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[Summary]Corporate Governance Report

The status of Company's corporate governance is as follows.

I. Basic Approach to Corporate Governance

1. Basic Approach

The Company recognizes the importance of management as a company with social responsibilities, implements organizational structures and mechanisms for ensuring transparency and fairness in decision making, and positions the creation of relationships of trust with all stakeholders including shareholders to be one of the most important issues in management. For this reason, the Company aims to enhance corporate value and achieve sustained growth through the implementation and constant improvement of the following Corporate Governance Code.

[Reason for not Implementing the Principles of the Corporate Governance Code]

The Group implements all of the principles of the Corporate Governance Code revised in June 2018.

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

◆ Company objectives, business strategies and business plans (Principle 3-1-1)

The Company has established its management philosophy as follows, and aims to be a leading Japanese corporation as a “Comprehensive Engineering & Services Company.”

[Management philosophy]

1. Strive to be a leading Japanese corporation that realizes the highest levels of customer satisfaction and trust as a "Comprehensive Engineering & Services Company" that continually creates new value centered on the field of information and telecommunications.
2. Contribute to the realization of an enriched and comfortable society by placing value on safety and quality and offering the highest level of services.
3. Continue to be an enterprise that coexists and mutually prospers with people and society as a company that fulfils its corporate social responsibility and always respects human beings.

[Management plan]

In order to respond to changes in the business environment, achieve the enhancement of corporate value as a “Comprehensive Engineering & Service Company” and achieve sustained growth, the Group believes it is necessary to improve efficiency of management and further increase the productivity of existing businesses, while expanding and strengthening the competitiveness of new businesses (“frontier domains”) in the medium to long term.

To achieve this, the Group has established its 4th three-year medium-term management plan starting in FY2019.

[Overview of New Mid-term Plan]

1. Key Initiatives
   (1) Generating new business opportunities
   - Support regional development by leveraging the expanded regional coverage achieved through management integration
   - Facing the challenge of new business opportunities transcending the conventional framework of business areas and technologies

(2) Acceleration of transformation of business structure
- Acceleration of transformation from carrier business to solution business
- Promotion of transformation of quality in solution business (emphasis on profit)

(3) Improvement of productivity and streamlining of business operation costs
- Ensuring operation of construction work through stronger ties with partner companies
- Sharing of systems and consolidation of common operations

(4) Strengthening of human resources
- Improvement of productivity and securing of human resources through work style reforms
- Strengthening and utilization of human resources supporting expansion into new business domains and transformation of business

(5) Promotion of ESG management and improvement of safety and quality
- Accurately perceiving business in terms of both risk and opportunity from the perspective of strengthening ESG
- Establishment of the MIRAIT Group brand responding to customers' needs for peace of mind and reliability in "improvement of safety and quality"

(6) Capital policy
- Maintaining a sound financial standing
- Management conscious of capital cost
- Shareholder returns to be considered with the objective of achieving ROE of more than 8%.

2. Targeted Management Benchmarks

The Group has established net sales, operating income, operating margin and ROE (return on equity) as objective benchmarks (KPIs) for determining the level of achievement of management targets in its 4th three-year medium-term management plan. The targets for FY2021 are net sales of 450 billion yen, operating income of 27.0 billion yen, operating margin of 6.0% and ROE of 8% or higher. However, all numerical targets were achieved ahead of schedule in FY2020, which is the second year of the plan, and targets for FY2021 were set to steadily exceed performance of the previous year, at net sales of 470 billion yen, operating income of 30.5 billion yen and operating margin of 6.5%.

The reason these KPIs have been adopted is because of the recognition that they are important indicators for all stakeholders including shareholders to understand the Group's management policies and management strategies, in addition to enabling the evaluation of their progress and feasibility.

Operating income and ROE have also been adopted as indicators for the calculation of points granted in the Board Benefit Trust performance-linked stock compensation scheme it has implemented to raise awareness of the contributions to performance of Group companies and enhancement of corporate value.

(Note) These figures for these KPIS are based on reasonable judgments according to circumstances, etc. that can be forecast as of the date of the submission of this report, and do not constitute a guarantee of their achievement.

◆ Basic views and guidelines on corporate governance (Principle 3-1-2)

The Company recognizes that the realization of effective corporate governance is essential for the creation of relationships of trust with stakeholders. To this end, the Company will increase the effectiveness of corporate governance by:

1. Ensuring the rights and equality, etc. of shareholders;
2. Appropriately collaborating with stakeholders other than shareholders;
3. Ensuring appropriate disclosure and transparency;
4. Performance of responsibilities of the Board of Directors, etc.; and
5. Dialogue with shareholders.

Furthermore, the Charter of Corporate Ethics has been established as the basic policy of corporate ethics and a specific code of conduct, and is published on the Company's website (https://www.mirait.co.jp/en)

◆ Board policies and procedures in determining the remuneration of the senior management and directors (Principle 3-1-3)

These are stated in "II. Status of Corporate Management Organizations and Other Corporate Governance Systems Related to Management Decisions, Execution and Supervision 1. Matters Pertaining to Organization Composition and Organization Management, etc. [Directors' Remuneration]".

◆ Policies and procedures in the appointment of directors and corporate auditors, and explanations of nominations (Principles 3-1-4 and 3-1-5)

When nominating candidates for director and corporate auditor, the Company selects a wide variety of candidates from inside and outside the Company, consults with the Nomination and Compensation Committee chaired by an independent outside director and decides in the Board of Directors the candidates who have excellent character and knowledge along with a high level of management capability based on the committee's responses.

In particular, independent outside directors are nominated based on their ability to fulfill their roles and responsibilities from an expert and objective perspective, such as having abundant experience and knowledge in their respective fields, and providing advice and supervision from the perspective of medium- to long-term enhancement of corporate value. Moreover, independent outside corporate auditors are nominated based on their ability to increase transparency of the Board of Directors and enhance corporate value by appropriately monitoring the state of compliance with laws, regulations and the Articles of Incorporation regarding management decisions and execution of operations by directors with abundant experience and knowledge in their respective fields.

The reasons for the election of the individual directors and corporate auditors are described below in the "Notice of the General Meeting of Shareholders."

◆ Overview of scope of the matters delegated to the management (Supplementary Principle 4-1-1)

The Company has established a Board of Directors as an organ for making decisions and supervising management, a meeting of Group company presidents and a management meeting as a system for executing business.

The Board of Directors makes decisions on group management policies and other important matters, in addition to matters specified by laws, regulations and the articles of incorporation, while also overseeing the execution of duties of directors by receiving periodic reports from directors on the status of the execution of their duties.

The Executive Committee is chaired by the president, and made up of full-time directors and others nominated by the president. In addition to playing a role as an organ for deliberating important matters concerning the management strategies and execution of business of the Company and group, it summarizes and discusses topics in advance to ensure active discussion in meetings of the Board of Directors. Corporate auditors also attend as observers to swiftly detecting and addressing issues and problems. Executive officers are responsible for the execution of business in the divisions they oversee.

◆ Proactive engagement by the Chief Executive Officer, etc. in the establishment and implementation of the successor plan and planned development of successor candidates (Supplementary Principle 4-1-3)

The planning and development of successors to management executives such as the Chief Executive Officer are carried out appropriately based on the Company's management philosophy and management strategy. The Nomination and Compensation Committee chaired by an independent outside director is consulted on the election of the Chief Executive Officer, and the Board of Directors passes a resolution on this based on the committee's responses.

◆ Effective Use of Independent Directors (Principle 4-8)

The Company has elected several independent outside directors since it was established in 2010 with the expectation that they will provide advice on promotion of sustained growth of the Company and enhance corporate value in the medium- to long-term, in addition to presenting opinions based on comments from stakeholders such as shareholders in meetings of the Board of Directors. At present, the Company has three independent outside directors, and an effort is made to provide sufficient information such as providing explanations in advance depending on the matter. The independent outside directors have a good rate of attendance to meetings of the Board of Directors, and they make active comments on management policies and management improvements in addition to supervising management based on their respective knowledge, adequately fulfilling the roles expected of them by the Company.

Furthermore, since FY2016, the Company has been making an effort to more actively exchange information and share awareness with independent outside directors in settings other than board meetings by regularly holding meetings between independent outside directors and representative directors.

◆ Independence standards and qualifications of independent directors (Principle 4-9)

See "1. Matters Pertaining to Organization Composition and Organization Management, etc. [Independent Directors]" in "II. Status of Corporate Management Organizations and Other Corporate Governance Systems Related to Management Decisions, Execution and Supervision" for information on independence standards in the Company.

◆ Composition of Board of Directors balancing diversity including gender and international experience, etc. with appropriate size (Supplementary Principle 4-11-1)

The Company gives consideration to a balance of personnel in the composition of the Board of Directors, and elects directors with abundant experience and excellent knowledge in their respective fields of management strategy, global strategy, finance and human resources as a holding company overseeing a variety of areas of business.

Furthermore, independent outside directors participate in the Board of Directors with outside perspectives of people with years of practical experience in corporate management, experts in business law and finance, and academic experts, ensuring transparency and leading to the enhancement of corporate value.

The Company has made the Board of Directors an effective and efficient framework by enabling sufficient functionality for a holding company and having certain officers concurrently serve on the boards of major subsidiaries.

The Company has appointed two women as officers including one director and one corporate auditor.

The expertise and experience required of directors and corporate auditors are described in the "Notice of the 11th Ordinary General Meeting of Shareholders." (https://ir.mirait.co.jp/en/)

◆ State of concurrent positions of outside directors and outside corporate auditors (Supplementary Principle 4-11-2)

The positions concurrently held by the Company's outside officers in listed companies are as follows.

- Outside director Chiharu Baba also serves as an outside director of Resona Holdings, Inc. which are listed on the First Section of the Tokyo Stock Exchange.
- Outside director Mayumi Yamamoto also serves as outside corporate auditor of Morinaga Milk Industry Co., Ltd., and outside director of JCU Corporation which is listed on the First Section of the Tokyo Stock Exchange.
- Outside corporate auditor Chiaki Katsumaru (Ishikawa) also serves as an outside corporate auditor of Anabuki Kosan Inc., which is listed on the First Section of the Tokyo Stock Exchange.

◆ Disclosure of the results of analysis and evaluation of the effectiveness of the Board of Directors as a whole (Supplementary Principle 4-11-3)

The Company endeavors to conduct sound and efficient management by checking the execution of duties of directors in meetings of the Board of Directors, such as compliance with laws and regulations, risk management, sharing of information, and the speed of resolution of issues.

Furthermore, once per year, all directors and corporate auditors have conducted self-evaluations concerning the effectiveness of the Board of Directors to improve the function of the Board of Directors as a whole, and to share a common awareness concerning the intended direction of the Company's corporate governance.

Specifically, the self-evaluations were performed in the form of an anonymous survey enabling the hearing of unreserved opinions on the composition of the Board of Directors, the state of operation of the Board of Directors, the responsibilities and functions of the Board of Directors and the state of the Board of Directors from the perspective of outside directors and corporate auditors. The survey was collected by an external law firm with an obligation of confidentiality, and the collected survey content was analyzed by a third-party organization Based on the results of the analysis, the Company's Board of Directors obtained good results when it examined and evaluated the current state, and also continued to discuss the issues related to the Board of Directors.

In the survey, the opinion was expressed that deeper discussion should be conducted on the desired form of the new company after management integration scheduled for early in FY2022, matters related to the frame work of the new company such as the corporate philosophy, the long-term direction of the Group as a whole and the governance structure, and further enhancement of the risk management system and operating aspects assuming an increase in Group companies and the new company, and efforts will be made to conduct more in-depth discussion and continually maintain and enhance the effectiveness of the Board of Directors through discussion of medium- to long-term management strategies and management issues in the "Deliberation Forum" established in FY2017 as a place for members of the Board of Directors to freely exchange opinions.

Outside directors and outside corporate auditors are given opportunities to tour the offices of operating companies and construction sites as appropriate to provide a deeper understanding of the Company's business details and current condition.

◆ Training Policy for Directors and Corporate auditors (Supplementary Principle 4-14-2)

The Company periodically conducts officer training for directors and corporate auditors to provide a deeper understanding of their roles and legal responsibilities, etc. The training spans basic topics such as corporate governance, insider trading and the Construction Industry Act, in addition to case studies on corporate scandals and incidents.

Furthermore, outside directors and outside corporate auditors are given opportunities to tour the offices of operating companies and construction sites as appropriate to provide a deeper understanding of the Company's business details and current condition.

◆ Policy for constructive dialogue with shareholders (Principle 5-1)

1. Director responsible for overseeing dialogue with shareholders

The Company positions dialogue with shareholders and investors ("IR activities") as a means to ensure appropriate corporate valuation and trust, and contribute to sustained growth and medium- to long-term enhancement of corporate value, and continually implements such IR activities.

IR activities are supervised by the Director and General Manager of the Finance and Accounting Department. The Investor Relations Office, which is the responsible department, endeavors to provide timely and appropriate disclosure of information in accordance with the "Disclosure Policy" published elsewhere. Furthermore, the Director responsible conducts individual meetings with shareholders and investors wherever possible.

Moreover, in principle, the CEO directly provides explanations at the earnings briefings held twice each year and the overseas IR meetings held several times each year.

2. Cooperation between internal departments

The Company has created a "timely disclosure system" and is making an effort to provide timely and appropriate disclosure of important information through cooperation between departments to ensure IR activities are constructive and meaningful. In addition, the Public Relations Office also cooperates to actively disclose a wide range of information by utilizing the Company's website in addition to TDnet and EDINET. Meetings between the CEO, the Finance and Accounting Department, the Strategy Department and personnel responsible for each business are conducted on numerous occasions to review the materials used in IR activities such as earnings briefings, in an effort to provide materials that are easy to understand and useful for shareholders and investors.

3. Increasing opportunities for dialogue aside from individual meetings

The Company holds two earnings briefings each year (for the 2nd and 4th quarters) for analysts and institutional investors. Videos of the earnings briefings are provided on the website, etc. The Company endeavors to provide important information to overseas institutional investors in English in a timely manner.

The Company also sends the "MIRAIT Report" summarizing the Company's performance and topics to all shareholders twice each year.

Materials disclosed by the Company are published on the Company's website (https://www.mirait.co.jp/en).

In addition, online company briefings are held for individual investors, and the company also participates in briefings hosted by securities companies and other events as needed to explain the Company's business performance, etc.

4. Feedback of shareholders' views and concerns

The Company periodically reports to directors, senior management and other relevant personnel in the Group on comments and concerns received from shareholders and investors using IR reports prepared by the Investor Relations Office, and also implements appropriate feedback as required on the results of overseas investor relations.

5. Measures to control insider information when engaging in dialogue

The Company has established "Rules on the Regulation of Insider Trading" and conducts appropriate management of information in accordance with these rules if insider information is possessed when meeting with shareholders and investors to prevent such information from being communicated. In addition, there is a two-week quiet period before the announcement of earnings (including quarterly earnings) to prevent information on earnings being leaked, and no comments on earnings or responses to inquiries are provided during this period. However, if it is found that a difference compared with the performance forecast arising during the quiet period is a fluctuation subject to timely disclosure rules, the information is disclosed appropriately.

◆ Establishing and disclosing business strategies and business plans (Principle 5-2)

The Company already bases all of its decisions and actions in the establishment of Mid-term Management Plans, judgements on strategic investment and evaluations of fiscal year-end financial results on understanding and consideration of the Company's capital cost, and will continue to endeavor to determine and verify management policies and strategies conscious of capital cost.

◆ Strategic shareholdings (Principle 1-4)

1. Standard of and Approach to Classification of Shares for Investment

If the purpose of investment is:

(1) maintaining or strengthening business relationships with the Company in which shares are held;
(2) maintaining or strengthening cooperative relationships for the promotion of alliance operations; or
(3) coordination for efficient construction work, etc.,

the Group classifies such investments as strategic shareholdings. Investments made for other purposes are classified as pure investments.

2. Method of examining the policy on cross-shareholdings and the rationality of shareholdings, and details of examination on whether the holding of specific shares is appropriate by the Board of Directors, etc.

(1) Policy on holding shares

The Group holds shares when it is thought that holding the shares of a business partner will lead to the improvement of the Group's corporate value or the interests of shareholders. The Company checks the objectives of shareholding and the state of trading, and gradually reduces shares for which the meaning of shareholding is found to have diminished through quantitative and qualitative verification, by their sale, etc.

(2) Method of examining the rationality of shareholdings

The Group performs quantitative and qualitative examination of the medium- to long-term economic rationality and future outlook of strategic shareholdings based on factors such as the risks and returns.

(3) Details of examination on whether the holding of specific shares is appropriate by the Board of Directors, etc.

The strategic shareholdings held by the Group are subject to investigation of the purpose of holding the shares and the status of transactions. Once every year, the Board of Directors performs quantitative and qualitative examination of each issue regarding whether the risks and returns are commensurate with the capital cost, the purpose of holding the shares and future business trends, etc. to determine whether holding the shares is appropriate.

Shares which are thought to have "little meaning to be held" as a result of a review are sold as needed while considering factors such as the share price. Furthermore, the strategic shareholdings of the Group as a whole and the condition of the reduction thereof are managed through annual reviews.

In FY2020, 18 stocks were sold in accordance with the above policy.

3. When exercising voting rights for shares it holds, the Company checks each proposal and makes comprehensive decisions based on whether they contribute to the enhancement of the Group's medium- to long-term corporate value through dialogue with the company (department) in control of transactions with the business partner and verification of the Company's Strategy Division.

◆ Responses to intentions to sell cross-shareholdings (Supplementary Principle 1-4-1)

When a company that holds the Company's shares indicates that it intends to sell its shares, the Company does not hinder the sale.

◆ Transactions with cross-shareholders (Supplementary Principle 1-4-2)

The Company does not engage in transactions with cross-shareholders which are not economically rational.

◆ Related party transactions (Principle 1-7)

The Company requires that competing transactions and transactions in conflict of interest by directors are deliberated and resolved by the Board of Directors, and reports on the status of transactions are periodically made to the Board of Directors.

Board members are required to submit a "Confirmation of Related Parties" to ascertain whether there are any transactions with related parties such as the board members themselves, their close relatives, organizations they represent and organizations in which they hold a majority of voting rights.

The Board of Directors receives reports on transactions with major shareholders periodically and as required, and provides supervision to ensure the common interests of shareholders are not harmed.

◆ Exhibiting functions as a corporate pension asset owner (Principle 2-6)

With regard to the corporate pension plan, in addition to the defined benefit pension (contract-type) corporate pension plans in MIRAIT Corporation and MIRAIT Technologies Corporation, the "MIRAIT Group Defined Benefit Corporate Pension Plan" (MIRAIT Group DB) was implemented in October 2020 and is being managed as a federated defined benefit pension plan in order to integrally manage for the Group the defined benefit corporate pension plans of SOLCOM Co., Ltd. and Sikokutsuken Corporation, which were two of the three companies that underwent management integration in FY2018. (Note) TTK Co., Ltd. has implemented a defined contribution corporate pension plan, and does not have a defined benefit corporate pension plan.

With regard to its operation, a governance system has been established by establishing the the Pension Committee made up of the members such as officers in charge of personnel affairs and finance at MIRAIT Holdings Corporation in addition to the officers or general managers in charge of personnel and general affairs and finance in operating companies and employee representatives. The Pension Committee conducts asset and liability management (ALM), has established the appropriate composition of strategic assets in the "Basic Policy on Management of Pension Assets" based on basic approach of long-term investment with acceptable risk, and conducts monitoring of the state of management each quarter while obtaining information as appropriate from the master trustee company as an external expert to ensure appropriate management of pension assets.

Furthermore, appropriate personnel have been assigned in MIRAIT Holdings Corporation to serve as the personnel responsible for pensions, and efforts are being made to develop personnel by providing opportunities to learn and appropriately update specialized knowledge by dispatching them to external seminars on corporate pensions and through workshops conducted by external experts.

As reducing retirement benefit obligations will reduce the impact of managing a corporate pension on the company's finances, new defined contribution pension plans have been introduced in SOLCOM CO., Ltd. and Sikokutsuken Corporation to coincide with the implementation of the defined benefit system in the MIRAIT Group, and have been added to the same MIRAIT Group Defined Contribution Pension Plan as the existing defined contribution pension plans of MIRAIT Corporation and MIRAIT Technologies Corporation and are managed on the same platform.

II. Status of Corporate Management Organizations and Other Corporate Governance Systems Related to Management Decisions, Execution and Supervision

1. Matters Pertaining to Organization Composition and Organization Management, etc.

[Directors]

[Outside Directors]

Name	Independent Officer	Supplementary Explanation of Compliant Items	Reason for Election
Chiharu Baba	○	- Former Deputy President and Representative Director of Mizuho Trust & Banking Co., Ltd. (until 2007)	He has abundant corporate management experience and extensive knowledge of financial accounting, risk management and management in general, and has fulfilled his role as an outside director. His insight and knowledge are suitable for the supervision of management, and he has been nominated for re-election as outside director to improve transparency of the Board of Directors and strengthen its supervisory functions. Furthermore, he is expected to fulfill the role of improving governance of the Board of Directors and enhancing its supervisory functions, and has appropriately fulfilled this role by providing comments on topics such as the governance systems and internal control of the Group as a whole in meetings of the Board of Directors and the Nomination and Compensation Committee which he chairs. He has been designated as an independent officer because he satisfies the independence standard

			specified by the Tokyo Stock Exchange and the Company's independence standard.
Mayumi Yamamoto	○	—	She has advanced specialized knowledge and abundant experience concerning corporate legal affairs as an attorney at law, has served as a member of government councils such as the Central Labour Relations Commission, and she has been nominated for-election as outside director to improve transparency of the Board of Directors and strengthen its supervisory functions because she is suitable for executing monitoring of the Company's management from an objective and specialized perspective. Furthermore, she is expected to have a role in risk management, etc. related to business from a legal perspective, and has appropriately fulfilled this role through actions such as actively providing advice from this perspective in meetings of the Board of Directors and the Nomination and Compensation Committee. She has been designated as an independent officer because she satisfies the independence standard specified by the Tokyo Stock Exchange and the Company's independence standard.
Shinichi Kawaratani	○	—	He has been involved in business investment and the development of new businesses in the area of information and communications for many years, and has insight into the management of an information and communications company based on his experience as representative director and president of a company providing IT solutions. Furthermore, he has worked on the creation of a variety of new businesses in Japan and abroad as the CEO of his own venture capital company, and has extensive business experience overseas such as in the United States. His insight and knowledge of creating and developing new business in Japan and abroad, in addition to corporate management of a global business make him suitable for the supervision of management of the Group, and because he can be expected to fulfill this role, he has been nominated for election as outside director to improve transparency of the Board of Directors and strengthen its supervisory functions. He has been designated as an independent officer because he satisfies the independence standard specified by the Tokyo Stock Exchange and the Company's independence standard.

[Status of establishment, composition and attributes of chairman of voluntary committees]

Name of committee	Total members	Standing members	Inside directors	Outside director	Outside experts	Other	Chairman
Nomination and Compensation Committee	4	0	1	3	0	0	Outside director

Supplementary explanation

In order to improve the objectivity and transparency of decisions on remuneration of directors, the Nomination and Compensation Committee was established in December 2018 as an advisory organ to the Board of Directors, and the Committee held six meetings in the current fiscal year (from the conclusion of the Ordinary General Meeting of Shareholders held in June 2020 until the Ordinary General Meeting of Shareholders held in June 2021).

The Nomination and Compensation Committee comprises four members including three independent outside directors and the President as of the date of filing this report (June 25, 2021).

The Committee reports the results of deliberation on nomination of candidates for director and policy, etc. related to decisions on the method of calculation of officer remuneration to the Board of Directors, which makes decisions based on those reports.

[Corporate auditors]

[State of coordination between corporate auditors, the accounting auditor and the internal audit unit]

As of the date of submission of this report (June 25, 2021), the Board of Corporate Auditors comprised four members including two outside corporate auditors, and there were two full-time corporate auditors including one outside corporate auditor. No dedicated staff members are assigned to corporate auditors, but various organizations provide support as needed.

The Board of Corporate Auditors holds meetings monthly in principle, and also hold meetings as necessary. Eleven meetings were held in the current fiscal year. Each of the corporate auditors attended all eleven meetings (100% attendance rate), and conducting resolutions, reports and deliberations, etc. throughout the year.

The Board of Corporate Auditors considered the formulation of audit plans, preparation of audit reports, selection of the accounting auditor, consenting to the compensation for the accounting auditor, and auditing of the content of proposals submitted to the Ordinary General Meeting of Shareholders.

Corporate auditors attended meetings of the Board of Directors, audited the operation of proceedings and the content of resolutions, and provided opinions as needed. The attendance rate of corporate auditors at meetings of the Board of Directors was 100%. Furthermore, they periodically met and exchanged opinions with the representative director.

Full-time corporate auditors attended other important meetings, coordinated with the internal audit unit, viewed important approval documents, conducted hearings of directors, communicated with the directors and corporate auditors, etc. of subsidiaries, and shared information on the status of audits with part-time corporate auditors in meetings of the Board of Corporate Auditors.

Auditing of the state of execution of duties by directors by was carried out through these activities.

Corporate auditors periodically exchanged information with the accounting auditor on audit plans, quarterly review results, audit results and quality management systems, and closely worked with the accounting auditor to perform monitoring and review activities for determining the suitability of accounting audit methods and results.

As of June 25, 2021, the Company's internal audit unit was made up of three members. The internal audit unit implements audits of the Company and Group subsidiaries centered on audits of operations after evaluating companywide internal controls. Furthermore, it strengthens audit functions by thoroughly checking the state of implementation of improvements such as corporate auditors' findings and proposals.

Corporate auditors and the internal audit unit coordinate with each other by meeting when necessary to exchange information on audit plans, the state of implementation of audits and problems identified as a result of auditing.

[Outside auditors]

Name	Independent Officer	Supplementary Explanation of Compliant Items	Reason for Election
Hiroshi Seki	○	- Former General Manager of Tochigi Branch, Nippon Telegraph and Telephone East Corporation (until 2010) - Former Executive Vice President and General Manager of Marketing Headquarters, NTT	He has abundant experience in various areas in the telecommunications industry including corporate sales in the business operations of Nippon Telegraph and Telephone East Corporation and its group companies, and he has been nominated for election as outside corporate auditor because he is a suitable choice for supervising the execution of the duties of directors from a neutral and objective perspective. He has been designated as an independent officer

		TownPage Corporation (until June 2018)	because he satisfies the independence standard specified by the Tokyo Stock Exchange and the Company's independence standard.
Chiaki Katsumaru (Ishikawa)	○	―	She has served as a certified public accountant for many years, and has rich career and a high level of expert knowledge concerning corporate finance and accounting in major audit firms and accounting companies, and she has been nominated for election as outside corporate auditor because she is a suitable choice for supervising the execution of the duties of directors from a neutral and objective perspective. She has been designated as an independent officer because she satisfies the independence standard specified by the Tokyo Stock Exchange and the Company's independence standard.

[Independence standard]

The Company believes outside directors and outside corporate auditors ("outside officers") must have sufficient independence to ensure the objectivity and transparency required for appropriate governance. The Company has established the following independence standard for outside officers of the Company, and deems that an outside officer (including candidates; the same applies below) does not have sufficient independence for the Company if any of the followings applies.

1. Formerly worked in the Company or a consolidated subsidiary of the Company ("the Group") *1
2. A major shareholder of the Company *2
3. An executive of any of the following companies, etc.
   (1) Major trading partner of the Group *3
   (2) Major lender to the Group *4
   (3) Company in which the Group holds 10% or more of shares on the basis of voting rights, etc.
4. A certified public accountant who work for the auditing firm that is the Group's accounting auditor
5. An expert such as a consultant, accountant, tax accountant, attorney at law, judicial scrivener or patent attorney who has received a large sum*5 of money or other property from the Group.
6. A person who has received a large donation from the Group *6
7. An executive of a company that is in a relationship of mutually appointing outside officers *7
8. A person whose close relative*8 is any of those listed in items 1 through 7 above (limited to important personnel*9 except in the cases of items 4 and 5)
9. A person to who any of items 2 through 8 has applied in the past three years
10. Notwithstanding the provisions of the preceding items, a person for whom it is otherwise found there are special grounds for a conflict of interests with the Company

*1: Meaning a current executive director, executive officer or other similar person or employee ("executive") or an executive who has ever belonged to the Group.

*2: A major shareholder refers to a shareholder who holds 10% or more of shares on the basis of voting rights in his/her own name or in the name of another person at the end of the current business year. If a major shareholder is an organization such as a corporation or an association, this refers to an executive of said organization.

*3: A major trading partner refers to a customer or supplier of the Group for whom annual transactions account for more than 3% of the Company's consolidated net sales or the trading partner's consolidated net sales.

*4: A major lender refers to a financial institution from which the Group is borrowing, and for which the outstanding loans payable thereto exceed 2% of the Company's consolidated total assets or the financial institution's consolidated total assets and the end of the current business year.

*5: Large sum refers to the following amounts according to the expert's involvement in the services provided.
   (1) If the expert provides services to the Group as an individual, a large sum is when the consideration received from the Group exceeds 10 million yen per year.
   (2) If the organization to which the expert belongs provides services to the Group, a large sum is when the total amount of consideration received from the Group by the organization exceeds 2% of the organization's annual sales or total revenue. However, even if 2% is not exceeded, if the annual amount received by the

organization as consideration for services provided in which the expert is directly involved exceeds 10 million yen, this amount shall be deemed to be a large sum.

*6: This refers to a person who receives annual donations from the Group exceeding 10 million yen. If the part receiving donations is an organization such as corporation or an association, this refers to a person who belongs to the organization and is directly involved in the research, education or other activity related to the donations.
*7: This refers to a relationship in which an executive of the Group is an outside officer of another company, and an executive of the other company is an outside officer of the Company.
*8: Close relative refers to a spouse or a relative of the second degree or less.
*9: Important personnel refers to directors and executive officers.

[Directors' Remuneration]

1. Basic policy

The total amount (limit) of directors' remuneration is specified in the General Meeting of Shareholders after being approved by the Board of Directors, and the remuneration of individual directors uses a remuneration system based on the roles and responsibilities of each position.

Furthermore, the policy on determination of the content of remuneration of individual directors is deliberated upon by the "Nomination and Compensation Committee" (chaired by an independent director) comprising three independent outside directors and the President as an advisory body to the Board of Directors to improve objectivity and transparency and the results are reported to the Board of Directors, which determines the policy based on the report.

Outside directors who provide supervisory functions are only paid monthly base remuneration considering their duties.

2. Policy on determination of the amount of individual remuneration for base remuneration (monetary remuneration) (including the policy on determination of the timing or conditions of granting remuneration, etc.)

The total amount (limit) of directors' remuneration is specified in the General Meeting of Shareholders after provisions being approved by the Board of Directors, and the base remuneration of individual directors (excluding outside directors) is fixed monthly remuneration of which the amount is obtained by dividing the annual salary based on the roles and responsibilities of each position by 15.

An amount equivalent to three months of fixed remuneration is the standard bonus (however, this is the amount remaining after deduction of 30% allocated to the Board Benefit Trust performance-linked stock compensation scheme mentioned in 3.), and the number of months is variable based on comprehensive consideration of the Company's performance in the previous fiscal year, the performance outlook for the current fiscal year and the state of payment of special allowances to employees, and is determined by the President on the assumption that the Nomination and Compensation Committee is consulted.

The standard bonus is paid once annually in summer.

The percentages of fixed remuneration and variable remuneration are generally around 80% (12/15) for the former and 20% (3/15) for the latter.

3. Policy on determination of the content of performance-linked remuneration and non-monetary remuneration, and the method of calculation of the amount or number thereof (including the policy on determination of the timing or conditions of granting remuneration, etc.)

With regard to performance-linked remuneration and non-monetary remuneration, a Board Benefit Trust performance-linked stock compensation scheme has been introduced in order to clarify the connection between the remuneration of officers the Company's performance and share price, and to raise awareness of contributions to the improvement of corporate value. Up to 74 million yen for the Company's directors is contributed to the trust as funds for the trust to acquire the shares required for each period of three fiscal years in advance, and the maximum number of shares granted per fiscal year is equivalent to 28,000 shares (resolution of the 6th Ordinary General Meeting of Shareholders held on June 28, 2016).

The Company's consolidated operating income and ROE have been chosen as indicators for performance-linked remuneration that can easily be used to raise awareness of the performance of Group companies and contributions to the enhancement of corporate value, and the number of points granted is calculated by multiplying the base points set to allocate 30% of three months of monthly remuneration by the performance-linked coefficient based on the Company's consolidated operating income and ROE, and one share is granted for each point at the time of retirement.

4. Policy on determination of the percentages of the amount of monetary remuneration and the amount of performance-linked remuneration, etc. or the amount of non-monetary remuneration in relation to the amount of

individual directors' remuneration

Of the annual salary specified according to to the roles and responsibilities of each position of directors (excluding outside directors), the percentages of the amount of monetary remuneration and the amount of performance-linked remuneration, etc. are around 80% fixed remuneration and 20% variable remuneration, and 30% of the variable remuneration is allocated to the Board Benefit Trust performance-linked stock compensation scheme, which is a form of non-monetary remuneration.

(Note) In consideration of insider trading regulations, etc., all directors (excluding outside directors) are required to contribute 10% or more of their monthly remuneration to the officers' shareholding association in order to increase awareness as management and awareness of the common goal of enhancing shareholder value. Therefore, these percentages are effectively 72% fixed remuneration, 28% variable remuneration and 14% non-monetary remuneration (share-based remuneration).

5. Matters related to determination of the content of remuneration, etc. of individual directors

The determination of remuneration of individual directors is left to the discretion of Toshiki Nakayama, President and Chief Executive Officer, based on the assumption of consultation with the Nomination and Compensation Committee, to the extent of the total amount resolved by the General Meeting of Shareholders based on a resolution of the Board of Directors.

The President and Chief Executive Officer entrusted with the decision prepares proposals for individual remuneration based on the content of the policy on determination of the content of remuneration of individual directors resolved by the Board of Directors, consults with the Nomination and Compensation Committee, and determines the content with the consent of the Committee.

[Incentives]

In accordance with the resolution of the 6th Ordinary General Meeting of Shareholders held on June 28, 2016, the "Board Benefit Trust" performance-linked stock-based remuneration system for the Group's officers was implemented from September 30, 2016 with the objective of clarifying the connection between the remuneration of directors and the Company's performance and share price, and raising awareness of contributions to the improvement of medium- to long-term performance and corporate value.

Through the system shares of the Company are acquired through a trust using funds contributed by the Company, and provided to directors upon retirement from their positions as officers in accordance with the Officer Stock Benefit Rules stipulated by the Boards of Directors.

The ratio of performance-linked remuneration and fixed remuneration is generally around 1:4.

The Company's consolidated operating income was chosen for the indicator for performance-linked remuneration in FY2020 as an indicator that can easily be used to raise awareness of the performance of Group companies and contributions to the enhancement of corporate value, and the number of points calculated from the results of the Company's consolidated operating income and ROE based on base points granted according to the positions of officers were granted to officers in accordance for the Board Benefit Trust. with the Officer Stock Benefit Rules

The consolidated operating income target in the initial business plan for the current fiscal year was 22.0 billion yen. The actual result was 30.1 billion yen with ROE of 11.0%.