Corporate Governance Report

CORPORATE GOVERNANCE YUKIGUNI MAITAKE CO., LTD.

Last Update: June 27, 2022
Yukiguni Maitake Co., Ltd.
Masafumi Yuzawa, President and CEO, Representative Director
Contact: Takenori Sakurai, Senior Executive Officer,
(Chief Financial Officer)
Securities Code:1375
https://www.maitake.co.jp/

The corporate governance of Yukiguni Maitake Co., Ltd. (hereinafter the "Company") is described below.

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

1. Basic Views

As a "comprehensive manufacturer of premium mushroom", Yukiguni Maitake Group (the "Group") has established a solid business foundation and is working as one to help people in Japan and abroad continue to support a healthy and enriched livelihood.

The Group believes that it is indispensable to establish timely and accurate decision-making and action mechanisms to enhance the efficiency and integrity of management in response to a request in a global society in order to achieve the realization of increasing sustainable corporate value through responsible corporate management for a variety of stakeholders such as shareholders, customers, employees, business partners and local communities.

To that end, the Group acknowledges strengthening corporate governance as an important management priority and is working on speeding up decision-making, strengthening management supervising functions, improving management transparency, and establishing corporate ethics. The Group will continue to fulfill its social responsibilities based on safety and security at the core. And we will meet the expectations of our stakeholders by pursuing the functionality of mushrooms, which are blessing from nature, and by strict quality control and stable production based on human technology. Also, we are aiming for sustainable growth and coexistence with fruitful nature.

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

[Supplementary Principle 3.1.3 Disclosure of the Company's Initiatives on Sustainability]

In order to promote the ESG strategy disclosed in the mid-term business plan, the Company has newly established the Sustainability Management Committee on December 21, 2021 which deliberates a policy on sustainability at the Group and important matters related to initiatives towards the sustainable growth of the Group as a whole and solving social issues. After deliberated and reviewed at this committee, the Company has formulated the Sustainability Policies and has newly established a sustainability site on the Company's website.

(Sustainability Policies)

As a company that utilizes and nurtures
the blessing of nature, we will work together
with our stakeholders to pursue
the enrichment of nature, people and society,
aiming for sustainable growth and coexistence
with fruitful nature.

* Contribute to the richness of nature

We will evolve an environment-friendly and recycling-oriented business model, protect the rich natural environment of the region and contribute to the sustainability of the global environment.

* Contribute to people's health

Through the supply of safe, secure and high-quality products, we will contribute to the maintenance and improvement of health that supports people's happiness and affluent lives.

* Contribute to the development of society

We will contribute to the realization of prosperous society sharing economic and social value that we strive to sustainably increase with our stakeholders.

For the Behavioral guidelines under the Sustainability Policies, please confirm the Company's website.
https://www.maitake.co.jp/sustainability/management/

(Disclosure of Human Capital and Intellectual Properties)

With respect to intellectual properties, we have made an inventory of technology held by the Company and have formulated a strategy for investing in, and making use of, intellectual properties and intangible assets. We will make appropriate use of the domain of right and that of know-how, which will lead to rising mark-up rates and increasing sales revenue of our proprietary products. Through these initiatives, we will create flows to reinvest in intellectual properties and intangible assets and increase corporate value.

In addition, with respect to human capital, for the purpose of developing and ensuring human resources to realize the mid-term business plan, we have revised a system to be closer to job-oriented employment, while improving a support system to develop the

next generation. We continue to formulate a policy for human resource strategies to support sustainably increasing corporate value and promote our initiatives.

With respect to our initiatives in human capital, etc., we are currently reviewing the specific content of disclosure to make investors easy to understand information disclosure. As soon as getting things ready for disclosure, we will disclose the initiatives on the Company's website.

(Enhancement of the Quality and Quantity of Disclosure based on the TCFD or its Equivalent)

As of November 17, 2021, the Company expressed approval of the "Task Force on Climate-Related Financial Disclosures (TCFD) Opinion" which requests the appropriate disclosure of information on the financial impact on a company of climate changes and partially started information disclosure in accordance with the TCFD opinion.

For the disclosure of the TCFD, please refer to the Company's website.

https://www.maitake.co.jp/sustainability/environment/tcfd/

We will continue to accelerate our initiatives to realize decarbonized society, make efforts to improve the content of information disclosure in accordance with the TCFD opinion, and renew our disclosure appropriately.

[Disclosure under each Principle of the Corporate Governance Code]

[Supplementary Principle 1.2.4 Development of an Infrastructure for Electronic Voting, English Translations of Notice of Convocation of the General Meeting of Shareholders]

The ratio of foreign shareholders of the Company is approximately 12%. In consideration of increasing foreign shareholders who hold the Company's shares and its business development in the future, the Company uses the Electronic Voting Platform, provides English translations of the Notice of Convocation in a narrow sense and Reference Document of the General Meeting of Shareholders, and posts the above on the Company's website. Through these initiatives, we have developed infrastructures that foreign shareholders, etc. can obtain English translations of the Notice of Convocation of the General Meeting of Shareholders.

[Principle 1.4 Cross-Shareholdings]

<Verification of Ownership Policy and Rationality>

With respect to cross-shareholdings, we hold the appropriate number of shares in consideration of sufficiently close examination only if we acknowledge rationality to hold shares such as conducive to increasing the Company's corporate value over the mid- to long-term through maintaining and strengthening the transactional relationship of business, information gathering, and maintaining and developing business alliance relationship.

With respect to cross-shareholdings, the Board of Directors meeting held in November 2021 verified the importance, economic rationality and other factors of holding, and we sold shares whose purposes had been achieved except for those held for the purposes of maintaining and strengthening transactional relationship or information gathering. In the future as well, the regular Board of Directors meetings will verify the above.

<Exercising Voting Rights>

The Company comprehensively judges approval or disapproval and appropriately exercises the voting rights as to cross-shareholdings, in consideration of viewpoints such as whether or not conducive to strengthening appropriate corporate governance structure and to increasing shareholder value and making impact on the Company. We will request an issuer company to hold discussion about the proposal details, as necessary.

[Principle 1.7 Related Party Transactions]

The Company is operating its transactions based on the Related Party Transaction Management Rules. At the beginning of the actual transaction, the Company submits to the Board of Directors for approval after excluding related officers as special interested parties from the quorum of the resolution in order to prove the transaction is not prejudicial to the common interests of shareholders. In addition, we investigate related parties' transactions as of the end of the fiscal year, report the results to the Board of Directors, and grasp and monitor the details of the transactions.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion to Core Human Resources]

The Company has formulated the Plan of Act for General Employer pursuant to the Act on the Promotion of Female Participation and Career Advancement in the Workplace to promote female advancement, and discloses a ratio target for promotion of women to middle managerial positions on the Ministry of Health, Labour and Welfare's website. https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=7075

Furthermore, in order to aggressively promote the assignment of female managers, we conduct questionnaires and discussions for female supervisors who are candidates for managers and make use of the results thereof for reviewing training plans, etc. Otherwise, to ensure diversity in the promotion to core human resources, sixty percent or more of middle managerial positions of the Company consist of midcareer hires, and the Company has the composition of the middle managerial positions making use of their respective knowledge. We will continue to make efforts to ensure and develop diverse human resources not in favor of career and gender. With respect to the promotion of foreign nationals to core human resources, we will advance the acquisition of human resources necessary for future business development.

[Principle 2.6 Roles of Corporate Pension Fund as Asset Owners]

The Company has established a policy for the management of pension assets, and each procedure is carried out in accordance

with the agreement. In addition, the Company delegates investment to financial institutions.

Furthermore, we assign a person in charge within the Human Resources and General Affairs Department responsible for business and make efforts to learn specialized knowledge through participation in outside training and explanation from entrusted financial institutions. In addition to receiving investment reports from financial institutions on a quarterly basis, the Company monitors the investment status through each company's website.

[Principle 3.1 Full Disclosure]

(i) Business Principles, Strategies and Plans

1) Business Principles

The Company's motto and management philosophy are as follows and are disclosed on the Company's website.

"Company Motto" Contribution towards society with quality products
A worthwhile workplace

"Management Philosophy" Contribution towards enrichment of citizens' livelihood and the prosperity of food culture
Realize contributions to local communities and shareholders, executives and employees
Respect corporate ethics

2) Business Strategies and Plans

The Company discloses the mid-term business plan for the period from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2026 on the Company's website.

https://ssl4.eir-parts.net/doc/1375/ir_material_for_fiscal_ym/107999/00.pdf

(ii) Basic Views and Guidelines on Corporate Governance

The basic views and guidelines on the Company's corporate governance are as described in I, 1. Basic Views of this report.

(iii) Policies and Procedures in Determining the Compensation of Directors

Policies and procedures in determining the compensation of Directors are as described in II, [Director Compensation], Policy on Determining Compensation Amounts and Calculation Methods of this report.

(iv) Board Policies and Procedures in the Appointment/Dismissal of the Senior Management and the Nomination of Directors Candidates

<<Policies and Procedures in the Nomination of Directors (excluding Directors who are Audit and Supervisory Committee Members) Candidates>>

The Company has a basic policy to nominate appropriate persons from among persons who can meet the trust of management from shareholders and discharge their duties and responsibilities, can contribute to the sustainable development and increasing corporate value of the Group, or understand well the trend of management environment and competition, etc. surrounding the Group, together with the history, corporate culture, characteristic of employees, etc. of the Group, and can make the most of these factors for increasing corporate value.

Based on this policy, the Board of Directors nominates candidates for Directors in comprehensive consideration of character, experience, the terms of office of Directors of the Company, etc. from among persons who have career, ability, leadership, a wide field of vision, noble ethical views, and the spirit of obeying law, appropriate for persons who are involved in managerial decision-making and supervising the execution of business.

The Nomination and Compensation Committee conducts checks and monitoring of the appropriateness of the basic policy for selecting candidates for Directors and the process of deciding the candidates after request for consultation from the Board of Directors and sends a report to the Board of Directors. The Board of Directors confirms the report from the Nomination and Compensation Committee and makes a final decision on candidates for Directors.

Candidates for Outside Directors are nominated in comprehensive consideration of character, positions of Directors concurrently serving as Directors at other companies, the terms of office of Outside Directors, etc. from among persons who have the high level of specialized knowledge and a wealth of experience such as legal affairs, accounting and taxation and knowledge on corporate management.

In the event of the significant low performance against business goal, a significant scandal and a breach of compliance or otherwise in the event it is considered to be difficult that the Company's sustainable growth and increasing corporate value over the mid- to long-term will be realized, the Nomination and Compensation Committee shall offer an opinion on the consultation of dismissal to the Board of Directors regarding the dismissal of Business Executive Directors including CEO. The Board of Directors shall sincerely receive the opinion from the Nomination and Compensation Committee and hold a consultation with the committee.

<<Policies and Procedures in the Nomination of Directors who are Audit and Supervisory Committee Members Candidates>>

Candidates for Directors who are Audit and Supervisory Committee Members are determined at the Board of Directors with consent of the Audit and Supervisory Committee.

The Audit and Supervisory Committee nominates candidates for Directors who are Audit and Supervisory Committee Members from among persons who have knowledge and experience to perform appropriate audits, especially, a persons who has sufficient knowledge about finance and accounting regarding managerial decision-making and the situation of execution of business after carefully reviewing appropriateness as Audit and Supervisory Committee Members chiefly in consideration of whether or not it is possible to fulfill the term of office, ensuring independence from executives, keeping fair and unbiased attitude, and conducting the evaluation of management. In addition, the Audit and Supervisory Committee nominates candidates for Outside Directors who are Audit and Supervisory Committee Members, not only confirming independence in consideration of relations between a company

and its parent company, relations with Representative Director and other Directors and principal employees, etc., but also in comprehensive consideration of the possibility of attendance on the Board of Directors meetings, the Audit and Supervisory Committee, etc.

(v) Reasons for Nomination as a Candidate for Director

The Company posts reasons for nomination as an individual candidate for Director in the "Notice of Convocation of the Ordinary General Meeting of Shareholders."

https://www.maitake.co.jp/ir/stock/meeting/

[Supplementary Principles 3.1.2 Providing English Language Disclosures Bearing in Mind the Number of Foreign Shareholders]

The ratio of foreign shareholders of the Company is approximately 12%. In consideration of increasing foreign shareholders who hold the Company's shares and promoting its global development in the future, the Company provides English translations of the consolidated financial results, materials for financial results briefings and important press releases, and posts the above on the Company's website.

[Supplementary Principles 4.1.1 Brief Summary of Delegation to Directors]

The Company has formulated the "Rules for the Board of Directors" and determines contents to be deliberated at the Board of Directors meetings pursuant to laws and regulations. In addition, the Company has formulated the "Rules for Executive Officers" and the "Rules for Administrative Authority" and thereby clearly specifies the scope and content of the matters which the management can execute.

[Principle 4.8 Effective Use of Independent Outside Directors]

All four (4) Outside Directors of eight (8) Directors of the Company are Independent Outside Directors to make management transparent and to strengthen the supervisory function. Independent Outside Directors have provided useful advice and opinions from an independent standpoint at the Board of Directors meetings with their respective insights, experience, and specialties.

[Supplementary Principles 4.8.3]

The Company has a controlling shareholder and thus has newly established the Special Committee which consists of Independent Outside Directors as of December 1, 2021 from a perspective of protecting the interests of minority shareholders. The Special Committee deliberates and reviews important transactions and acts with the controlling shareholder to be occurred in the future, confirms validity for ongoing transactions once a year, and sends a report to the Board of Directors. Through these initiatives, we will continue to make efforts to protect minority shareholders.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The independency of Independent Outside Directors is judged pursuant to the Companies Act and the Independence Standards of the Tokyo Stock Exchange. Also, the Company strives to select persons who can be expected to contribute to constructive consideration for the Board of Directors with efforts to deepen understanding of the Company's business and actively giving advice from the perspective of improving corporate value based on their knowledge.

[Supplementary Principle 4.10.1 Nomination Committee and Compensation Committee]

The Company has established the Nomination and Compensation Committee, the majority of which consists of Outside Directors as an advisory body of the Board of Directors and President and CEO, Representative Director. The Nomination and Compensation Committee sends the Board of Directors a report about Directors' compensation and the nomination of candidates for Directors as described in [Principle 3.1 Full Disclosure], (iii) and (iv) of this report.

[Supplementary Principle 4.11.1 View on the Balance among Knowledge, Experience and Skills of the Board of Directors as a Whole, and Also on Diversity and Size of the Board of Directors]

The Board of Directors of the Company consists of Directors who have different backgrounds such as special knowledge and experience. The number of Directors will be no more than twenty (20) for quick decision-making. In addition, the Board of Directors of the Company currently consists of eight (8) Directors (including four (4) Outside Directors).

We ensure the balance and diversity of knowledge, experience and ability of a whole board including Directors who are Audit and Supervisory Committee Members. Skills matrix at the Board of Directors of the Company is described on the last page of this report.

[Supplementary Principle 4.11.2 Directors' Concurrent Positions at Other Listed Companies]

The Company discloses the important concurrent positions of Directors and candidates for Directors in the "Notice of Convocation of the Ordinary General Meeting of Shareholders" and the "Security Report" each year.

[Supplementary Principle 4.11.3 Summary of the Results of Evaluation of the Board of Directors]

In order to analyze and evaluate the effectiveness of the Board of Directors as a whole, we conducted a self-assessment of the management of the Board of Directors, including the composition, operation, agenda, support structure, and compensation in April 2022, in the form of an unsigned questionnaire survey to all Directors (seven (7) members) and all Audit and Supervisory Committee Members (four (4) members) who comprise the Board of Directors.

In the evaluation, all Directors and all Audit and Supervisory Committee Members were asked to self-evaluate (1) the role and function of the Board of Directors, (2) the composition and scale of the Board of Directors, (3) the operation of the Board of Directors, (4) communication with the management, (5) coordination with audit organizations, and (6) relationship with shareholders and investors. The results were reported to the Board of Directors, issues were identified, problems were shared, and future measures were discussed.

Consequently, the results were generally positive, and we evaluated that the Board of Directors was properly operated and that the effectiveness of the Board of Directors was ensured.

On the other hand, from the self-evaluation, internal and external officers commented that further improvements are necessary for (1) the implementation of continuous succession plans (successor plans) from a long-term standpoint, (2) the effective operation and further improvement of deliberation at the Board of Directors meetings, (3) the introduction and provision of training opportunities to Directors, (4) strengthening coordination between Outside Directors and the Audit and Supervisory Committee, and (5) disseminating information to shareholders and investors, and promoting constructive dialogue. We will strive to improve the identified issues by implementing measures such as securing deliberation time, scrutinizing the deliberation targets, and securing opportunities for explanations from business execution to the Board of Directors.

[Supplementary Principle 4.14.2 Training Policy for Directors]

The Company provides essential information, knowledge, and lectures regarding business activities for Directors to fulfill their roles and responsibilities properly. Also, Outside Directors shall be given opportunities for understanding the Company's business through discussions with the top management, etc. and production plant tours, etc.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

Regarding dialogue with shareholders, the General Manager of the Corporate Planning Division, which has responsibility for Investor Relations, unifies and corresponds with related departments based around the Investor Relations and Public Relations Department through appropriately exchanging information. Also, the General Manager of the Corporate Planning Division shall share the opinions received through dialogue with shareholders with Director in charge and report to the Board of Directors in order to use them in business operations so the Company establishes the organizational structure which contribute to the sustainable growth and the improvement of corporate value for the medium- to long-term. In terms of dialogue with shareholders, the Company manages insider information appropriately in accordance with the "Rules for Prevention of Insider Trading" and the "Fair Disclosure Rules Compliance Manual".

In addition, regarding various information disclosure, the Company endeavor to fulfill the dialogue with shareholders by timely disclosure via the press or website.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Shinmei Holdings Co., Ltd.	19,963,000	50.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,349,700	5.89
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,491,600	3.74
Custody Bank of Japan, Ltd. (Trust Account)	1,407,900	3.53
HSBC BANK PLC A/C M AND G (ACS))	945,039	2.37
SMBC Nikko Securities Inc.	614,300	1.54
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LODON BRANCH CLIENTS-UNITED KINGDOM	267,886	0.67
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	261,800	0.66
JP MORGAN CHASE BANK 385781	197,544	0.50
STATE STREET BANK AND TRUST COMPANY 505019	194,300	0.49

Controlling Shareholder (except for Parent Company)	–

Parent Company	Shinmei Holdings Co., Ltd. (unlisted)

Supplementary Explanation

–

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime
Fiscal Year-End	March
Type of Business	Fishery, Agriculture & Forestry
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Revenue (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

Transactions with related parties, including a controlling shareholder, require prior approval by the Board of Directors, with the participation of Independent Outside Directors, in accordance with the Company's Rules for Managing Related Party Transactions. The Board of Directors shall approve or disapprove the transactions based on the business needs and validity of the terms and conditions from the perspective of enhancing the Company's corporate value while protecting minority shareholders. Furthermore, as of December 1, 2021 the Company has newly established the Special Committee which consists of Independent Outside Directors. The Special Committee deliberates and reviews important transactions and acts with the controlling shareholder to be occurred in the future, confirms the validity of ongoing transactions once a year, and sends a report to the Board of Directors. Through these initiatives, we will continue to make efforts to protect minority shareholders.

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

As of the date of submission, one (1) Director has been appointed from Shinmei Holdings Co., Ltd., which is our parent company.

Regarding the business of the Company, there are no business restrictions from our parent company, so that the Board of Directors of the Company makes decisions based on its own interest and independent management decisions to ensure a full independence.

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

1. Organizational Composition and Operation

Organization Form	Company with audit and supervisory committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President and CEO
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	4

Number of Outside Directors designated as Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Noriko Chibayashi	From another company											
Yoshino Tsujita	From another company											
Kazuhito Tatebe	Lawyer											
Tetsuya Naito	CPA											

* **Categories for "Relationship with the Company"**

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

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

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

Outside Directors' Relationship with the Company (2)

Name	Designation as Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Noriko Chibayashi		○	———	Ms. Noriko Chibayashi has a wealth of experience in the food industry and an excellent management perspective, and we have determined that she can provide advice on strengthening the Company's management base from multiple perspectives. Therefore, we have determined that she is suitable as an Outside Director of the Company. She is currently the President and Representative Director of Asahi Biocycle Co., Ltd., but there is no human, capital or business relationship or other interests between Asahi Biocycle Co., Ltd. and the Company. Thus, we have determined that there is no risk of conflict of interest with general shareholders and we have designated her as an Independent Director.

Yoshino Tsujita		○	―――――	Ms. Yoshino Tsujita is familiar with accounting and finance operations, etc., and has a wealth of experience and a wide range of insights at domestic and overseas companies. Thus, we have determined that we can utilize her experience and insights in the Company's management and determined that she is suitable as an Outside Director of the Company. She is currently the Representative Director of Relier Inc., but there is no human, capital or business relationship or other interests between Relier Inc. and the Company. Thus, we have determined that there is no risk of conflict of interest with general shareholders, and we have designated her as an Independent Director.
Kazuhito Tatebe	○	○	―――	Mr. Kazuhito Tatebe has extensive experience and knowledge in domestic and overseas public sector, experience as Audit and Supervisory Board Member of other company and expertise as attorney-at-law. We have judged that he is expected to play an adequate role as an Outside Director who is an Audit and Supervisory Committee Member by supervision of the whole management of the Company and provision of appropriate advice and therefore determined that he is suitable as an Outside Director who is an Audit and Supervisory Committee Member. Although he has not experienced direct engagement in corporate management by other than as Outside Officer, we, due to the above reasons, have determined that he can appropriately perform the duties of an Outside Director who is an Audit and Supervisory Committee Member. In addition, because there are no conflicts of interest between Mr. Kazuhito Tatebe and the Company and thus he can conduct audits from an independent standpoint, we have determined that there is no risk of conflicts of interest with the shareholders in general and have designated him as Independent Director.

Tetsuya Naito	○	○	———	Mr. Tetsuya Naito has extensive experience as certified public accountant in Japan and the United States for many years and abundant accounting knowledge. We have judged that he is expected to play an adequate role as an Outside Director who is an Audit and Supervisory Committee Member by supervision of the whole management of the Company and provision of appropriate advice and therefore determined that he is suitable as an Outside Director who is an Audit and Supervisory Committee Member. Although he has not experienced direct engagement in corporate management, he is acquainted with international accounting knowledge as certified public accountant and therefore we have determined that he can appropriately perform the duties of an Outside Director who is an Audit and Supervisory Committee Member. In addition, because there are no conflicts of interest between Mr. Tetsuya Naito and the Company and thus he can conduct audits from an independent standpoint, we have determined that there is no risk of conflicts of interest with the shareholders in general and have designated him as Independent Director.

[Audit and Supervisory Committee]

Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Outside Director

Director and employee who should assist the duties of the Audit and Supervisory Committee	Yes

Matters relating to the Independence of the above Director and Employee from Business Executive Directors

When requested by the Audit and Supervisory Committee, we will select an appropriate human resource as a person who will assist its duties. In addition, in order to ensure such employee's independence from Directors and the effectiveness of instructions from the Audit and Supervisory Committee, such employee' personnel affairs and treatment is to require the consent of the Audit and Supervisory Committee.

Coordination among the Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Office

The Company was shifted to a company with the Audit and Supervisory Committee at the Ordinary General Meeting of Shareholders held on June 24, 2022.

Because the Company's Audit and Supervisory Board Members previously coordinated with the Accounting Auditor and the Internal Audit Office as follows to share information, we plan the same coordination in the future.

[Coordination with the Accounting Auditor]

Audit and Supervisory Committee Members exchange opinions with Accounting Auditor regularly for sharing information and discussing the audit plans of the Accounting Auditor, quarterly reviews, and year-end audits. In addition to regular discussions, full-time Audit and Supervisory Committee Member and the Accounting Auditor exchange opinions on major issues, etc. each time.

[Coordination with the Internal Audit Office]

Audit and Supervisory Committee Members exchange opinions with the Internal Audit Office regularly. In addition to regular discussions both bodies maintain close coordination and share information each time.

[Voluntary Committees]

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

Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Director	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside Director
Committee Corresponding to Compensation Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

As of September 17, 2020, the voluntary Nomination and Compensation Committee has been established as an advisory body to the Board of Directors and Representative Director. The committee deliberates and confirms the process of selecting Director candidates and the policy for determining the compensation, which are the resolutions of the Board of Directors and the General Meeting of Shareholders, and submit reports.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

The Company designates all Outside Directors who meet the qualification as Independent Directors.

[Incentives]

Incentive Policies for Directors	Performance-based compensation

Supplementary Explanation

The Company plans to make payment of compensation to its Directors (excluding Outside Directors) in the form of, in addition to monthly fixed compensation, performance-based compensation equivalent to bonuses as monetary compensation according to the Company's management situation and the allotment of shares with restriction on transfer as nonmonetary compensation.

Recipients of Stock Options	

Supplementary Explanation

—

[Director Compensation]

Disclosure of Individual Directors' Compensation	No Individual Disclosure

Supplementary Explanation

The Company does not disclose individually since no one has a total compensation that exceeds ¥100 million.

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

As of September 17, 2020, the voluntary Nomination and Compensation Committee has been established as an advisory body to the Board of Directors and Representative Director regarding the policy for determining individual compensation for Directors and the process of the determination. The committee deliberates and confirms the process of selecting Director candidates and the policy for determining the compensation, which are the resolutions of the Board of Directors and the General Meeting of Shareholders, and submit reports.

At the Board of Directors meeting held on May 19, 2022, the following resolutions were made as a policy for determining the amount of compensation, etc. for Directors.

1. Basic policy for compensation

The basic policy for compensation for Directors of the Company has the criteria of a compensation system linked to performance, employee salary levels, etc. for each fiscal year in order to fully function as incentives striving for the sustainable increase of corporate value. The basic policy for determining compensation for Directors on an individual basis has the criteria of an appropriate level based on their position and roles.

In particular, the compensation for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) comprises basic compensation as fixed compensation and performance-based compensation as variable compensation. With regard to Outside Directors and Directors who are Audit and Supervisory Committee Members, the Company pays them basic compensation only.

2. Policy for determining the amount of compensation, etc. on an individual basis of basic compensation (including policy for determining the timing or conditions of the payment of compensation, etc.)

The basic compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company shall be monthly monetary compensation and be determined taking into comprehensive consideration based on the Company's performance, another companies' compensation levels, the Company's employees' salary levels, Executive Officers' compensation levels and other factors according to posts, roles, terms of office, etc.

The basic compensation for Directors who are Audit and Supervisory Committee Members of the Company shall be determined after consultation among all Directors who are Audit and Supervisory Committee Members also in consideration of their duties and various circumstances including recent economic climate.

3. Policy for determining the details and method calculating the amount of performance-based compensation (including policy for determining the timing or conditions of the payment of compensation, etc.)

Performance-based compensation payable to Directors (excluding Outside Directors and Directors who are Audit and Supervisory

Committee Members) comprises performance-based bonuses (monetary compensation) reflecting KPI, a performance indicator, and stock compensation (nonmonetary compensation) for the purpose of increasing corporate value over the mid- to long-term and sharing value with shareholders, in order to enhance their awareness of improving performance for each fiscal year.

i) Performance-based bonuses (monetary compensation)

The Company shall pay an amount calculated according to the degree of achieving a target for Core EBITDA for each fiscal year and a figure for the previous fiscal year as a bonus at the predetermined times every year. The target shall be set at the time of forming a plan in order to adjust profit planning for each fiscal year based on a performance indicator and its figure set in the mid-term business plan and be reviewed appropriately based on a report from the Compensation and Nomination Committee according to environmental change.

ii) Stock compensation (nonmonetary compensation)

The Company shall grant its common stock after setting the predetermined Transfer Restriction Period and grant its common stock every year in principle in the number determined according to their positions after conclusion of agreements on the allotment of the Shares with Restriction on Transfer between the Company and Eligible Directors.

4. Policy for determining the percentage of compensation by type for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members)

The percentage of compensation by type shall be composed to increase the weight of performance-based compensation in proportion to the superior positions based on the compensation level of companies on the same level of business size with the Company and belonging to the relevant types and categories of business as a benchmark. In addition, with regard to stock compensation, the weight of the superior positions increases in the same manner as above because the superior positions should contribute to increasing corporate value over the mid- to long-term.

Based on the above, the Company forms the percentage of compensation by type and inquires it of the Compensation and Nomination Committee. The Board of Directors shall respect the details of a report from the Compensation and Nomination Committee and determine the details of compensation, etc. for Directors on an individual basis within the range of the percentage of compensation by type presented in the report. With respect to the estimated percentage of compensation by type for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members), performance-based compensation is roughly 45% (specifically the percentages set for performance-based bonus and stock compensation are 35% and 10%, respectively; if KPI is achieved 100%, the percentages set for basic compensation, performance-based bonus, and stock compensation are roughly 55%, 35%, and 10%, respectively.) in the case of Representative Director.

5. Matters relating to determining the details of compensation, etc. for Directors on an individual basis

With respect to the amount of compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) on an individual basis, Representative Director shall be delegated its specific details based on the policy by resolution of the Board of Directors' meeting within the range of the total amount of compensation approved at the General Meeting of Shareholders. The details of authorization shall be the evaluation and distribution of performance-based compensation based on the amount of basic compensation for each Director and the degree of contribution to a role expected from each Director according to the policy for determining compensation. Representative Director delegated as above shall inquire the original plan of the Compensation and Nomination Committee and receive a report from it and must determine the compensation, etc. for Directors on an individual basis based on the details of the report, in order to guarantee that the authority has been exercised appropriately.

The amount of compensation for Directors who are Audit and Supervisory Committee Members on an individual basis shall be determined after consultation among Directors who are Audit and Supervisory Committee Members within the range of the total amount of compensation approved at the General Meeting of Shareholders.

[Supporting System for Outside Directors]

While the Company is not assigning full-time staff for assisting the Outside Directors, for smooth accomplishment of the duties, sharing information between Directors, such as distributing materials in advance and sending meeting results are conducted by the staff of the Human Resources and General Affairs Department, who serves as the secretariat of the Board of Directors, and the staff of the Corporate Planning Department, who serves as the secretariat of the Nomination and Compensation Committee.

[Persons who Retired from President and CEO, Representative Director, etc.]

Names, etc. of Senior Advisors, Advisors, etc. who are the former Presidents and CEOs, Representative Directors, etc.

Name	Title / Position	Details of Duties	Working Patterns / Conditions (full-time / part-time / with or without compensation, etc.)	Date of Retirement from President and CEO, etc.	Term of Office
–	–	–	–	–	–

Total Number of Senior Advisors, Advisors, etc. who Are the Former Presidents and CEOs, Representative Directors, etc.	–

Other Matters

The Company changed President and CEO, Representative Director, as of April 1, 2022 and Mr. Iwao Ashikaga who had served as President and CEO, Representative Director, resigned from the same position. Mr. Iwao Ashikaga resigned from Director at the conclusion of the 5th Ordinary General Meeting of Shareholders held on June 24, 2022.

2.Matters on Functions of Business Execution, Auditing, Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

(Board of Directors)

The Board of Directors is chaired by Mr. Masafumi Yuzawa, President and CEO, Representative Director, and consists of eight (8) Directors including Mr. Toshiyuki Saikusa, Mr. Mitsuo Fujio, Ms. Noriko Chibayashi (Outside Director) and Ms. Yoshino Tsujita (Outside Director) who are Directors (excluding Directors who are Audit and Supervisory Committee Members) and Mr. Tsuguaki Kobayashi, Mr. Kazuhito Tatebe (Outside Director) and Mr. Tetsuya Naito (Outside Director) who are Directors who are Audit and Supervisory Committee Members. In principle, the Board of Directors meets once a month. The Board of Directors deliberates and makes decisions on management policies and important matters related to the execution of business, and clarifies the supervision function of the execution of business. To ensure decision-making from a broader perspective and objective supervision of the execution of business, four (4) out of eight (8) Directors of the Board of Directors are Outside Directors.

(Audit and Supervisory Committee)

The Audit and Supervisory Committee is chaired by Mr. Kazuhito Tatebe (Outside Director), and consists of three (3) Audit and Supervisory Committee Members including Mr. Tsuguaki Kobayashi and Mr. Tetsuya Naito (Outside Director). In principle, the Audit and Supervisory Committee is planned to meet once a month. The Audit and Supervisory Committee Members conduct the audit work based on audit policies and audit plans, attend important meetings within the Company such as the Management Executive Meeting, and express their opinions as appropriate. In addition, the Audit and Supervisory Committee receives reports from each Audit and Supervisory Committee Member on important matters related to audits and shares the information. To further increase the independence and neutrality of the auditing system, two (2) out of the three (3) Audit and Supervisory Committee Members are Outside Directors.

(Special Committee)

From a viewpoint of protecting the interests of minority shareholders, the Company has newly established the Special Committee consisting of Independent Outside Directors in December 2021 in accordance with the Corporate Governance Code. The Special Committee deliberates and reviews important transactions and acts with a controlling shareholder and confirms the validity of ongoing transactions once a year, and sends a report to the Board of Directors. Through these initiatives, the Company makes efforts to protect the interest of minority shareholders.

(Management Executive Meeting)

The Management Executive Meeting is chaired by President and CEO, Representative Director, and consists of other full-time Directors, Executive Officers, etc. In principle, the Management Executive Meeting meets once a week and deliberates important matters related to management such as management plans, business administration, measures for management improvement and the corporate governance system. A full-time Audit and Supervisory Committee Member attends this meeting as an observer.

(Sustainability Management Committee)

In December 2021, the Company has newly established the Sustainability Promotion Committee which is chaired by the President and CEO, Representative Director, and consists of other full-time Directors, Executive Officers and Presidents and CEOs of group companies, in order to promote initiatives towards the sustainable growth of the Group as a whole and solving social issues including climate change risks. This committee deliberates, operates and administrates initiatives to solve the important issues of sustainability at the Group, sustainable growth and social issues.

A full-time Audit and Supervisory Committee Member attends this committee as an observer.

(Internal Control Committee)

For the purposes of strengthening a system to ensure the appropriateness of financial reports and improving and strengthening group control environment, the Company has established the Internal Control Committee which is chaired by the President and CEO, Representative Director, and consists of other full-time Directors and Executive Officers. In principle, the Internal Control Committee meets once a quarter.

A full-time Audit and Supervisory Committee Member attends this committee as an observer.

(Risk Management Committee)

The Company has newly established the Risk Management Committee in April 2021 to improve a system to manage risks. The

Risk Management Committee operates and administrates company-wide risk management. The Risk Management Committee is chaired by President and CEO, Representative Director, and consists of other full-time Directors, Executive Officers and Presidents and CEOs of group companies. In principle, the Risk Management Committee meets twice a year.

A full-time Audit and Supervisory Committee Member attends this committee as an observer.

(Compliance Committee)

In order to deliberate compliance-related matters and verify their response, the Company has established the Compliance Committee which is chaired by President and CEO, Representative Director, and consists of other full-time Directors, Executive Officers and Presidents and CEOs of group companies. In principle, the Compliance Committee meets four times a year and strives to improve compliance management.

A full-time Audit and Supervisory Committee Member attends this committee as an observer.

(Internal Audit Office)

In order to strengthen an internal administration system, the Company has established the Internal Audit Office under the direct control of President and CEO, Representative Director, which carries out internal audits under the audit plan. The Internal Audit Office consists of three (3) members including one (1) General Manager.

(Accounting Auditor)

The Company has entered into an auditing agreement with PricewaterhouseCoopers Aarata LLC as an Accounting Auditor and receive appropriate audits.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with the Audit and Supervisory Committee in order to further improve corporate governance by strengthening the Board of Directors' supervising functions because Audit and Supervisory Committee Members who assume the responsibility of auditing and supervising Directors' execution of their duties have voting rights at the Board of Directors meetings. Furthermore, the Board of Directors may entrust the decision of the execution of important business to Directors and thereby the Company can manage business in a swift and mobile manner.

Through these initiatives, the Company believes that it can make decisions in a more transparent and fair manner as well as in a swift and decisive manner, and that a structure to support managerial decisions having more powerful driving force will be strengthened.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company makes efforts to send earlier the Notice of Convocation of the General Meetings of Shareholders. The Company sent the Notice of Convocation of the 5th Ordinary General Meeting of Shareholders three weeks earlier than a date of the above meeting, prior to the statutory date.
Scheduling AGMs Avoiding the Peak Day	The Company held the 5th Ordinary General Meeting of Shareholders on June 24, 2022, avoiding the peak days of other companies so that as many shareholders as possible can attend.
Allowing Electronic Exercise of Voting Rights	Electronic exercise of voting rights is available.
Participation in Electronic Voting Platform and Other Measures for Improvement in Exercising of Voting Rights by Institutional Investors	The Company participates in the electronic exercise of voting rights platform.
Providing Convocation Notice in English	The Company started to disclose the summary of the Notice of Convocation in English from the 4th Ordinary General Meeting of Shareholders held in June 2021.

2. IR Activities

Supplementary Explanations	Explanation by the Representative

Preparation and Publication of Disclosure Policy	The Company has formulated the Disclosure Policy which is available on the Company's website. https://www.maitake.co.jp/ir/policy/	
Regular Investor Briefings for Individual Investors	The Company participates in seminars as IR events for individual investors organized by securities companies. However, from the perspective of preventing the spread of COVID-19, the seminars are currently held in a live streaming style.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At the time of the announcement of our full-year financial results, our Representative Director explains the details of our financial results, management policies, and strategies. For interim financial results, the Representative Director holds a briefing session.	Yes
Regular Investor Briefings for Overseas Investors	The Company holds IR meetings including those for overseas investors according to the time of announcement of financial results, explaining the summary of financial results, management strategies, etc.	Yes
Posting of IR Materials on Website	Our IR materials are available on our website.	
Establishment of Department and/or Manager in Charge of IR	Dedicated IR staff are assigned to the IR & PR Department.	

3. Measures to Respect Stakeholders' Position

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company complies with laws and stipulates the Compliance Manual as the codes of conduct to distribute and educate employees in order to respect the status of stakeholders and fulfill corporate social responsibility.
Implementation of Environmental Activities, CSR Activities etc.	The Company discloses its environment efforts and CSR activities at a sustainability site on the Company website.
Development of Policies on Information Provision to Stakeholders	We have established the "Timely Disclosure Rules" and the "Fair Disclosure Rules Compliance Manual" to ensure timely and appropriate information disclosure.

IV. Matters Related to the Internal Control System

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

1. System for Ensuring the Execution of Duties by Directors and Employees Complies with Laws, Regulations and the Articles of Incorporation

(i) In order for Directors and employees of the Company and group companies to comply with laws, regulations and the Articles of Incorporation, and to improve social credibility, the Company has established the Compliance Committee which is chaired by President and CEO and consists of other full-time Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers and Presidents and CEOs of group companies in accordance with the Compliance Regulations , and thereby works to develop and improve a compliance system. A full-time Audit and Supervisory Committee Member participates in the Compliance Committee as an observer.

(ii) The Company stipulates the Compliance Manual that shows Guidelines for Conduct and Code of Conduct for the practice of compliance, in order to spread and establish compliance awareness. Furthermore, the Company has set up in-house and outside Compliance Consultation Desk as an internal reporting system for preventing and early detection of legal violations and compliance problems.

(iii) The Company has established the Internal Audit Office under the direct control of President and CEO as a department to conduct the internal audits of the Company and group companies. Based on the Internal Audit Regulations, the Internal Audit Office audits whether the business operations of the Company and group companies are properly operated in accordance with laws and regulations, internal regulations, etc., reports the results to President and CEO, and regularly reports them to the Audit and Supervisory Committee. Furthermore, the Internal Audit Office conducts a follow-up audit on the improvement status of the points and recommendations as a result of the audit.

(iv) The Company, based on the Accounting Regulations and regulations related to accounting treatment, strives to ensure the reliability of financial reporting of the Company and group companies and strengthens coordination with the Accounting Auditor in order to enhance internal control related to financial reporting.

(v) In order to prevent damage caused by anti-social forces and to eliminate anti-social forces from society as a whole, the Company establish a basic policy such as "No relationship with anti-social forces and do not respond to requests", "When anti-social forces request, the Company takes legal action from both civil and criminal perspectives, and will not respond at all regardless of the reason", "Build closer relationships with external specialized agencies such as police and lawyers" and establish an internal

management system based on the Rules for Eliminating Relationships with Anti-social Forces and the Compliance Manual.

2. System for Storing and Managing Information Related to the Execution of Duties by Directors

Based on the Document Management Regulations, the Company appropriately stores and manages the minutes of the Board of Directors, the Management Executive Meeting, etc. and related materials, approval documents, contracts, reports, and other documents. Directors may inspect these documents whenever there is a business need.

3. Rules for Managing Risk of Loss and Other System

The Company has formulated preventive measures and countermeasures against various risks surrounding the businesses of the Company and group companies. We have established the Risk Management Committee which is chaired by President and CEO and consists of other full-time Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers and Presidents and CEOs of group companies in accordance with the Risk Management Regulations and thereby develop and improve a risk management system and avoid or mitigate risks. In addition, if it is determined that a serious crisis will occur or if President and CEO deems it necessary, an emergency response headquarters with President and CEO as the chief executive will be set up to respond promptly and appropriately to emergencies. We will prevent the spread of damages, resolve the crisis, and establish measures to prevent recurrence. A full-time Audit and Supervisory Committee Member participates in the Risk Management Committee as an observer.

4. System for Ensuring the Efficient Execution of Duties by Directors

(i) In addition to formulating the mid-term business plan, the Company sets a basic policy and priority matters of the Company and group companies under the basic policy for each fiscal year, as well as an annual business budget.
(ii) The Company regularly holds the Management Executive Meeting consisting of President and CEO, other full-time Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers to discuss important matters, and formulate and implement measures to achieve a plan without fail after checking the achievement status of the plan every month. A full-time Audit and Supervisory Committee Member participates in the Management Executive Meeting as an observer.
(iii) Regarding the execution of each business, based on the Rules for Division of Duties, the Rules for Authority of Duties, and the Rules for Management of Affiliated Companies, the Company speeds up decision-making and clarifies the decision-making process.

5. System for Ensuring the Appropriateness of Business at the Group Consisting of the Company, its Parent Company and Subsidiaries, and System for Reporting to the Company Matters Related to the Execution of Duties by Directors and Employees of Subsidiaries

(i) In order to appropriately manage the business at each group company, the Company regularly receives reports on business performance and business execution status from each group company based on the Affiliated Company Management Regulations. In addition, the Corporate Planning Department has been established as a department to manage each group company, and provides guidance and support for proper business management of each group company.
(ii) The Company endeavors to ensure the appropriateness of the business by timely reporting the business performance, business execution status, and important facts to the parent company.

6. Matters relating to Employees if Audit and Supervisory Committee Requests to Assign the Employees who Assist the Duties of the Audit and Supervisory Committee, Matters relating to the Employees' Independence from Directors (excluding Directors who are Audit and Supervisory Committee Members), and Matters to Ensure the Effectiveness of Instructions to the Employee of the Audit and Supervisory Committee

In order to assist the duties of the Audit and Supervisory Committee, the Company assigns appropriate personnel as an assistant employee. Furthermore, in order to ensure the independence of the employees from the Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of instructions of the Audit and Supervisory Committee, the personnel and treatment of the employees require consent of the Audit and Supervisory Committee.

7. System for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Employees to Report to Audit and Supervisory Committee and Other Systems for Reporting to the Audit and Supervisory Committee, as well as System for Ensuring Persons who Make Reports Shall not be Treated Unfavorably because of the Report

(i) Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees report the status of execution of duties to Audit and Supervisory Committee Members through the Board of Directors and other important meetings, timely report the matters of significant impact on the business performance of the Company or each group company, etc. to Audit and Supervisory Committee Members, and promptly report to Audit and Supervisory Committee Members if any fact with impact on significant damage on the Company or each group company has occurred or is likely to occur.
(ii) If Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company and Directors and employees of each group company are requested to report important matters including the execution of business by the Audit and Supervisory Committee, they shall promptly do so.
(iii) A person who makes a report to the Audit and Supervisory Committee shall not be treated unfavorably because of the report.

8. Rules for Procedures of Advance Payment or Adjustment of Expenses Incurred from the Execution of Duties by Audit and Supervisory Committee Members and Treatment of Other Expenses or Liabilities Incurred from the Execution of the Duties

(i) If the Company is requested by Audit and Supervisory Committee Members to pay expenses necessary for the execution of their duties, it shall do so.

(ii) Audit and Supervisory Committee Members may receive advice from outside professionals as necessary upon execution of their duties. Furthermore, expenses for the advice shall be borne by the Company.

9. Other Systems for Ensuring Effective Implementation of Audits by the Audit and Supervisory Committee
(i) Audit and Supervisory Committee Members may attend important meetings such as the Management Executive Meeting, inspect important documents related to the execution of business, and ask Directors or employees to explain them as necessary.
(ii) President and CEO regularly exchanges opinions with the Audit and Supervisory Committee on issues that the Company should address, important audit issues, etc., and makes efforts so that the Audit and Supervisory Committee will conduct audits effectively.
(iii) The Audit and Supervisory Committee may, if considering necessary upon report from the Internal Audit Office, request additional investigation or give specific instructions.
(iv) The Audit and Supervisory Committee may, if considering necessary, request other Directors, employees at the Internal Control Division (a division responsible for compliance, a division responsible for risk management, an accounting division, a finance division and other departments responsible for internal control functions), the Accounting Auditor, and other persons to attend the committee and make explanations.

2. Basic Views on Eliminating Anti-Social Forces

The Company has formulated the Code of Conduct to the effect that the Company resolutely confronts anti-social forces and groups that threaten the order and safety of civil society in order to maintain public trust, and keep the appropriateness and soundness of our business, and has no relationships with them. The Company thereby excludes and eliminates relationships with anti-social forces. Regarding current development status of the Company, the “Rules for Eliminating Relationships with Anti-social Forces” have been established with the Human Resources and General Affairs Department as a responsible department, while the Company has received commitments from officers and employees to the effect that they are not anti-social forces and a clause to eliminate anti-social forces shall be included in the contract when concluding a contract with us as a party.

In addition, regarding new business partners, the Human Resources and General Affairs Department are examining the applicability of anti-social forces, etc. using the check manual by referring the database of external organizations (Nikkei Telecom) and information on the Internet based on the New Business Partner Attribute Check Records in accordance with the New Business Partner Attribute Check Manual. With respect to existing customers, we have operations that we continue to confirm the applicability of anti-social forces, etc. for numerically material customers each quarter and as necessary for other customers.

V. Other

1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not Adopted

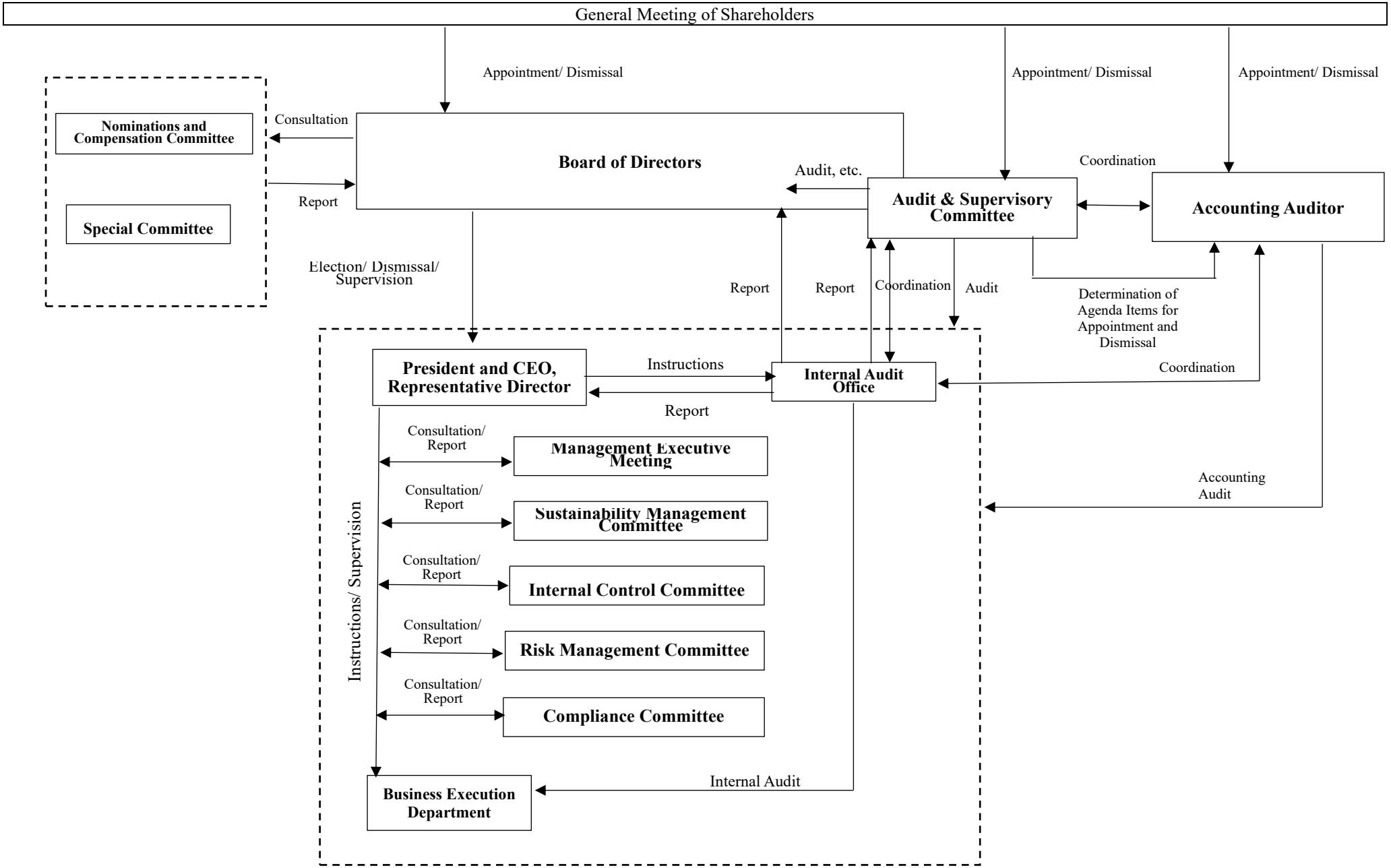
Supplementary Explanation

—

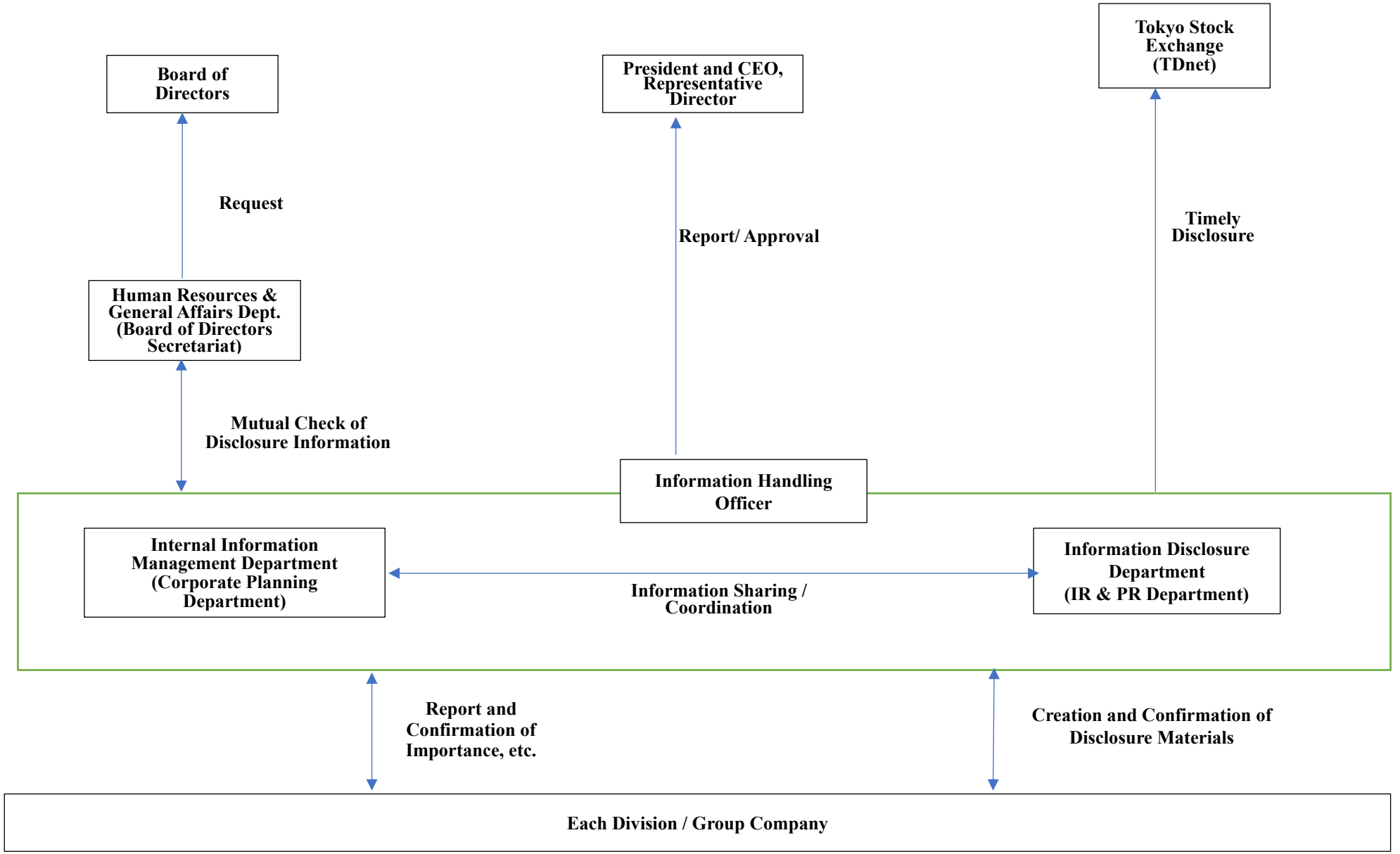
2. Other Matters regarding Corporate Governance System

—

Corporate Governance System



Disclosure Flow Chart of Timely Disclosure Information



Skills matrix of candidates for Directors (Roles expected and skills possessed)

Name	Position and Responsibility	Diversity	Outside (Independence ◎)	Whole management	Finance/ Accounting/ Taxation	Legal/ Risk management Governance	Human Resources/ Labor	Global business	Marketing	Technology /R&D	Industry knowledge
Masafumi Yuzawa	President and CEO, Representative Director			●					●		●
Toshiyuki Saikusa	Senior Managing Director				●		●				●
Mitsuo Fujio	Director			●				●			●
Noriko Chibayashi	Director (Outside)	●	Outside ◎	●					●	●	
Yoshino Tsujita	Director (Outside)	●	Outside ◎		●	●		●			
Tsuguaki Kobayashi	Director (Full-Time Audit and Supervisory Committee Member)							●			●
Kazuhito Takebe	Director (Audit and Supervisory Committee Member, Outside)		Outside ◎			●		●			
Tetsuya Naito	Director (Audit and Supervisory Committee Member, Outside)		Outside ◎		●			●			

(Note)

Items marked with ● do not show all knowledge and experience of each Director.