Corporate Governance Report

March 25, 2021

Frontier Management Inc.

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The corporate governance of Frontier Management Inc. (the "Company") is described below;

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

1. Basic Views

The Company believes that it is extremely important to promote the management efficiency by speeding up decision-making as well as risk management in order to continuously increase our corporate value.

The Company has adopted a Board of Directors system and an Audit & Supervisory Board system, and has monitored management risks through the Board of Directors and Audit & Supervisory Board Members' audits.

The Company has ensured thorough compliance and strengthen self-cleansing capabilities through audits by the Internal Audit Office.

The Company has ensured the effectiveness of our corporate governance and further enhance our business management organization in the Group.

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

[Supplementary Principle 1-2④] (Electronic Exercise of Voting Rights and English Translation of Convocation Notice)

Currently, the Company has introduced the electronic exercise of voting rights. On the other hand, the Company has not implemented the English translation of the convocation notices due to considering the cost and the ratio of overseas investors.

The Company believes it will be necessary to respond in the future and proceed with deliberations accordingly.

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

[Principle 1-4] (Holding Policy and Voting Standards for Strategic Shareholdings)

The Company owns no listed shares as strategic shareholdings.

In the future, if the Company decides to hold listed shares for the purpose of strategic holding, the Company will examine the contribution to the Company's corporate value from a medium-to long-term perspectives. The Company plans to disclose the details of the verification in a timely manner for shareholders' benefits. In addition, the Company plans to stipulate specific criteria for the exercise of voting rights related to strategic shareholdings from the Company's corporate value perspective, and to disclose in an appropriate manner for

shareholders' interests.

[Principle 1-7] (Procedures and Monitoring System for Transactions between Related Parties)

When the Company engages in transactions (including conflict of interest transactions) with related parties such as our executives and principal shareholders, the Company takes care not to cause such transactions to harm the common interests of the Company and shareholders. The Company also reports to the Board of Directors in order to implement legal procedures.

[Principle 2-6] (Roles of Corporate Pension Funds as Asset Owners)

The Company has no defined benefit pension plan but has a defined contribution pension plan. As a result, the Company has not been / will not be involved in the investment in corporate pensions as an asset owner.

[Principle 3-1] (Full Disclosure)

(i)Company Objectives (e.g., business principles), Management Strategy and Corporate Planning

Please refer to our website.

(ii)Basic Views and Guidelines on Corporate Governance

Please refer to our website.

(iii)Policies and Procedures in Determining Remuneration of Directors

When determining director remuneration, in order to increase transparency and fairness, the Remuneration Advisory Committee deliberates the draft individual remuneration for each director, and reports to the Board of Directors. The Board of Directors deliberates on the draft resolved and resolves individual remuneration for each director.

(iv)Policies and Procedures in Appointment of Director Candidates

When nominating candidates for directors and Audit & Supervisory Board Members, in order to increase transparency and fairness, the Nomination Advisory Committee deliberates. The Board of Directors makes final policy decisions with respect to the deliberations of the Advisory Committee.

(v)Explanation of Appointment of Director Candidates

When nominating candidates for directors and Audit & Supervisory Board Members, the reason for the appointment shall be disclosed in the convocation notice of the general meeting of shareholders.

[Supplementary Principle 4-1①] (Scope of Delegation to Management)

Matters to be decided by the Board of Directors are specified in the "Rules of the Board of Directors". Matters

delegated to the management team are specified in the Rules of Administrative Authority and the Rules of Executive Officers.

[Principle 4-9] (Independence Criteria for Appointment of Independent Outside Directors)

The Board of Directors has stipulated the Guidelines for Composition of the Board of Directors and the Appointment of Directors Candidates". These internal guidelines specify the following standards for appointment of independent outside directors.

The Board of Directors and the Nomination Advisory Committee shall determine that such outside directors are independent if the outside directors do not apply any of the following matters.

(1) In case a relative within the second degree of kinship to such outside director is or was in office as a director, executive officer, department manager, or other important employee of the Company or any Subsidiary of the Company at present or in a past year.

(2) In case such outside director serves currently as a director, executive officer or employee in any company which receives payment from the Company or pays the Company for the products or services, and the amount exceeds10% of such company's consolidated sales in one of the past 3 business years.

(3) In case such outside director receives a remuneration (excluding remuneration as a director of the Company) directly in excess of JPY10 Mil. from the Company as a legal, accounting or tax specialist, consultant, or advisor in any of the past 3 fiscal years.

[Supplementary Principle 4-11①] (Policies and Procedures for Appointment of Directors)

The Board of Directors consults with the Nomination Advisory Committee regarding director candidates, subsequently deliberates on the committee's draft, and appoints director candidates. The Board of Directors and the Nominating Advisory Committee appoint candidates in accordance with the following policies specified by the "Guidelines for Composition of the Board of Directors and the Appointment of Directors Candidates," which are internal rules of the Board of Directors.

The Board of Directors and the Nominating Advisory Committee shall consider the following matters in deciding the director candidates.

(1) The director candidate shall be a person with excellent personality and insight.

(2) The director candidate (excluding outside directors) has an excellent track record in the Company's business both inside and outside the company.

(3) The outside directors shall have expertise or practical experience such as management, economic, financial, accounting, finance, tax, legal, risk, IT, engineering, government, and fulfill the criteria for determining independence set forth in the following paragraph.

[Supplementary Principle 4-11②] (Status of the Concurrent Position of Directors at Another Listed Company)
The status of directors and Audit & Supervisory Board Members, as well as the important concurrent positions of the candidates, is disclosed at convocation notice of the General Meeting of Shareholders and in the Annual Securities Report.

[Supplementary Principle 4-11③] (Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole)
Please refer to the Company's website.

[Supplementary Principle 4-14②] (Policies for Training for Directors and Audit & Supervisory Board Members)
The Company has stipulated the Executive Training Guidelines, which are internal rules of the Board of Directors, with respect to the policy of training directors and Audit & Supervisory Board Members. These internal rules generally specify the following as a training policy.

・Directors shall attend external as necessary seminars and deepen their insight into the duties and responsibilities of directors. Expenses shall be paid by the Company.
・The Company shall set up meetings between directors and executives officers to deepen the knowledge of the industry and the Company.

[Principle 5-1] (Policies for Constructive Dialogue with Shareholders)
(Basic views)
The Company believes that it is important to engage in constructive dialogue with shareholders and investors in order to increase corporate value over the medium- to long- term, and gain the understandings with respect to our management policies in which the Company appropriately reflects.

(Supervisor)
The Company appoints the director in charge of the Company Strategy Division or the person appointed by such director as the person in charge of investor relations, in order to realize constructive dialogue with shareholders and investors.

(Initiative division)
Company Strategy Division is in charge of IR, and works as the centered position to arrange the relationship with other divisions.

(Dialogue methods)

General meetings of shareholders, financial reports, group meetings and individual meetings for institutional investors. (Feedback methods) Company Strategy Division coordinates the shareholders opinions and provides appropriate feedback to the Co-Presidents or the Board of Directors meeting. (Insider information management policies) The Company appropriately manages insider information in accordance with the “Internal Information Management Rules”.

2.Capital Structure

Percentage of Foreign Shareholders	Less than 10%

[Status of Major Shareholders]

Name or denomination	Number of Shares Owned	Percentage (%)
Shoichiro Onishi	1,259,820	21.80
Mosahiro Matsuoka	1,259,820	21.80
Masaya Yajima	319,940	5.53
Custody Bank of Japan, Ltd. (Trust Account)	311,700	5.39
BBH/SUMITOMO MITSUI TRUST BANK, LIMITED (LONDON BRANCH)/SMTTIL/JAPAN SMALL CAP FUND CLT AC	181,700	3.14
Morgan Stanley MUFG Securities, Co., Ltd.	179,000	3.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	164,500	2.84
Tomohiro Murata	132,940	2.30
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	94,300	1.63
Takahiro Yamaguchi	84,700	1.46

Controlling Shareholder (Except for Parent Company) -	―――

Parent Company	None

Listed exchanges of the parent company	———

Supplementary explanation

The change report published on October 20, 2020 states that Sparks Asset Management Co., Ltd. owned shares as of October 15, 2020. However, the Company has not confirmed the number of shares as of December 31, 2020. It is not included in the above list.

In addition, the large shareholding report published on November 19, 2020 states that Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. jointly owned shares as of November 13, 2020. However, the Company has not confirmed the number of shares as of December 31, 2020. It is not included in the above list.

The Company conducted a 2-for-1 stock split on January 1, 2021. The above table is prior to the record date of the stock split, so the number of shares is before the stock split.

3. Corporate Profile

Listed Stock Market and Market Section	Tokyo First Section First Section
Fiscal Year-End	December
Category of Industry	Service industry
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	100 to less than 500
Net Sales (Consolidated) for the Previous Fiscal Year	Less than JPY10,000,000,000
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 Shareholders

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5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

None

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

1. Organizational Composition and Operation

Structure of Organization	Company with Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	7
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	5
Appointment of External Directors	Appointed
Number of External Directors	2
Number of External Directors Designated as Independent Directors	2

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)									
		a	b	c	d	e	f	g	h	i	j	k
Kazuhito Osugi	From Other Company								△			
Keiko Unotoro	From Other Company											

※1 Categories for "Relationship with the Company"

"○" When the Audit & Supervisory Board Member currently falls or has recently fallen under the category.

"△" When the Audit & Supervisory Board Member fell under the category in the past.

"●" When a close relative of the Audit & Supervisory Board Member currently falls or has recently fallen under the category.

"▲" When a close relative of the Audit & Supervisory Board Member fell under the category in the past.

a. Executive of the Company or its subsidiary

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 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 other than compensation as a Director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of 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 with which the Company's External Directors/Audit & Supervisory Board Members are mutually

appointed (the Director himself/herself only)

j. Executive of a company or an organization that receives a donation from the Company (the Director himself/herself only)

k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazuhito Osugi	○	The Company has executed the advisory agreement for the purpose of the Company's sales support to financial institutions. In connection with his appointment as a director of the Company, the advisory agreement was terminated in August 2018.	The Company expected to utilize the deep knowledge of the economy, finance, and business revitalization accumulated through his career in key positions at the Bank of Japan and the IRCJ to strengthen the supervisory functions of the Board of Directors. He meets the requirements of the independent director conditions by the Tokyo Stock Exchange. He is designated as an independent director because the Company determines that there is no risk of conflicts of interest with general shareholders.
Keiko Unotoro	○	—	The Company expected to utilize the deep knowledge of economic law, competition policy and corporate compliance accumulated through her career in key positions at the Fair-Trade Commission to strengthen the supervisory function of the Board of Directors. She meets the requirements of the independent director conditions by the Tokyo Stock Exchange. She is designated as an independent director because the Company determines that

			there is no risk of conflicts of interest with general shareholders.

[Voluntary committees]

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

Committee's Name, Composition, and Attributes of Chairperson

Voluntary committee equivalent to the nominating committee

Committee's Name			Nomination Advisory Committee			
All Committee Members	Full-time Members	Directors	External Directors	Outside Experts	Other	Chairperson
4	0	1	1	0	2	External Director

Voluntary committee equivalent to the remuneration committee

Committee's Name			Remuneration Advisory Committee			
All Committee Members	Full-time Members	Directors	External Directors	Outside Experts	Other	Chairperson
4	0	1	1	0	2	External Director

Supplementary Explanation

・Nomination Advisory Committee

1.Purpose of establishment

The purpose is to secure opportunities to involve the independent directors and Audit & Supervisory Board Members in decision-making regarding the nomination of directors or Audit & Supervisory Board, and to improve the fairness, objectivity and transparency of the decision-making process on the board of directors meeting.

2.Role

Deliberate and report to the Board of Directors on matters related to the nomination.

3.Composition

At least 3 members including Co-Presidents. Majority is independent director. The Chairman of the Committee

is selected from independent outside directors by resolution of the Committee.

The attributes of other 2 members are independent outside Audit & Supervisory Board members.

・Compensation Advisory Committee

1.Purpose of establishment

The purpose is to secure opportunities to involve the independent Directors and Audit & Supervisory Board Members in decision-making regarding the remuneration of directors or Audit & Supervisory Board, and to improve the fairness, objectivity and transparency of the decision-making process on the board of directors meeting.

2.Role

Deliberate and report to the Board of Directors on matters related to the remuneration.

3.Composition

At least 3 members including Co-Presidents. Majority is independent director. The Chairman of the Committee is selected from independent outside directors by resolution of the Committee.

The attributes of other 2 members are independent outside Audit & Supervisory Board members.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	3

Coordination Among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Division

The internal auditors and the Audit & Supervisory Board Members exchange information on a daily basis. In addition, the internal auditors and the Audit & Supervisory Board Member exchange information with the accounting auditors closely as necessary.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory	3

Board Members	
Number of External Audit & Supervisory Board Members Designated as Independent Audit &Supervisory Board Members	3

External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)											
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takeshi Umemoto	Other company													
Kazuhiko Shimokobe	Legal Counsel													
Nobumichi Hattori	Professor													

※1 Categories for "Relationship with the Company":

* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past

* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member 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. Audit & Supervisory Board Member 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 other than compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of 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 Audit & Supervisory Board Member himself/herself only)

k. Executive of a company with which the Company's External Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or an organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Takeshi Umemoto	○	—	The Company expected to utilize the experience in auditing at financial institutions to provide advices on the execution of the Company's directors. He meets the requirements of the independent director conditions by the Tokyo Stock Exchange. He is designated as an independent Audit & Supervisory Board Member because the Company determines that there is no risk of conflicts of interest with general shareholders.
Kazuhiko Shimokobe	○	—	The Company expected to utilize the experience in number of corporate revitalization cases as an attorney to provide advices and monitor the management as an outside Audit & Supervisory Board Member. He meets the requirements of the independent director conditions by the Tokyo Stock Exchange. He is designated as an independent Audit & Supervisory Board Member because the Company determines that there is no risk of conflicts of interest with general shareholders.
Nobumichi Hattori	○	—	The Company expected to utilize the experience at a major U.S. investment bank and a professor regarding the business management to provide advices and monitor the management as an outside Audit & Supervisory Board Member.

			He meets the requirements of the independent director conditions by the Tokyo Stock Exchange. He is designated as an independent Audit & Supervisory Board Member because the Company determines that there is no risk of conflicts of interest with general shareholders.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	5

Matters Relating to Independent Directors/Audit & Supervisory Board Members

All outside directors and outside Audit & Supervisory Board Members who qualify as independent directors and Audit & Supervisory Board Members are appointed as independent directors and Audit & Supervisory Board Members.

[Incentives]

Incentive Policies	Performance-based remuneration plan Stock option plan

Supplementary Explanation

1. The Company has introduced a restricted stock compensation plan as a performance-based compensation plan for directors (excluding outside directors, hereinafter the "Eligible Directors"). The plan is consisting of cash bonus and stock-based compensation A as single-year performance- based compensation, and stock-based compensation B as medium-to long-term performance-based compensation.

(1) Single-fiscal-year performance-based compensation (cash bonus and stock-based compensation A)

Single-fiscal-year performance-based compensation (cash bonus and stock-based compensation A) is linked to consolidated results for a single fiscal year and the amount of compensation is determined based on the Company's performance results and the like for a single year, and the determined amount of compensation will be paid to the Eligible Directors in the form of cash bonuses and restricted stock (stock-based compensation A) after confirmation of the results of each fiscal year.

The structure ratio of single-fiscal-year performance-based compensation for each Eligible Director is composed of a cash bonus, representing two-thirds of such compensation, and stock-based compensation A, representing one-third of such compensation.

Percentage of each eligible director's single-year performance-based compensation is 2/3 for cash bonuses and 1/3 for stock-based compensation A. With respect to indicators for consolidated results, consolidated operating

income and the like are used as basic indicators, and the paid amount of single-fiscal-year performance-based compensation for each Eligible Director will be determined in light of the degree of contribution to performance, the maximum amount of compensation for the Eligible Directors, and the like.

(2) Medium-to long-term performance-based compensation (stock-based compensation B)
Medium- to long-term performance-based compensation (stock-based compensation B) is linked to the level of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like, and restricted stock (stock-based compensation B) will be paid to the Eligible Directors based on the compensation base amount in accordance with their position at the beginning of each fiscal year. In principle, after the end of the period falling under the medium-term management plan, the number of shares with respect to which the Transfer Restriction is removed will be determined, regarding the shares granted during such period, in accordance with the level of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like.
The indicators of management targets for the medium-term management plan during the period from 2021 to 2023 include the level of achievement of growth rate of consolidated net sales, consolidated operating income margin and consolidated ROE and the like. If a new medium-term management plan is formulated in the future, such indicators of management targets may be changed by a resolution of the Board of Directors.

2. The Company granted stock options to directors for motivation of directors to contribute to the medium-to long-term business performance and the enhancement of corporate value in 2018.
The number of stock options is determined after comprehensively considering the degree of contribution to each individual's performance and expectations for the future.
2 of the 3 directors exercised the rights during 2020 to acquire the common stock.

Recipients of Stock Options	Internal directors and employees

Supplementary Explanation

Stock option for internal directors is described above.
Stock option for employees was granted in 2018 to enhance employees' sense of belonging to the Company, promote operations with an awareness of increasing shareholder value, and provide incentives for the future contributions of all employees.

[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration	No individual disclosure

Supplementary Explanation

No individual remuneration is disclosed because there are no persons whose total remuneration is more than

JPY100 Mil. Remuneration for directors and Audit & Supervisory Board Members is disclosed in the aggregate amount.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Outline

(1) Basic view

To provide compensation that enables the Company to appoint as Directors excellent human resources who practice the corporate mission and contribute to the achievement of short-term performance targets, achievement of medium- to long-term performance targets, and continuous enhancement of corporate value.

The Company creates a compensation system that is highly transparent, fair, and reasonable to ensure accountability to our stakeholders.

(2) Remuneration structure

Compensation for Directors (excluding Outside Directors) is comprised of basic compensation, which is fixed compensation, and single-fiscal-year performance-based compensation and medium- to long-term performance-based compensation, which vary depending on performance, while balancing the elements listed in the above basic policy.

Compensation for Outside Directors is comprised of only basic compensation, from the perspective of their role and independence.

The compensation composition ratio of each performance-based compensation to basic compensation for Directors (excluding Outside Directors) is determined in accordance with the category of the Directors.

(3) Basic remuneration

Basic compensation, which is fixed compensation, are paid monthly to Directors.

The amount of basic compensation for Directors (excluding Outside Directors) will be determined by taking into account the work duties they are in charge of, scope of responsibility, years of service, degree of contribution to short-term and medium- to long-term performance, degree of contribution to enhancement of corporate value, and the like, as well as taking into consideration the level of other companies in the same industry. The amount of basic compensation for Outside Directors will be determined by taking into consideration the work responsibilities and the level of other companies.

(4) Single-year performance-based remuneration and medium-to long-term performance-based remuneration

Please refer to the "Supplemental Explanation" of the above.

(5) Remuneration governance

Compensation for Directors (basic compensation, single-fiscal-year performance-based compensation, and medium- to long-term performance-based compensation) will be determined by a resolution of the Board of Directors in light of voluntary deliberations and reports by the Compensation Advisory Committee.

Clawback provisions are set out to the effect that if a certain event such as a material accounting fraud, huge amount of loss, or the like occurs, all or part of the stock-based compensation A and stock-based compensation B that have already been paid will be returned without any consideration in accordance with each Director's liability.

2.Remuneration for Directors

(1) Cash remuneration is determined within the range of the annual remuneration limit of JPY300,000,000 based on the resolution of the extraordinary general meeting of shareholders held on August 14, 2018 (of which JPY20 Mil for outside directors).

Cash remuneration is composed of the base remuneration and cash bonuses out of single-year performance-based remuneration.

(2) Restricted stock remuneration is granted to directors (excluding outside directors) as stock-based remuneration A of single-year performance-based remuneration and stock-based remuneration B of medium-to long-term performance-based remuneration. This is to issue or dispose of shares of common stock of the Company to the Eligible Directors without requiring payment of money or tender of property contributed in kind in each fiscal year in principle, and allow them to hold such shares.

The Company executes a restricted stock allotment agreement (hereafter the "Allotment Agreement") with the Eligible Directors. During a certain period set out in the Allotment Agreement (hereafter the "Transfer Restriction Period"), the Eligible Directors may not freely transfer, create a security interest on, or otherwise dispose of (hereafter the "Transfer") shares delivered pursuant to the Allotment Agreement (hereafter the "Allocated Shares") (this restriction on Transfer is hereinafter referred to as the "Transfer Restriction").

①Timing of payment and method of calculating the number of shares to be paid

For share-based compensation A, the amount of compensation will be determined based on the Company's single-fiscal-year performance results and the like and a part of the determined amount of such compensation will be paid in the form of restricted stock to the Eligible Directors after the results of each fiscal year are confirmed.

For stock-based compensation B, restricted stock will be allocated to the Eligible Directors at the beginning of each fiscal year based on the base amount of compensation for each position.

②Amount of compensation and maximum number of shares

For stock-based compensation A, the maximum amount of stock-based compensation shall be no more than JPY100,000,000 per annum, and the maximum number of the Allocated Shares shall be no more than 40,000 shares per annum.
For stock-based compensation B, the maximum amount of stock-based compensation shall be no more than 50,000,000 yen per annum, and the maximum number of the Allocated Shares shall be no more than 20,000 shares per annum.
Provided that, if the Company conducts a share split or consolidation of shares of its common stock, or in any other cases in which an adjustment of the total number of shares to be allocated is required in the similar manner as such share split or consolidation of shares, the total number of shares to be allocated will be reasonably adjusted.

③Transfer Restriction Period
For both stock-based compensation, the Transfer Restriction Period will be set for three years from the date when the Allocated Shares are granted to the Eligible Directors and the Eligible Directors shall not Transfer such shares during such period.

④Others
Other terms and detail are described in the "Notice Regarding Revision of Director Compensation Plan and Introduction of a Restricted Stock Compensation Plan," disclosed on February 9, 2021, or in the convocation notice for 14th General Meeting of Shareholders.

[Support System for External Directors and/or Audit & Supervisory Board Members]

Support for outside directors is provided by the Board of Directors (Company Strategy Division), while support for outside corporate auditors is provided by the Audit & Supervisory Board (Human Resources and General Affairs Division).
In addition, materials related to the Board of Directors meetings are sent in advance to ensure sufficient time for deliberation on agenda items, through the telephone or E-mail as appropriate.

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

a. Board of Directors meeting
Board of Directors is composed of 5 directors, 2 of whom are outside directors. The Board of Directors has the authority to decide the execution of the business and to supervise the execution of director duties.
The Board of Directors meeting is held once a month and extraordinary meeting is held as necessary. In the fiscal year ending December 2020, 17 meetings were held. Directors, Shoichiro Onishi, Masahiro Matsuoka, and Yoshiaki Takahashi, Audit & Supervisory Board Members Takeshi Umemoto and Kazuhiko Shimokobe

attended all 17 times. Director, Kazuhito Osugi and Audit & Supervisory Board Member Nobumichi Hattori attended 16 times.

b. The Audit & Supervisory Board meeting

The Audit & Supervisory Board is composed of 3 Audit & Supervisory Board Members (all of whom are outside members). The Audit & Supervisory Board monitors the state of corporate governance and its operation, and conducts audits of day-to-day activities, including the execution of duties by directors. Audit & Supervisory Board Members are composed such as the experts with experience in auditing operations, lawyers, and professor with business experience at financial institutions, and use their respective knowledge to conduct management oversight.

The Audit & Supervisory Board meeting is held once a month and extraordinary meeting is held as necessary. In the fiscal year ending December 2020, 13 meetings were held, and all member attended all meetings.

Audit & Supervisory Board Members exercise legal rights, such as receiving reports from the attendees of shareholders' meetings or the Board of Directors meeting, directors, executive officers, employees, and accounting auditors, as well as express their opinions to these persons when necessary.

Full-time Audit & Supervisory Board Member attends important meetings, such as the Management Committee and the Executive Committee, and audits jointly with the Internal Audit Office to ensure effective monitoring.

c. Accounting Auditor

The Company has adopted the form of a company with accounting auditor. For selecting an accounting auditor, the Audit & Supervisory Board nominates candidates and proposes at the General Meeting of Shareholders, considering the auditing performance and other factors. The Company’s independent auditors is KPMG AZSA LLC. The names of the certified public accountants who executed their businesses are as follows:

Masaki Sugiyama, Executive Officer of Designated Limited Liability Partner, Hideki Kawamura, Executive Officer of Designated Limited Liability Partner, 3 certified public accountants for assistant and 3 others.

d. Executive Officer System

The 2 Co-Presidents have been selected and an executive officer system has been adopted under these Co-Presidents.

The 2 Co-Presidents have check system each other, order executive officers, and oversee the company-wide operations. In addition, Shoichiro Onishi has expertise especially in the management of general meetings of shareholders and the board of directors as an attorney. Masahiro Matsuoka has expertise especially in investor relations based on the experience as an analyst at securities companies.

The executive officer system was introduced with the aim of revitalizing the Board of Directors by separating decision-making and supervisory functions from business execution. The Company has also established the Management Committee and the Executive Committee as preliminary advisory bodies to the Board of Directors.

The Management Committee is composed of the Co-Presidents, full-time directors, senior managing executive officer, managing executive officers, executive officers and full-time Audit & Supervisory Board members. In principle, the Management Committee is held once a month. In addition, extraordinary meeting is held as necessary to share information and discuss matters related to business execution.
The Executive Committee is composed of the Co-Presidents, full-time directors, senior managing executive officers, managing executive officers and full-time Audit & Supervisory Board Members. The meeting is held for matters that require swiftness or confidentiality, such as important personnel and business alliances with other companies.

e. Approval authority
The approval is clarified at the authority regulation. Important decisions are approved at the Board of Directors meeting after consulting at the Management Committee or the Executive Committee.

f. Contents of the limited liability agreement
The Company, each director (excluding managing director) and each Audit & Supervisory Board member has executed an agreement to limit the liability for damages as stipulated in Paragraph 1 of Article 423 of the Company Act in accordance with the provisions of Paragraph 1 of Article 427 of the same Act. The maximum amount of liability for damages under the applicable agreement shall be the minimum amount of liability stipulated by law.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the form of a company with Audit & Supervisory Board, taking into the nature of the business and the scale of our operations.
The Company has established the Nomination Advisory Committee and the Remuneration Advisory Committee, which are voluntary bodies composed of 1 Co-President, 2 outside directors, and 2 outside Audit & Supervisory Board members. Through these efforts, the Company is implementing adequate management oversight and appropriate business management.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	In order to ensure that shareholders have sufficient time to review the agenda items, the Company will endeavor to send out convocation notices earlier than 2 weeks prior to the date of the meeting. The convocation notice was posted on our website approximately 1 week before the sending.

Scheduling General Meetings of Shareholders Avoiding the Peak Day	The Company intends to avoid days on which other companies' general meetings of shareholders are expected to be concentrated and strive to set a day that is easy for many shareholders to attend.
Allowing Electronic Exercise of Voting Rights	Since the 14th Ordinary General Meeting of Shareholders (held on March 25, 2021), the Company has adopted the exercise of voting rights by electronic means (through Internet).

2. IR Activities

	Supplementary Explanations	Presentation by the Group CEO and President
Preparation and Publication of Disclosure Policy	Please refer to the website.	
Regular Investor Briefings for Individual Investors	The meeting is held as necessary.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds quarterly briefings for analysts and institutional investors. The Company also holds individual meeting for institutional investors.	Yes
Posting of IR Materials on Website	The Company has established IR website on the website, which contains various IR materials (e.g. financial results, timely disclosure materials, securities reports, quarterly reports, company briefing materials, corporate governance status, convocation notices for general shareholders' meetings).	
Establishment of Department and/or Manager in Charge of IR	IR representative is in the Company Strategy Division.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations

Stipulation of Internal Rules for Respecting the Position of Stakeholders	Management Philosophy states the social contribution, and Code of Conduct states the sustainable society contribution.

IV. Matters Related to the Internal Control System

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

At the Board of Directors meeting held on February 15, 2013, our Group resolved to adopt the following basic views for the internal control system in order to realize our management philosophy of "contributing to the interests of clients, contributing to the interests of stakeholders, and contributing to society."

1. Frameworks for ensuring that the execution of duties by directors and employees conforms to law and the articles of incorporation

(1) Recognize that thorough compliance is essential to ensure the survival and sustainable growth, the Company thorough and conduct training compliance to all directors and employees.

(2) The Audit & Supervisory Board Members shall audit and the internal audit office shall internal-audit in order to confirm that the execution of duties by directors and employees is conducted appropriately without violating laws, the articles of incorporation, and internal regulations.

(3) Establish a reporting system for violating laws and regulations by stipulating compliance rules and internal reporting rules.

(4) Confront and block any anti-social forces. In addition, in order to block relationships with anti-social forces, the Company established the compliance rules and other internal rules.

2. Frameworks for ensuring efficient execution of directors' duties

(1) In principle, the Board of Directors meeting is held once a month and extraordinary meeting is held as necessary to make decisions on important matters in accordance with the rules of the Board of Directors and supervise the execution of duties by directors.

(2) Matters to be submitted to the Board of Directors meeting shall be subject to discussion by the Management Committee or the Executive Committee.

3. Frameworks for storing and managing information related to the execution of duties by directors

(1) Documents (including electromagnetic documents) related to the execution of duties by directors shall be stored and managed in accordance with laws, the articles of incorporation and internal rules.

(2) These documents shall be available per request from directors and auditors.

4. Frameworks for managing the risks of loss including the relevant internal regulations

(1) The Co-Presidents shall be the Chief Risk Management Officers, and the Company establishes the risk management rules and frameworks for risk management across the organizations.

(2) Ensure to identify emergencies promptly and minimize losses by crisis management rules and frameworks for reporting route in the emergency.

5. Frameworks for ensuring appropriateness of financial reports

Directors and employees shall ensure the appropriateness of financial reports through business execution in compliance with the "Basic policy for the maintenance, operation and evaluation of internal controls related to financial reporting."

6. Frameworks for ensuring appropriateness of business operations in the Group

(1) Establish subsidiary management rules for subsidiaries management.

(2) Communicate with directors of subsidiaries on a daily basis to discuss management as a corporate group. Confirm that the subsidiaries are properly operated in accordance with the Company's management policies.

7. Frameworks concerning employees who assist the Company's Audit & Supervisory Board Members and independence of such employees from directors

(1) Directors and Audit & Supervisory Board Members decide that the employees assist in Audit & Supervisory Board Members' duties if requested.

(2) Such employees shall not belong to the business operation and follow the instructions of the Audit & Supervisory Board Members. The opinions of the Audit & Supervisory Board Members shall be respected regarding the transfer of such employees, personnel assessments and disciplinary actions.

8. Frameworks for reporting by the directors or employees to the Audit & Supervisory Board Members

(1) Directors and employees shall make the busines report per request from the Audit & Supervisory Board Members.

(2) Full-time Audit & Supervisory Board Member attends the Board of Directors meetings and other important meetings, and receive reports on important matters from directors and employees.

9. Other frameworks for ensuring effective auditing by the Audit & Supervisory Board Members

(1) The Audit & Supervisory Board shall establish the Audit & Supervisory Board rules and standards, prepare the Audit Plan, explain its contents at the Board of Directors meetings, and obtain the regarding the audit implementation.

(2) Audit & Supervisory Board Members exchange opinions with the Co-Presidents.

(3) Audit & Supervisory Board Members shall ensure the effectiveness of audits through the exchange of opinions with internal auditors and related departments.

2. Basic Views on Eliminating Anti-Social Forces

The Company respects "Guideline for How Companies Prevent Damage from Anti-Social Forces" (agreed upon at a meeting on June 19, 2007 of cabinet ministers responsible for anti-crime measures), and has established and implemented systems in accordance with these guidelines. The Company's policies and standards are stipulated in the "Basic Policy on Internal Control Systems", and the contents are thorough at major meetings.

The department in charge of operations related to the elimination of anti-social forces is Human Resources and General Affairs Division. The Company has prepared "Detailed Rules on Response to Anti-social Forces", "Anti-social Forces Survey Manual", and "Manual for Response to Unfair Demands" as practical rules.

In addition, in contracts with business partners, the Company has established provisions to eliminate anti-social forces and ensured that these provisions are thoroughly implemented.

The Company consults with external organizations such as police and the Crisis Elimination Promotion Center as necessary.

V. Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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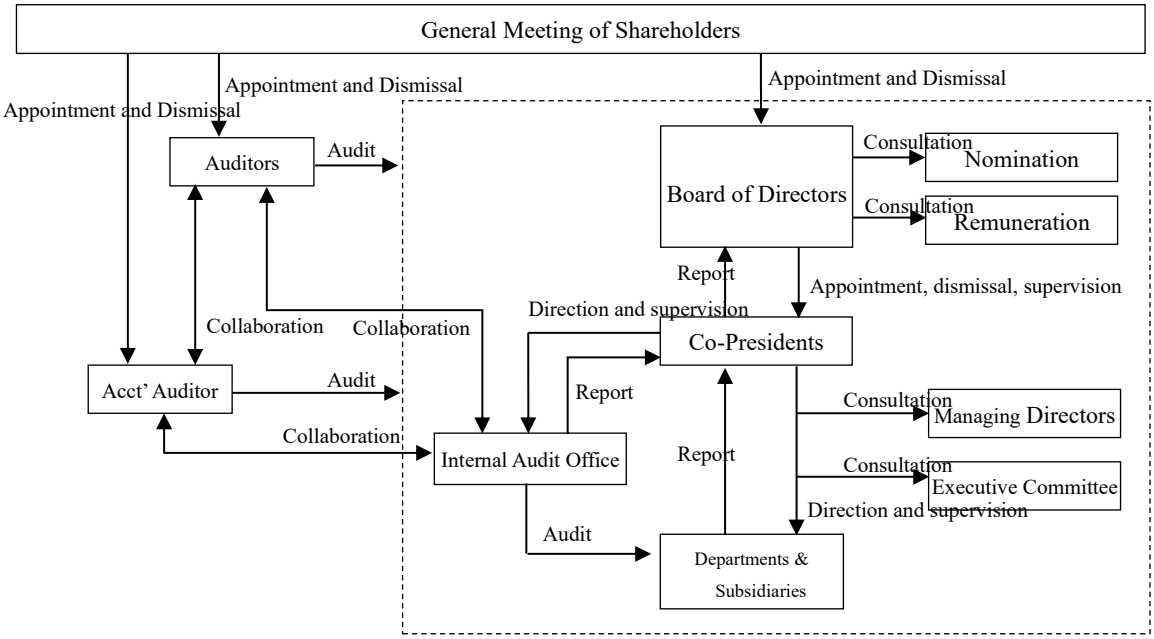
2. Other Matters Concerning to Corporate Governance System

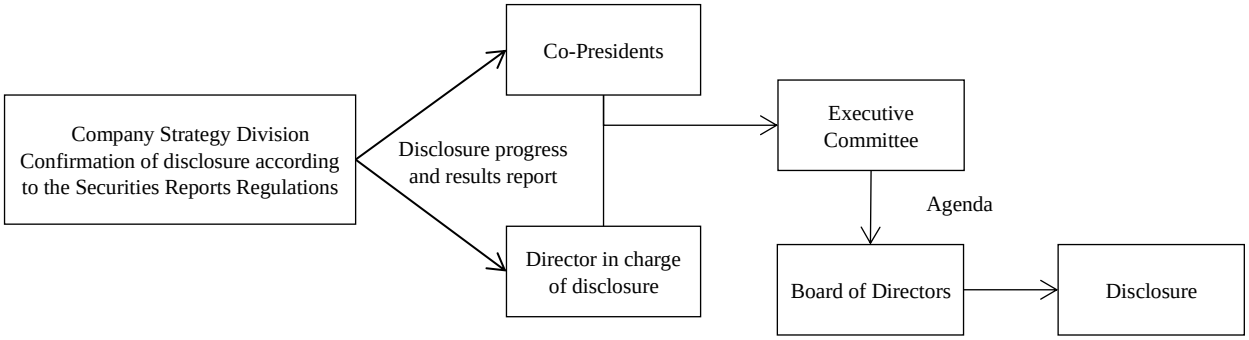
The diagram of the Company's corporate governance system and timely disclosure procedures is as reference materials.

[Diagram (reference)]



[Summary of Timely Disclosure Diagram]

<Information on Determination Facts and Financial Reports>



<Emergency Events>

