materials for Board of Directors' meetings

(Future steps)
Based on assessment results mentioned above, in response to the recommendations received from the Governance Committee for further improvement of the functioning of the Board of Directors, the Board of Directors decided to work on the following matters:

1. Status of committees (Nomination and Remuneration Committee and Governance Committee)
Based on the latest precedents of other companies, we will once again review the members of each Committee and main matters for deliberation in each Committee.
2. Formulation of corporate strategy
When formulating a corporate strategy, we will summarize structural changes based on a longer timeframe and formulate such strategy from a broader perspective, e.g., initiatives to expand the business domain.
3. Improvement of materials for Board of Directors' meetings
We will enhance the materials for Board of Directors' meetings so that those present at the meetings will be able to engage in more fundamental debates.

For details, please refer to “Summary Results of Effectiveness Assessment of the Board of Directors of CONEXIO” disclosed on June 28, 2019.
https://www.conexio.co.jp/ir/ir-news/2019/190628_02.pdf (only available in Japanese text)

[Principle 4.14 Training of Directors and Corporate Auditors]
Supplementary Principle 4.14.2 Training policy
The Company conducts the following training to provide Directors and Corporate Auditors with knowledge and corporate information that are necessary for them to fulfill their respective roles and responsibilities. Training for Directors and Corporate Auditors are conducted based on the training policy and plan deliberated by the Governance Committee and determined by the Board of Directors:

- Providing lectures and training by external experts (lawyers) on laws and regulations that are relevant to the business of the Company, corporate governance and compliance topics.
- Arranging participation in seminars offered by external organizations for the acquisition of knowledge of management, accounting, legal affairs, etc., that are necessary for persons holding a position of Director/Corporate Auditor.
- Conducting training, briefing, and on-site visits for newly elected Outside Directors and Corporate Auditors to understand the history, business, and business strategy of the Company.

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

(1) Dialogue with shareholders is supervised by the President and the General Manager, Administration Group and also in charge of investor relations to promote active dialogue and timely and appropriate information disclosure.
(2) The department in charge of investor relations exchanges information with corporate planning, general affairs, finance, accounting, and legal affairs departments as appropriate on a daily basis under the system of organic coordination.
(3) As a means of enhancing the opportunities to have direct dialogue with shareholders other than interview on an individual basis, the Company conducts an informal gathering for discussion with shareholders

after the close of each annual general shareholders meeting in addition to regular results briefings for institutional and individual investors.

(4) Opinions and concerns of shareholders identified through the dialogue with shareholders are summarized by the department in charge of investor relations and reported to the Board of Directors and departments in charge as necessary for the sharing and effective use of such information.

(5) Insider information is strictly managed in accordance with internal regulations. To prevent the leakage of earnings information and ensure fairness, dialogue with investors is restricted during the quiet period for investor relations activities, which starts on the first day of the month immediately following the end of each quarter and ends on the date of the announcement of financial results (quarterly or annual).

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders] [Revised]

Name / Company Name	Number of Shares Owned	Percentage (%)
ITOCHU Corporation	26,996,000	60.34
HIKARI TSUSHIN, INC.	2,230,700	4.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,906,600	4.26
GOLDMAN SACHS INTERNATIONAL	1,539,220	3.44
NPBN-SHOKORO LIMITED	1,506,200	3.37
Japan Trustee Services Bank, Ltd. (Trust Account)	1,128,400	2.52
CONEXIO Employee Stock Ownership Association	599,072	1.34
GOVERNMENT OF NORWAY	507,041	1.13
Japan Trustee Services Bank, Ltd. (Trust Account 9)	386,100	0.86
Fukuda Shoji Y. K.	360,000	0.80

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

Supplementary Explanation [Revised]

It is described in the Report of Possession of Large Volume (Change Report) made available for public inspection as of May 16, 2018, that Tower Investment Management Co., Ltd. holds the following shares as of May 15, 2018. However, as the Company has been unable to confirm the number of shares effectively held by the company on March 31, 2019, this shareholding is not included in the table above.

The details of the shareholding as reported in the Report of Possession of Large Volume are as follows:

Large volume holder:	Tower Investment Management Co., Ltd. (Representative Director & President: Shinya Fujiwara)
Address:	Noyori Building 2F, 1-2-18, Shibadaimon, Minato-ku, Tokyo
Number of shares held:	3,592,300
Percentage of shares held:	8.03%

3. Corporate Attributes

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

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

ITOCHU Corporation is a majority shareholder of the Company. Although there are certain transactions between ITOCHU Corporation and the Company as of the date of submission of this Report such as sales of accessories and the payment of salary to seconded employees, the Company enters into fair transactions with ITOCHU Corporation under the terms that are consistent with those of normal transactions with independent third parties.
It is prescribed in the Corporate Code of Conduct and the CSR Policy that the Company will carry out fair transactions with all its business partners. This rule is strictly enforced under the oversight of the General Affairs Department, which serves as the secretariat for the CSR Committee, and compliance with the rule is regularly checked by the legal counsel, Corporate Auditors, and the Internal Audit Department.

5. Other Special Circumstances which may have Significant Impact on Corporate Governance

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

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

1. Organizational Composition and Operation [Revised]

Organization Form	Company with Corporate Auditors (*kansayaku secchi kaisha*)

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors [Revised]	8
Appointment of Outside Directors	Appointed
Number of Outside Directors [Revised]	3
Number of Independent Directors [Revised]	3

Outside Directors' Relationship with the Company (1) [Revised]

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

* Categories for Relationship with the Company

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

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

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

Outside Directors' Relationship with the Company (2) [Revised]

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kazuo Hosoi	○	Independent Director of the Company Mr. Kazuo Hosoi, who is designated as an Independent Director of the Company, had worked for Oracle Corporation Japan in the past and the Company has carried out certain transactions with the company. However, the description of these transactions is omitted because the Company has determined that there is no possibility that these transactions will affect the judgment concerning the exercise of voting rights of shareholders given the size and the nature of them.	- With his extensive experience and broad knowledge as a senior management executive, he is expected to help the Company strengthen its supervisory function over the execution of duties by the Directors. - We have appointed him as an Independent Director of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.
Hajime Miyamoto	○	Independent Director of the Company	- With his past experience as a Director of other companies as well as extensive experience, knowledge, etc., of the information and communications industry, he is expected to help the Company strengthen its supervisory function over the execution of duties by the Directors. - We have appointed him as an Independent Director of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.
Yuka Kawauchi	○	Independent Director of the Company	- With the experience she has amassed as a manager and her extensive experience in and knowledge of human resources development, she is expected to help the Company strengthen its supervisory function over the execution of duties by the Directors from a female Outside Director's perspective. - We have appointed her as an Independent Director of the Company because we have determined that she neither is nor was in a position that will give rise

			to any conflict of interest with general shareholders.

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

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

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation [Revised]

The Nomination and Remuneration Committee, which consists of the President (chairperson), a Director (part-time), and three Independent Outside Directors, holds a meeting at least once a year and states its opinions and provides advice to the Board of Directors.
<Attendance at Nomination and Remuneration Committee's meetings in the fiscal year ended March 31, 2019>
President (chairperson) Hiroo Inoue (4 out of 4 meetings), Director (part-time) Hiroshi Kajiwara (3 out of 4 meetings), Independent Outside Director Kazuo Hosoi (4 out of 4 meetings), Independent Outside Director Hajime Miyamoto (4 out of 4 meetings)

[Corporate Auditors]

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

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

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

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

Outside Corporate Auditors' Relationship with the Company (1)

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

* Categories for "Relationship with the Company"

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

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

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

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Takashi Endo	○	Lawyer Independent Corporate Auditor of the Company	- He has served as an Outside Corporate Auditor of the Company for many years and is familiar with the Company's business. His great knowledge and experience accumulated as an attorney of law will be very helpful for the Company's audit system. - We have appointed him as an Independent Corporate Auditor of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.
Osami Yoshida	○	CPA Independent Corporate Auditor of the Company Mr. Osami Yoshida, who is designated as an Independent Corporate Auditor of the Company, had worked for Deloitte Touche Tohmatsu LLC in the past, and the Company has carried out certain transactions with the company. However, the description of these transactions is omitted because the Company has determined that there is no possibility that these transactions will affect the judgment concerning the exercise of voting rights of shareholders given their size and nature.	- He is a certified public accountant and has expert knowledge of finance and accounting. He is expected to draw on his knowledge, experience, etc., to conduct audit at the Company. - We have appointed him as an Independent Corporate Auditor of the Company because we have determined that he neither is nor was in a position that will give rise to any conflict of interest with general shareholders.

[Independent Directors/Corporate Auditors] [Revised]

Number of Independent Directors/Corporate Auditors	5

Matters relating to Independent Directors/Corporate Auditors

The Company has established the nomination and independence criteria for candidates for Outside Directors and Corporate Auditors. The Company has designated all qualifying Outside Directors and Corporate Auditors as Independent Directors and Corporate Auditors.

[Nomination criteria]

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

[Independence criteria]

The Company designates a person who does not fall under any of the following criteria as an Independent Directors and Corporate Auditors:

1. Outside Director

(1) A person who currently holds or had held anytime during the last 10 years before the assumption of office any of the following positions at the Company or its subsidiary:
    a. Executive (meaning executive director, executive officer, or employee; the same shall apply hereinafter);
    b. Non-executive director (limited to those who had been an executive of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a non-executive director); or
    c. Corporate Auditor (limited to those who had been an executive of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a Corporate Auditor).
(2) A person who currently holds or had held anytime during the last 5 years before the assumption of office any of the following positions at the parent company of the Company:
    a. Executive or
    b. Non-executive director.
(3) A person who currently is or had been anytime during the last 1 year before the assumption of office an executive of a fellow subsidiary of the Company:
(4) A person who currently is or had been anytime during the last 1 year before the assumption of office a person whose main business partner is/was the Company or an executive of such a person.
(5) A person who currently is or had been anytime during the last 1 year before the assumption of office a person who is/was a main business partner of the Company or an executive of such a person.
(6) A person who currently is or had been anytime during the last 1 year before the assumption of office a consultant, an accounting expert, or a legal expert who receives/received a significant amount of money or other property from the Company other than remuneration as an Director of the Company (which shall be read as a consultant, an accounting expert, or a legal expert belonging to an organization if the person who receives/received such property is an organization, such as a juridical person, association, etc.).
(7) A close relative of a person who falls under the following description (excluding those who are insignificant):
    a. A person who currently is or had been anytime during the last 1 year an executive of the Company or its subsidiary.
(8) A close relative of a person who currently is a non-executive director of the Company.
(9) A close relative of a person who falls under any of (2) through (6) above (excluding those who are insignificant):

2. Outside Corporate Auditor

(1) A person who currently holds or had held anytime during the last 10 years before the assumption of office any of the following positions at the Company or its subsidiary:
    a. Executive;
    b. Non-executive director; or
    c. Corporate Auditor (limited to those who had been an executive or non-executive director of the Company or its subsidiary anytime during the last 10 years before the assumption of office as a Corporate Auditor).
(2) A close relative of a person who falls under any of the following descriptions (excluding those who are insignificant):
    a. A person who currently is or had been anytime during the last 1 year an executive of the Company or its subsidiary; or
    b. A person who currently is or had been anytime during the last 1 year a non-executive director of the Company or its subsidiary.

(3) A person who currently is or had been anytime during the last 5 year before the assumption of office a Corporate Auditor of the parent company of the Company:
(4) A person who falls under any of 1(2) through (6) above.
(5) A close relative of a person who falls under any of 2(3) through (4) above (excluding those who are insignificant).

* An executive of the Company or its subsidiary (excluding those who are insignificant) means an executive director and an employee who holds a position as a general manager, a manager of a branch office or a position that is equivalent thereto or above.
* A close relative means a relative within the second degree of kinship.

[Incentives]

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

Supplementary Explanation

An amount calculated based on the achievement ratio of certain performance indicators such as net income is determined as performance-based remuneration by the Board of Directors.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure

Supplementary Explanation

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

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

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

In the fiscal year ended March 31, 2019, the Company paid 108 million yen to six Directors (including 10 million yen to two Outside Directors) as fixed remuneration. The Board of Directors also approved the payment of 23 million yen to three executive Directors as performance-based remuneration (bonuses).

Regarding remuneration for directors,
(1) Fixed remuneration, (2) Performance-based remuneration, and
(3) Medium- to long-term performance-based remuneration, are paid within the total amount resolved at the general shareholders meeting.

(1) Fixed remuneration amount
The fixed remuneration amount is determined by the President through decision of the Board of Directors, and in accordance with the internal regulations after considering the practice of corporate ethics, the compliance of Corporate Code of Conduct, or the organizational operations from the long-term perspective. In addition, an amount calculated based on the achievement ratio of certain performance indicators such as net income is determined by the Board of Directors as performance-based remuneration.

(2) Performance-based remuneration amount
An amount calculated based on the achievement ratio of certain performance indicators such as net income is determined as performance-based remuneration by the Board of Directors.

(3) Medium- to long-term performance-based remuneration amount
The Company has implemented medium- to long-term performance-based remuneration (medium- to long-term incentives) in the period of the current medium-term management plan "CONEXIO Plan 2020" (covering the period from the fiscal year ended March 31, 2019, through the fiscal year ending March 31, 2021) with the objective of heightening awareness toward contributing to performance improvements and the growth of enterprise value in the medium to long term. The remuneration amounts will be paid in cash, adding up the fixed remuneration amount currently being paid and the performance-based remuneration amount, within the total amount approved by the general shareholders meeting, and on the condition that the medium-term management plan "CONEXIO Plan 2020" is achieved. It is planned that the Board of Directors will determine the amounts by making calculations based on the achievement rate of the plan and the rate of increase of the stock price after the expiration of the covered period.
(Part-time Directors and Outside Directors are only paid the fixed remuneration in (1)).

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

To support Outside Directors, the Corporate Planning Department provides them with board meeting materials together with their explanation in advance. In addition, they are provided with various opportunities to understand the business of the Company on an ongoing basis. The Company also holds meetings with the President for the exchange of opinions as well as the Independent Outside Directors and Corporate Auditors Liaison Conference to exchange information and share perspectives from an independent and objective standpoint and has appointed a Chief Independent Outside Director to improve the system pertaining to the coordination with the management, Directors, and Corporate Auditors.
Outside Corporate Auditors are provided with necessary information by the full-time Corporate Auditors during the meetings of the Board of Corporate Auditors and other times as appropriate. In addition, they are provided with training opportunities and financial support to such training as well as financial support to receive advice from external experts as necessary.

[[Status of Persons Who Resigned as President and Representative Director, etc.]]

Names and Other Information of Advisors and Counsellors who were Formerly President and Representative Director, etc.

Name	Title / position	Business content	Daily work style / condition (Full-time / part-time, with or without compensation)	The date of retirement of the President etc	Term of office
–	–	–	–	–	–

Total number of advisors and counsellors who were formerly president and representative director, etc.**: 0**

Other matters [Revised]

The Company has an advisor and counsellor system, but currently, there are no persons who are in the position.

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

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

(Board of Directors)
1. The Board of Directors consists of eight Directors (including three Outside/Independent Directors) and holds regular meetings once a month. The Board makes decisions on important management matters and supervises the execution of duties by the Directors in accordance with the provisions of laws and regulations, the articles of incorporation, the Board of Directors Regulations, etc.
2. Directors, based on their roles determined by the Board of Directors, execute the businesses of the Company in accordance with the provisions of laws and regulations, the articles of incorporation, the Board of Directors Regulations, and other internal regulations. The representative Director and the Directors who execute the businesses of the Company report the status of the execution of their duties to the Board of Directors on a monthly basis, in principle.
<Attendance at Board of Directors' meetings in the fiscal year ended March 31, 2019>
President (chairperson) Hiroo Inoue (19 out of 19 meetings), Director and Senior Managing Executive Officer Riichiro Metoki (19 out of 19 meetings), Director and Senior Managing Executive Officer Hiroshi Suguta (19 out of 19 meetings), Director (part-time) Hiroshi Kajiwara (19 out of 19 meetings), Independent Outside Director Kazuo Hosoi (19 out of 19 meetings), Independent Outside Director Hajime Miyamoto (19 out of 19 meetings)
3. To further enhance the governance function of the Board of Directors, the Company has established the Nomination and Remuneration Committee and the Governance Committee as advisory committees on a voluntary basis. The main matters for deliberation and their structure are as follows:

■ Nomination and Remuneration Committee

[Main matters for deliberation]
・Composition of the Board of Directors
・Nomination (appointment) criteria and process for candidates for Directors/Corporate Auditors and executive officers
・Succession plan
・The design of the Remuneration plan for Directors and executive officers
[Structure]
Number of Committee Members: 5
President as chairperson, one part-time Director and three Outside/Independent Directors.

■ Governance Committee

[Main matters for deliberation]
・Basic governance policy
・Evaluation of effectiveness of the Board of Directors
・Training policy
[Structure]
Number of committee members: 7
Chief Outside/Independent Director as chairperson, President, two Inside Directors (including one part-time Director), two Outside/Independent Directors, and one full-time Corporate Auditor.
4. Regarding the composition of the Board of Directors, the Company ensures the diversity of knowledge, experience, and skills of the members by appointing Outside Directors with diverse knowledge and backgrounds who have a thorough knowledge of management, legal affairs, financial accounting, etc., after securing a certain number of Directors (excluding Outside Directors and Corporate Auditors) from the perspectives of sales, control, administration and corporate planning. In view of international-mindedness, the Company has appointed multiple Directors with extensive overseas business experience. In terms of gender, the Company—which previously had no female Directors or Corporate Auditors—appointed one female Director at the General Meeting of Shareholders held on June 25, 2019 based on the view that it is important to provide services with an understanding of the values of women, who account for half of the customers and employees of the Company's shop business. It is also prescribed in the articles of incorporation

that the number of Directors shall not exceed 10 and the term of their office shall be one year to create an optimal management system in an agile manner.
5. Candidates for a Director/Executive officer position are nominated as follows: Following the deliberation by the Nomination and Remuneration Committee, candidates are proposed, based on the following nomination criteria determined by the Board of Directors, by the President to the Board of Directors for its determination:
[Nomination criteria for Director candidates (excluding Outside Directors)]
Persons who have integrity, extensive practical experience in the information and communications technology industry, and strong management skills and insight.

[Nomination criteria for candidates for executive officers]
Persons who: are excellent in terms of both character and insight; are capable of fulfilling their duties; and have no reason for disqualification

In regard to the dismissal of Directors/executive officers, a Director is advised to step down and an executive officer is dismissed subject to resolution of the Board of Directors in cases where the following criteria applies.

[Dismissal criteria for Directors]
When the Director has performed an act suspected of corresponding to wrongdoing or breach of trust, or he/she does not have the aptitude of Director

[Dismissal criteria for executive officers]
When the executive officer has violated the rules of executive officers, or he/she is deemed to be the wrong person for executive officer for other reasons

For the status of Outside Directors, please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

(Board of Corporate Auditors)
1. The Board of Corporate Auditors consists of four Corporate Auditors (including two Outside/Independent Corporate Auditors) and holds regular meetings once a month.
2. Corporate Auditors, pursuant to the Board of Corporate Auditors Regulations and the Corporate Auditor Audit Standards and based on the audit policies and audit plans developed by the Board of Corporate Auditors, conduct audits of the execution of duties by the Directors to examine its appropriateness through such means as attending important meetings such as those of the Board of Directors, investigating the status of businesses and property, and coordinating with the accounting auditor.
3. It is also prescribed in the articles of incorporation that the number of members shall not exceed 5 for agile operations.
4. Candidates for a Corporate Auditor position are nominated as follows: Following the deliberation by the Nomination and Remuneration Committee, candidates are proposed, based on the following nomination criteria determined by the Board of Directors, by the President to the Board of Directors for its determination subject to the consent of the Board of Corporate Auditors:
[Nomination criteria for Corporate Auditor candidates (excluding Outside Corporate Auditors)]
Persons who have integrity, knowledge of the management of the Company, and extensive practical experience and expert knowledge in any of the following areas: legal affairs, accounting and tax, labor affairs, and IT.

For the status of Outside Corporate Auditors, please refer to II.1. [Independent Directors/Corporate Auditors] of this Report.

(Management Committee, Personnel Committee, and CSR Committee)
With regard to the matters within the scope of the business execution authority of the President, the Management Committee consisting of the President, General Managers of Groups and Divisions as permanent members holds meetings once a month in principle to advise the President on his important decisions. The Personnel Committee plays a similar role with regard to important matters concerning personnel affairs. The CSR Committee advises the President in the fields of compliance (Compliance Committee), internal control (Internal Control Committee), information security (Information Security Committee), environmental

protection activities (Environmental Committee), workplace safety (Safety and Health Committee), etc., while having these committees carry out various activities through which the Company can fulfill its social responsibilities and increase the chance of survival.

(Status of audits)
1. Internal audit
The Internal Audit Department reports directly to the President and has a team of twelve dedicated members engaging in internal audits in coordination with Corporate Auditors. The scope of these audits encompasses business activities of internal organizations in general and audits are conducted in accordance with the annual plan. Specifically the Department audits the status of compliance with laws and regulations, the articles of incorporation, and internal regulations as well as the appropriateness of internal control procedures (the design status) and the accuracy and efficiency of their operations (the operation status). Based on the audit results, the Department gives specific advices and recommendations to resolve any issues. The Department also works to raise the level of internal control in overall business operations by checking the remediation status. In addition, the Department is responsible for the independent assessment of the reporting on internal controls over financial reporting and conducts the assessment of the design and operation status of internal controls over financial reporting at the internal organizations subject to assessment. The Department reports audit results as appropriate to the President and full-time Corporate Auditors and regularly to the Board of Directors and the Board of Corporate Auditors.
2. Corporate Auditor audit
As part of Corporate Auditor audit, the full-time Corporate Auditor conducts audits on a daily basis based on the annual audit plan and reports results to the Board of Corporate Auditors. In addition, each Corporate Auditor regularly visits sites where sales activities take place and conducts interviews with various departments. The full-time Corporate Auditor, Mr. Takatoshi Otomura, has accumulated significant experience in examination and risk management operations over many years and has deep knowledge of business management and risk management. The Outside Corporate Auditor, Mr. Osami Yoshida, is a certified public accountant and has expert knowledge of finance and accounting.
3. Accounting audit
The Company has entered into an audit contract with Deloitte Touche Tohmatsu LLC for audits required to be performed by an accounting auditor under the Companies Act and the Financial Instruments and Exchange Act (including internal control audit). In the fiscal year ended March 31, 2019, the following certified public accountants performed accounting audits and internal control audits and the number of years of continued engagement of an accounting audit has not exceeded the number of years prescribed by the Certified Public Accountants Act.
Designated limited liability and managing partners: Hiroyuki Mizuno (of Deloitte Touche Tohmatsu LLC)
Designated limited liability and managing partners: Emiko Minowa (of Deloitte Touche Tohmatsu LLC)
Assistants: 3 certified public accountants and 17 other assistants

<Terms and conditions of the liability limitation agreements with Directors (excluding those who are executive directors, etc.) and Corporate Auditors>
The Company has entered into an agreement with Director Hiroshi Kajiwara, Director Kazuo Hosoi, Director Hajime Miyamoto, Director Yuka Kawauchi, Corporate Auditor Tatsushi Iwasaki, and Corporate Auditor Osami Yoshida to limit their liabilities under Article 423(1) of the Companies Act. The maximum amount of liability under the said agreement is the higher of 10 million yen or the minimum amount prescribed by laws and regulations.

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

The Company has elected to be a company with Corporate Auditors (and the Board of Corporate Auditors) (*kansayaku secchi kaisha*) as the Company believes that it is desirable that the supervision of the management by Corporate Auditors from the standpoint of experts is in place in addition to mutual oversight among Directors to ensure sound corporate operations under an effective mutual check-and-balance system.

To increase enterprise value continuously over the long term by swiftly adapting to the changing business environment and increasing the satisfaction of business partners and customers, the Company has adopted an executive officer system to appoint executive officers dedicated to business execution other than Directors.

Three Inside Directors with extensive knowledge of business are performing the supervisory function as General Managers of Groups from the perspective of strengthening governance.
Moreover, in addition to the appointment of multiple Independent Outside Directors and Corporate Auditors, the Company has established, on a voluntary basis, the Nomination and Remuneration Committee and the Governance Committee consisting of members including Independent Outside Directors as advisory committees to the Board of Directors.
With these mechanisms, the Company has determined that the governance system of the Company is functioning effectively.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sent the notice of the annual general shareholders meeting for the fiscal year ended March 31, 2019 four days (two business days) before the statutory deadline.
Scheduling AGMs Avoiding the Peak Day	The Company held the annual general shareholders meeting for the fiscal year ended March 31, 2019 on June 25, 2019 to avoid the peak day for annual general shareholders meetings.
Allowing Electronic Exercise of Voting Rights	The Company accommodates the exercise of voting rights through the Internet.
Providing Convocation Notice (Summary) in English text	The Company prepares the convocation notice of general shareholders meeting and the reference documents (summary) written in English and posts them on the website of the Company.
Other	To promote the exercise of voting rights, the Company discloses the notice of general shareholders meeting to the Tokyo Stock Exchange and publishes it on the website of the Company before it is sent to shareholders. For the fiscal year ended March 31, 2019, the Company disclosed it seven days before sending. Also for deeper understanding of shareholders, the Company conducts a webcast of business report slides, which are also published on the website of the Company. In addition, the Company holds an informal gathering for discussion with shareholders after the close of each annual general shareholders meeting for exchange of opinions in a friendly atmosphere.

2. IR Activities [Revised]

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	Holds investor briefings and exhibits IR fairs for individual investors for deeper understanding of the business, management plan, and financial results of the Company.	No
Regular Investor Briefings for Analysts and Institutional Investors	Holds regular investor briefings for analysts and institutional investors twice a year (after the announcement of the results for the first half of the year and for the full year) in addition to meetings held as appropriate on an individual basis for deeper understanding of the financial results and the management policy of the Company.	Yes
Posting of IR Materials on Website	Publishes earnings information, annual securities reports, and stock information as well as quarterly results briefing materials, timely disclosure materials, and various other information. * IR section of the website of the Company: https://www.conexio.co.jp/ir/	
Establishment of Department and/or Manager in Charge of IR	Officer in charge of investor relations: Shinji Nakata, Board Director and Managing Executive Officer General Manager, Administration Group Chief Compliance Officer Department in charge of investor relations: Corporate Planning Department, PR and IR Section	

	Person in charge of investor contact: Shinya Nakada, General Manager, Corporate Planning Department	

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates in the corporate philosophy, the Corporate Code of Conduct, and the CSR Policy that the Company will consider and respect stakeholders and aim to achieve sustainable growth of its enterprise value.
Implementation of Environmental Activities, CSR Activities etc.	Major offices of the Company have obtained the ISO certification for environmental management and information security. Under the CSR Committee the Company has also established committees in charge of the preparation and publication of the CSR reports and various activities for compliance, safety and health, and internal control for the promotion of collaboration with our stakeholders based on the Corporate Philosophy and the CSR policy.
Development of Policies on Information Provision to Stakeholders	As explained in V2 of this Report, policies for the management and external disclosure of significant information are prescribed in internal regulations and specific steps are prescribed in the manual of the department in charge of investor relations.
Other	The Company aims to realize the work-life balance through the promotion of the development of a flexible work-style and the creation of a work environment that enables each of the employees with diverse personality and values to work more effectively. With the percentage of female employees exceeding 50%, the Company endeavors to improve the work environment and culture on an ongoing basis to promote the empowerment of female employees and help them to keep a good balance between carrier development/work and family. [Work-life balance efforts and awards] October 2013 Received the “Kurumin” certification from the Ministry of Health, Labour and Welfare October 2016 Received the “Eruboshi” (highest level) certification from the Ministry of Health, Labour and Welfare November 2016 Approved as “TOKYO Company of declaration for Working-Style reforms” of Tokyo Metropolitan Government February 2018 Received the “Minister of Health, Labour and Welfare Award” at the 8th grand prize for “an enterprise that should be most valued in Japan” by the Japan Association of the Principle of Employee First Management and the Small and Medium-Sized Enterprise Research Institute of Hosei University Graduate Schools. July 2018 Received the "Platinum Kurumin" certification from the Ministry of Health, Labour and Welfare November 2018 Received the innovation award at the "GOOD CAREER COMPANY AWARD 2018" from the Ministry of Health, Labour and Welfare January 2019 Received the grand prize in the "Women's Participation Promotion Award" from the Tokyo Metropolitan Government February 2019 Accredited as “‘White 500’ superior company of health management of 2019” by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi

	[Status of the empowerment of female employees] (as of April 2019) Number of female employees holding a managerial position: 18; Number of female employees holding a shop manager position: 99; Percentage of female employees among all employees holding a managerial position: 9.4% ; Percentage of female employees among shop managers: 30.8% [Initiatives to promote the empowerment of female employees] The Company aims to raise the percentage of female employees among all employees holding a managerial position to 10% by the fiscal year ending March 31, 2020.

IV. Matters Related to the Internal Control System

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

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

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

(1) Corporate governance

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

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

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

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

e. In principle, the Company dispatches Directors and Corporate Auditors to subsidiaries to monitor the conformance of their execution of duties with the requirements of laws and regulations and the articles of incorporation.

(2) Compliance

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

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

c. The Company regularly provides the Directors, Corporate Auditors, and employees of its subsidiaries with training on legal compliance and other topics to raise awareness of compliance.

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

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

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

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

(3) Structure to ensure the appropriateness of financial reporting

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

(4) Internal audit

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

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

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

(2) Directors and Corporate Auditors may examine such documents, etc. at any time.

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

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

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

4. Structures to ensure the efficiency of the execution of duties by the Directors of the Company and its subsidiaries

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

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

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

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

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

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

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

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

(1) In the case where the assignment of employees to assist Corporate Auditors with their duties is requested by Corporate Auditors, the Company promptly assigns such employees after consulting with Corporate

Auditors. Corporate Auditor can give such employees directions and orders regarding the matters necessary for the implementation of audits.

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

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

7. Structures for the reporting to Corporate Auditors of the Company by Directors and employees of the Company and Directors, Corporate Auditors, etc., and employees of the subsidiaries of the Company (including those who have received reports from these persons) and other structures concerning the reporting to Corporate Auditors

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

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

(3) Upon request of the Corporate Auditors of the Company, the Directors and employees of the Company and the Directors, Corporate Auditors, and employees of the subsidiaries of the Company shall promptly report relevant matters concerning business execution to them.

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

8. Other structures to ensure the effectiveness of audits conducted by the Corporate Auditors of the Company

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

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

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

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

(Summary of the operation status of a system to ensure the appropriateness of business operations)

The summary of the operation status of a system to ensure the appropriateness of business operations for the fiscal year ended March 31, 2019 is summaries below.

(1) Execution of duties by Directors

・The Board of Directors holds regular meetings once a month generally and extraordinary meetings as necessary. In the fiscal year ended March 31, 2019, 19 meetings were held.

(2) Compliance

・Based on the compliance program and the annual plan set at the beginning of the fiscal year, all employees receive compliance training besides training upon joining the Company. The company holds a Compliance Awareness Month in which a written compliance decollation is signed. During this month, a written compliance declaration is signed, among other activities. The whistleblower program is reviewed by the Compliance Committee to ensure that it is operated appropriately. Measures to increase the awareness of the hotline contact such as putting up posters are also taken.

(3) Internal audit

・Base on the internal audit plan, the Internal Audit Department conducts audit and reports audit results appropriately to the President and full-time Corporate Auditors and regularly to the Board of Directors and the Board of Corporate Auditors.

(4) Risk management

・Based on the Management Review System, the effectiveness of the risk management system is reported to the Board of Directors.

(5) Subsidiary management system

・The Company has established the Affiliated Company Management Regulations for the management of the business operations of subsidiaries and has implemented requirements for its subsidiaries concerning the submission of request for prior approval of the Company and their other reporting requirements.

(6) Execution of duties by Corporate Auditors

・The Board of Corporate Auditors holds regular meetings once a month generally and extraordinary meetings as necessary. In the fiscal year ended March 31, 2019, 17 meetings were held. Corporate Auditors audit the appropriateness of the execution of duties by Directors based on the audit policy and the audit plan developed by the Board of Corporate Auditors.

(7) Ensuring the effectiveness of audit by Corporate Auditors

・Corporate Auditors strive to improve the effectiveness of their audits by attending the meeting of the Board of Directors, in addition to regular exchanges of information with the President, Directors , accounting auditors, and the Internal Audit Department.

2. Basic Views on Eliminating Anti-Social Forces

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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

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

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

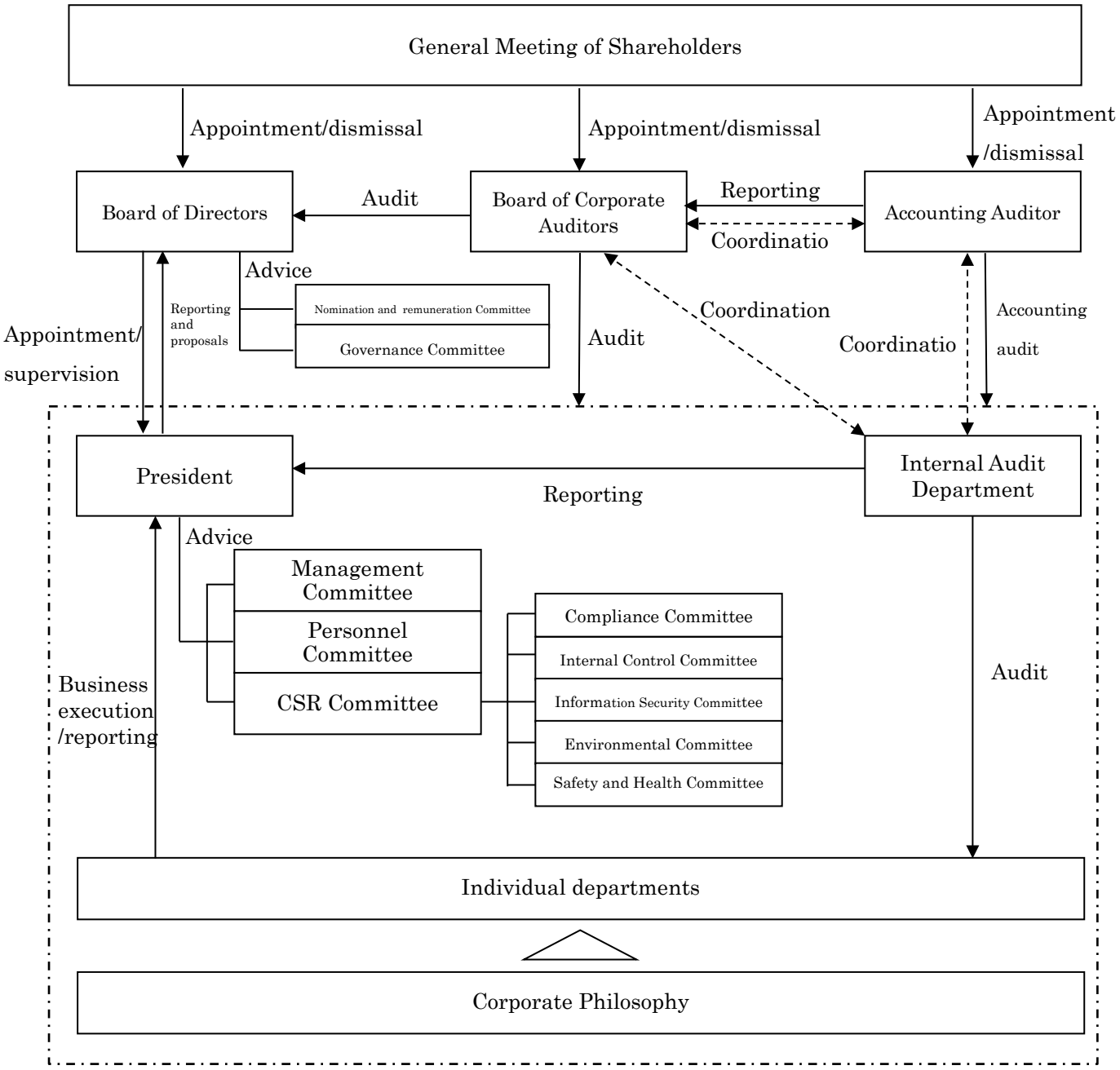
3. Internal structures concerning timely disclosure
(1) Corporate decision
A corporate decision refers to the fact that an organ of the Company that makes business execution decisions has made a decision that is expected to significantly affect the investment decisions of the investors of the securities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

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

(3) Timely disclosure
The disclosure content is prepared in compliance with the Timely Disclosure Rules and related regulations such as the Disclosure Ordinance. The Corporate Planning Department manages the corporate decisions that are made internally in a centralized manner. The Finance and Accounting Department and the Corporate

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

Corporate Governance Structure Chart



Outline of the Timely Disclosure Structure (schematic illustration)

