Last Update: 23, June, 2023

RAKUS Co., Ltd.
Takanori Nakamura, Representative Director and President
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Securities code: 3923
https://www.rakus.co.jp/en/

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

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

1. Basic Views

Our fundamental concept of corporate governance within our group is to continuously operate an organizational structure capable of making accurate and timely decisions that respond to changes in the social and economic environment. We believe that making precise decisions with "efficiency," "fairness," "transparency," "justice," and "promptness" will bring appropriate benefits to all stakeholders, including shareholders, business partners, and employees.

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

<Ensuring Diversity, Including Active Participation of Women>
Supplemental Principle 2-4 (1):
We have expanded our business through mid-career recruitment based on experience and ability since the founding. To achieve sustained business growth at a high level, we prioritize the "acquisition and development of diverse and talented personnel", as well as "providing opportunities for employees' success and growth" in our Materiality. Regardless of gender, race, or age, we hire diverse personnel and aim to maximize the growth of each employee and organizational performance by providing opportunities and an environment for growth. We have a policy of assigning personnel according to the role of each position, without setting specific diversity targets. Details of our talent strategy, including our policy on personnel development, are disclosed in our Sustainability Report.

<Full Disclosure>
Supplemental Principle 3-1 (3):
In order to sustainably create new value and contribute to a prosperous society, we have identified Materiality by sorting through risks and opportunities for long-term corporate value and business sustainability. We have compiled various initiatives of our group aimed at sustainable growth in our Sustainability Report. As our business mainly involves providing IT services, we currently do not anticipate any significant impact on our business from

risks and opportunities related to climate change, and therefore we do not disclose such information based on TCFD guidelines. However, our approach to environmental initiatives is summarized in our Sustainability Report.

< Preconditions for Board and *Kansayaku* Board Effectiveness>

We conduct annual evaluations of each director with the participation of outside directors. We will take a long-term perspective and work to analyze and evaluate the effectiveness of the entire Board of Directors, as well as disclose the results of this analysis and evaluation in a manner appropriate for our company.

Disclosure Based on the Principles of the Corporate Governance Code

<Cross-Shareholdings>

Principle 1-4:

Our policy is to hold shares of other companies when it is determined that it will maintain and strengthen business partnerships in accordance with our growth strategy and contribute to the improvement of our medium- to long-term corporate value. At the Board of Directors' meetings, we regularly review the financial condition, management performance, stock price, dividends, and other circumstances of the issuing companies to determine the validity of continued ownership and reduce our holdings if deemed inappropriate. As for the exercise of voting rights for cross-shareholdings, we consider whether it contributes to the improvement of our and the issuing company's corporate value before exercising the voting rights.

<Related Party Transactions>

Principle 1-7:

Our "Regulations for Managing Related Parties" specify the necessary procedures and require approval by the Board of Directors when transactions occur with related parties.

<Ensuring Diversity, Including Active Participation of Women>

Supplemental Principle 2-4 (1):

Refer to the Reasons for Non-compliance with the Principles of the Corporate Governance Code.

<Roles of Corporate Pension Funds as Asset Owners>

Principle 2-6:

We do not manage any accumulated funds for corporate pensions.

<Full Disclosure>

Principle 3-1:

i) Company objectives (e.g., business principles), business strategies and business plans;
Our Mission, Long-term Vision, Value (management philosophy), and our code of conduct, RAKUS Leadership Principles, are disclosed on our website and in our Sustainability Report.

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
Refer to the 1. Basic Views.

iii) Board policies and procedures in determining the remuneration of the senior management and directors;
When determining the remuneration for directors, we take into account not only the overall performance of the company but also the individual contributions of each director, and the opinions of outside directors are also considered in the decision made by the Board of Directors. Additionally, on June 23, 2023, we established the "Nomination and Compensation Committee" as an optional advisory committee of the Board of Directors to enhance the fairness, transparency, and objectivity of the procedures related to the nomination and compensation of directors and audit and supervisory board members.

iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates;
We discuss the appointment, dismissal and nomination of directors based on their performance and departmental evaluation, with the input of outside directors, and obtain approval at the Annual General Meeting of Shareholders. We appoint audit & supervisory board members' candidates with expertise in conducting effective audits and obtain approval at the Annual General Meeting of Shareholders. Additionally, as stated in iii) above, we have established an optional "Nomination and Compensation Committee" and discuss its recommendations in the Board of Directors, taking them into account.

v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).
We plan to disclose explanations regarding the appointment, dismissal and nomination of individual directors and audit & supervisory board members in the notice of convocation for the Annual General Meeting of Shareholders.

<Full Disclosure>

Supplement Principle 3-1 (3):

Refer to the Reasons for Non-compliance with the Principles of the Corporate Governance Code.

<Roles and Responsibilities of the Board>

Supplement Principle 4-1 (1):

We have established the "Board of Directors Regulations," "Organization Regulations," and "Authority Regulations" to define the delegation of authority to the Board of Directors and the management team and has obtained the Board of Directors' resolution. The President and each director provide policies and directions for the company's management operations, and delegate responsibilities to each business unit leader.

< Independence Standards and Qualification for Independent Directors>

Principle 4-9:

Our criteria for determining the independence of outside directors are based on the requirements for outside directors under the Companies Act and the listing rules of the Tokyo Stock Exchange. In addition, we select independent outside directors who can provide advice and proposals from an independent and objective

perspective on our overall management, based on their extensive experience and high expertise as managers, certified public accountants, or lawyers.

<Use of Optional Approach>

Supplement Principle 4-10 (1):

At the Board of Directors meeting held on March 14, 2023, we resolved to establish the "Nomination and Compensation Committee" as an optional advisory committee of the Board of Directors on June 23, 2023. The purpose of this committee is to enhance the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and audit & supervisory board members. The role of the committee is mainly to provide recommendations to the Board of Directors on the following matters.

i) Policies and procedures for the appointment and dismissal of Representative Director and the nomination of candidates for directors and audit & supervisory board members.
ii) Draft proposals for the appointment and dismissal of directors and audit & supervisory board members to be submitted to the Annual General Meeting of Shareholders
iii) Matters concerning the succession plan for the Representative Director
iv) General policy for determination of the compensation of directors and audit & supervisory board members
v) Draft proposal on compensation of directors and audit & supervisory board members to be submitted to the Annual General Meeting of Shareholders

<Preconditions for Board and *Kansayaku* Board Effectiveness>

Supplement Principle 4-11 (1):

We have a balanced board composition that takes into account knowledge and experience in areas such as corporate management, business strategy, risk management, finance and accounting, human resources development, and technology, based on our medium- to long-term management strategy.

The policy and procedures for the appointment and dismissal of directors are generally described in 3-1.

Please refer to the attached document for the skill matrix that summarizes the skill sets required for our business strategy and the skills possessed by each director.

Supplement Principle 4-11 (2):

We disclose annually the status of significant concurrent positions held by directors and audit & supervisory board members in the notice of convocation for the Annual General Meeting of Shareholders.

Supplement Principle 4-11 (3):

Refer to the Reasons for Non-compliance with the Principles of the Corporate Governance Code.

<Director and *Kansayaku* Training>

Supplement Principle 4-14 (2):

We provide opportunities for our directors and audit & supervisory board members to attend internal lectures, external seminars, and training programs.

<Policy for Constructive Dialogue with Shareholders>

Principle 5-1:

We recognize that constructive dialogue with investors, including shareholders, is crucial for sustainable business growth and long-term improvement of corporate value. Therefore, we are actively responding to this through various measures.

i) We have established an IR office, which is overseen by the Representative Director, to handle communication with shareholders.

ii) The IR office collaborates with various departments within the company to provide timely and appropriate information disclosure.

iii) We disclose financial statements and related materials on our website and hold regular shareholder meetings and earnings briefings to explain our management policies.
Additionally, we have set up an inquiry form on our website for IR purposes and accept individual questions and opinions to promote active communication.

iv) If important opinions are received from shareholders through dialogue, the IR office provides feedback to the Board of Directors or relevant internal departments as needed.

v) We manage insider information in accordance with our internally established "Important Information Disclosure and Insider Trading Prevention Regulations" and thoroughly manage information to prevent the disclosure of undisclosed important facts during dialogue with shareholders.

We primarily handle dialogue with shareholders and investors through our IR office, with occasional involvement from the Representative Director and President as needed. We believe that dialogue with our shareholders and investors with diverse perspectives and values, including those with different investment stances, is important and we strive to accommodate their needs in accordance with our "Disclosure Policy," without creating distinctions based on those differences.

We engage in dialogues with investors, including shareholders, on a wide range of topics such as short-term performance outlook, long-term management strategy, governance structure, and initiatives to address social issues.

Taking into account that investors, including shareholders, approach various industries and companies, we provide feedback to our management team as appropriate and incorporate comments that contribute to our sustainable growth, which we obtain through meetings, into our management strategy.

We place EPS as the most important indicator of management's sustained growth. Our business model is subscription-based, and we recognize that increasing sales through expanding our customer base is crucial for stable profit creation in the future.

Therefore, in order to achieve sustained EPS growth in the medium to long term, we recognize that it is important to make solid growth investments and that sales expansion resulting from this is crucial for stable profit creation in the future. However, during a certain period, there may be a possibility of a decline in profitability indicators.

On the other hand, we also recognize the importance of continuously generating profits in running a business.

Based on our business model, we are aware of the importance of stable dividend increases as a significant shareholder return policy through continuous profit creation.
We strive to deepen the understanding of our investors, including shareholders, about our management strategies through active information disclosure and dialogue, such as IR meetings.

2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Takanori Nakamura	62,202,700	34.33
Japan Master Trust Bank of Japan, Ltd. (Trust Account)	12,835,400	7.08
Yoshifumi Matsushima	9,340,000	5.15
Hideyuki Inoue	9,040,400	4.99
Shinichiro Motomatsu	8,814,300	4.86
Fumihiko Asano	8,000,000	4.41
Japan Custody Bank, Ltd. (Trust Account)	4,866,800	2.69
Noritsugu Ogawa	2,970,000	1.64
ML PRO SEGREGATION ACCOUNT	2,479,300	1.37
RAKUS Employee Shareholding Association	2,443,900	1.35

Name of Controlling Shareholder, if applicable (excluding Parent Company)	-
Name of Parent Company, if applicable	-

Supplementary Explanation

The percentage of total shares is calculated by deducting treasury shares.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more

Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*

*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	8
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j	k
Kenji Ogita	From another company											
Yukihiko Kunimoto	From another company								○			

Reika Saito	Lawyer											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business of the Company or a subsidiary
b. Person who executes business or a non-executive director of a parent company
c. Person who executes business of a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for such person/entity
e. Major client of the Company or a person who executes business for such client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Kenji Ogita	○	-	We appointed him as an outside director because he has experience serving as a director in other companies and can provide opinions and advice based on his broad insights. Additionally, we determined that he could make comprehensive judgments based on his unique career and provide neutral and objective oversight.
Yukihiko Kunimoto	○	Yukihiko Kunimoto is the Representative Director of Kips Co., Ltd., which is one of our business partners and had sales of 120,000 yen in the fiscal year ended in March 2023.	We appointed him as an outside director based on his extensive experience as a business leader in other companies and his high level of insight. We determined that he could provide oversight of our management and offer advice on general management matters from a perspective that is not bound by conventional frameworks.

Reika Saito	○	-	Although she has not been involved in a company's management in any other capacity than as an outside director, we appointed her to this position based on her specialized legal knowledge and experience as a lawyer, as well as her experience serving as an outside audit and supervisory board member for another company. We determined that she could provide oversight from an independent and objective standpoint and offer legal advice on general management matters.

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

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination and Remuneration Committee	Nomination and Compensation Committee	4	0	2	1	1	0	Outside Director

Supplementary Explanation

At the Board of Directors meeting held on March 14, 2023, we resolved to establish the Nomination and Compensation Committee as an optional advisory committee of the Board of Directors on June 23, 2023. The purpose of this committee is to enhance the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and audit & supervisory board members. The role of the committee is mainly to provide recommendations to the Board of Directors on the following matters.

i) Policies and procedures for the appointment and dismissal of Representative Director and the nomination of candidates for directors and audit & supervisory board members.

ii) Draft proposals for the appointment and dismissal of directors and audit & supervisory board members to be submitted to the Annual General Meeting of Shareholders
iii) Matters concerning the succession plan for the Representative Director
iv) General policy for determination of the compensation of directors and audit & supervisory board members
v) Draft proposal on compensation of directors and audit & supervisory board members to be submitted to the Annual General Meeting of Shareholders

We appointed an Outside audit & supervisory board member as a committee member, and we show the number in Outside Experts.

Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

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

Cooperation among Audit & supervisory board members, Accounting Auditors and Internal Audit Departments

Our internal audit department reports the results of their internal audits to the audit & supervisory board members once a month, and coordinates with the full-time audit & supervisory board member daily to exchange opinions. In addition, the audit & supervisory board members, accounting auditors, and internal audit department coordinate as needed to exchange opinions.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

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

Name	Attributes			Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koji Matsuoka	CPA													
Natsuro Abe	From another company										○			

*Categories for "Relationship with the Company".
(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business of the Company or a subsidiary
b. A non-executive director or an accounting advisor of the Company or its subsidiaries
c. Person who executes business or a non-executive director of a parent company
d. An Audit and Supervisory Board Member of a parent company of the Company
e. Person who executes business of a fellow subsidiary
f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
g. Major client of the Company or a person who executes business for such client
h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
m. Other

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

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Koji Matsuoka	○	-	We appointed him as an outside audit and supervisory board member because he is a certified public accountant and has a significant knowledge of finance and accounting. We believe that he has sufficient ability and experience to supervise the execution of the duties of directors and to ensure transparency, efficiency, and fairness in decision-making.
Natsuro Abe	○	Natsuro Abe is the Representative Director of ANDB Co., Ltd., one of our business partners, with sales	We appointed him as an outside audit and supervisory board member because he has extensive experience

		of 1,464,000 yen in the fiscal year ended in March 2023.	and broad knowledge as a business executive and can provide opinions and advice based on his broad insights. Additionally, we determined that he could make comprehensive judgments based on his unique career and provide neutral and objective oversight.

Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & Supervisory Board Members	5

Other Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

All outside directors and outside audit & supervisory board members who meet the qualifications for independent directors and audit & supervisory board members are designated as independent directors and audit & supervisory board members.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	None

Supplementary Explanation for Applicable Items

None

Persons Eligible for Stock Options	-

Supplementary Explanation for Applicable Items

-

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items

Individual remuneration is not disclosed because there are no persons whose total amount of remuneration is 100 million yen or more.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof	Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Director remuneration is determined by the Board of Directors within the limits of the approved compensation limit set by the Annual General Meeting of Shareholders, considering industry standards, performance, and the balance with employee salaries. Similarly, audit & supervisory board members remuneration is determined by the Audit & Supervisory Board within the limits of the approved compensation limit set by the Annual General Meeting of Shareholders.

Support System for Outside Directors and/or Outside Audit & Supervisory Board Members

Support for outside directors and outside audit & supervisory board members is provided by the Business Administration Headquarters, and the materials for the Board of Directors are distributed in advance to ensure sufficient time for review.

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

We have established an Audit & Supervisory Board, with three audit & supervisory board members (one full-time and two part-time). The audit & supervisory board members attend important meetings such as the Board of Directors' meetings and monitor the decision-making process and execution of business operations from an independent standpoint.

The Board of Directors is composed of six members, including three outside directors, and meets at least once a month generally. The board formulates our company's management policies and business plans, confirms the execution status of business operations, and deliberates and decides on important matters related to management, as well as matters required by laws and regulations. The board also supervises the execution of duties by each director.

Our internal audit department has three dedicated staff members who conduct internal audits on each department and subsidiary of our company regarding compliance with laws and regulations, as well as the efficiency of business operations. The department provides specific advice and recommendations for business improvement.

3. Reasons for Adoption of Current Corporate Governance System

We adopt a corporate governance system that is deemed optimal for achieving the company's objectives at the time, and we review it as necessary in response to changes in the social and legal environment.
We ensure the soundness and transparency of management by appropriately functioning the monitoring and supervisory functions of the audit & supervisory board members, including outside audit & supervisory board members. We appoint outside directors to improve the decision-making process of the Board of Directors and enhance the monitoring and supervisory functions of management. We have determined that a governance structure centered both on the independent monitoring and supervisory functions of outside directors, as well as the same functions of audit & supervisory board members and the Audit & Supervisory Board, is appropriate. Therefore, we have chosen to establish an Audit & Supervisory Board.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	In principle, we sent the notice no later than two weeks prior to the holding date of the Meeting, and before such sending, the details are early disclosed on our website, “Listed Company Search” on the website of the Tokyo Stock Exchange, and “Electric Voting Platform” operated by ICJ Inc.
Scheduling of the General Shareholders Meeting During Non-Peak Days	We are mindful of setting the date for the Annual General Meeting of Shareholders to avoid the days when other companies' general meetings of shareholders are concentrated, and to choose a day that is easy for many shareholders to attend.
Electronic Exercise of Voting Rights	It is possible to exercise voting rights via the internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Since 2022, we have been participating in a Platform for the Electronic Exercise of Voting Rights.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	Since 2022, we have been providing English translations for the agenda of Annual General Meeting of Shareholders and publishing them on our company website.
Other	-

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	We post our disclosure policy on our website only in Japanese.	
Regular Investor Briefings held for Individual Investors	-	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	We hold the briefings for analysts and institutional investors by the Representative Director and the persons in charge, coinciding with the presentation of financial results after the announcement of first half and full-year financial results.	Held
Regular Investor Briefings held for Overseas Investors	-	Not Held
Online Disclosure of IR Information	We have established an IR page on our website where we post financial results, timely disclosure documents, and IR news.	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR Office oversees IR issues	
Other		

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	We set the basic policy regarding respect for the position of stakeholders in the Value and RAKUS Leadership Principles.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	We disclose our ideas in our Sustainability Report.
Formulation of Policies, etc. on Provision of Information to Stakeholders	We set the disclosure policy and disclose the appropriate information timely.
Other	-

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

We have established a system to ensure the appropriateness of operations. On May 19, 2015, the Board of Directors

adopted a "Basic Policy on Internal Control System Development." We are currently operating our internal control system based on this policy. An overview of our internal control system is as follows:

[Our basic policy for developing an internal control system]
We establish an efficient and legal corporate structure that contributes to the development of society and achieves the enhancement of corporate value and permanent growth. We will achieve this by putting into practice our five Values: "Fulfilment," "Nurture," "Improvement," "Integrity," and "Evolution."

1 Systems to Ensure that the Duties of Directors and Employees are Complying Laws and the Articles of Incorporation

i) To ensure appropriate handling of reports related to legal violations, etc., we have established the "Regulations for Responding to Misconduct and Internal Reporting." We take strict measures to maintain the confidentiality of the reporter and to prevent them from suffering any disadvantages.
ii) To supervise the execution of duties of directors, the Board of Directors requires regular reports on business performance from directors and mutual monitoring and supervision of the execution of duties by other directors.
iii) The execution of duties of directors is audited by Audit & Supervisory Board, including the outside audit & supervisory board members, in accordance with the "Auditing Standards for Audit & Supervisory Board" and "Audit & Supervisory Plan."
iv) To promote and enhance compliance awareness, we conduct e-learning and training sessions for directors, audit & supervisory board members, and employees on the basics of compliance and essential information management in business. We also conduct continuous education and outreach activities.
v) In addition to our "Values," we have established "Ethical Regulations" and "Compliance Regulations" to build a corporate culture that conducts business activities with a high sense of ethics, in compliance with laws and the Articles of Incorporation.
vi) We will take a resolute stance as a company, including collaborating with relevant organizations, against anti-social forces that threaten the social order and the sound activities of companies, and cut off all ties with such forces.
vii) Internal audit & supervisory board members audit whether appropriate operations are being conducted based on laws, Articles of Incorporation, and various regulations.

2 System for the Preservation and Management of Information Related to the Execution of the Duties of Directors
Regarding information related to the execution of the duties of directors, it is created, stored, and preserved in writing (including electronic records) in accordance with internal regulations, including laws and "Document Management Regulations," and made available for viewing and copying by directors and audit & supervisory board members.

3 Regulations and Other Systems Related to the Management of the Risk of Losses

i) Conduct comprehensive and systematic management for each risk in accordance with the "Risk Management Regulations" that establish basic matters concerning risk management.
ii) Each department manager shall report on risk information to the Board of Directors.
iii) In the event of an unforeseen situation, we will establish a response headquarters under the direction of the Represent Director and President and work with external professional organizations such as advisory law firms as necessary to ensure prompt and appropriate response and minimize the expansion of losses and damages.

4 System to Ensure Efficient Execution of the Duties of Directors

i) To ensure efficient execution of the duties of directors, we comply with the "Board of Directors Regulations" and hold a regular board meeting once a month, as well as convene ad hoc board meetings as necessary.
ii) We establish clear goals and responsibilities for each department based on the management objectives and medium- to long-term management target and pursue to achieve the desired performance goals through analysis of budget and actual performance differences.
iii) To expedite decision-making, we establish internal regulations such as "Organizational Regulations," "Division of Responsibilities Regulations," and "Authority Regulations" to clarify roles, authorities, and responsibilities.
iv) We operate a proposal and approval (ringi) system where matters exceeding job authority will be deliberated and approved by the Representative Director and President and the responsible executive officer, reflecting the professional opinions of the relevant departments.

5 System to Ensure Appropriate Business Practices in the Corporate Group Consisting of Our Company and Subsidiaries

i) The subsidiary shall ensure appropriate business practices by reporting and seeking approval from our company for matters subject to consultation and approval as set forth in the "Affiliated Company Management Regulations," conducting periodic business progress reports, and sharing management and crisis management information.
ii) The subsidiary shall be subject to periodic internal audits by our internal audit department, and the results of the audits shall be reported to the Representative Director and President of our company.
iii) If a subsidiary's director becomes aware of the risk of losses, they shall immediately report to our company's Board of Directors the content, degree of loss, and impact on our company.
iv) To establish a reporting system in case of violations of laws, Articles of Incorporation, etc., by directors or employees within the group, we will establish internal reporting channels within our company and subsidiaries and establish a system for handling such cases.
v) Our company and subsidiaries will cut off all ties with antisocial forces that threaten the order and safety of civil society and respond resolutely to demands from such forces and organizations. We will continue to work with the police, relevant agencies, lawyers, and other specialized organizations to promote the establishment of a system to eliminate antisocial forces.

6 Matters Related to the Employee Requested by the Audit & Supervisory Board Members to Assist in Performing

Their Duties, as Well as the Independence of That Employee from the Director Who Appointed Them, and the Effectiveness of their Instructions

i) If requested by the Audit & Supervisory Board, we shall appoint an audit & supervisory board member assistant to assist in the duties of the audit & supervisory board member, and the selection of such person shall be discussed with the audit & supervisory board member.

ii) We shall ensure that the appointed audit & supervisory board member assistant possesses the necessary knowledge and skills to ensure the effectiveness of their instructions.

iii) To ensure the independence of the audit & supervisory board member assistant from the director, the audit & supervisory board member assistant shall not receive any commands or orders from the director, and any appointment, transfer, evaluation, or dismissal during the period of their employment shall require the approval of the Audit & Supervisory Board.

7 System to Report to the Audit & Supervisory Board Members

i) System for directors and employees of our company to report to the audit & supervisory board members:

(a) The audit & supervisory board members have the authority to attend all internal meetings as necessary, in addition to the Board of Directors.

(b) Upon request by the audit & supervisory board members, the directors and employees shall report on the status of business and internal control, and the internal audit department shall report on the results of internal audits.

(c) When directors or employees become aware of significant violations of laws or articles of incorporation, fraudulent acts, or facts that may cause significant damage to the company, they shall promptly report to the audit & supervisory board member.

ii) System for directors, audit & supervisory board members, employees of our subsidiaries, and other individuals who have received reports from our subsidiaries to report to our audit & supervisory board member:
Upon request by our company's audit & supervisory board member, they shall report on the status of their work and promptly report to our company's audit & supervisory board member when they discover any matters that may cause significant damage to our company or subsidiaries.

8 System to Ensure That Individuals Who Report as Described in the Preceding Paragraph 7 Are Not Treated Unfavorably Due to Their Reporting

We prohibit any disadvantageous treatment of directors and employees who have reported to the audit & supervisory board member, based on the protection of whistleblowers specified in the "Guidelines for Response to Unfavorable Incidents and Internal Reporting," and ensure the protection of those who have made such reports.

9 Policy on Treatment of Costs and Liabilities Arising from the Performance of Audit and Supervisory Board Member's Duties

We establish procedures for requesting reimbursement of expenses and other costs incurred in the performance of the duties of the audit & supervisory board members, and shall comply with such requests, except where it is clearly recognized that the expenses related to such request are not necessary for the performance of the duties of them,

subject to the prescribed procedures, in the event of a request for advance payment or reimbursement by them.

10 Measures to Ensure Effective Auditing by the Audit & Supervisory Board Members

i) We recruit experienced professionals and qualified individuals such as certified public accountants as outside audit & supervisory board members to ensure independence from those who execute business operations such as the Representative Director and President and other directors.
ii) Audit & supervisory board members maintain close collaboration with the internal audit department and can request investigations from the internal audit department as necessary.
iii) Audit & supervisory board members hold regular meetings with the Representative Director and President to enable the exchange of opinions and information.
iv) Audit & supervisory board members, the internal audit department, and the accounting auditor establish a system of cooperation, including exchanging information and opinions on audit results.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

1 Basic Policy

We recognize that not only having relationships with anti-social forces but also any behavior by corporate personnel that violates the law or lacks validity as a member of society is subject to severe scrutiny from society. If such behavior occurs, the company not only faces legal sanctions but also social criticism and may lose its credibility built up over many years overnight, making even its survival precarious. Therefore, our policy is to firmly eliminate any relationships with such forces.

Specifically, at the Board of Directors meeting on October 15, 2009, we adopted the basic policy of "We will confront resolutely any anti-social forces that threaten the order and safety of civil society." We have been implementing and acting in accordance with this resolution.

2 Status of establishment

We have established "Manual for Dealing with Unreasonable Demands" and "Manual for Exclusion of Anti-Social Forces," which specify the disconnection from anti-social forces and provide specific procedures for information gathering, attribute confirmation, external coordination with police, lawyers, and other specialized agencies.

3 Status of initiatives

We have a person responsible for preventing unreasonable demands who participates in seminars hosted by the National Center for Removal of Criminal Organizations, to gather necessary knowledge and skills for dealing with unreasonable demands from organized crime groups. We also confirm the relationship between our business partners and anti-social forces at the start of business transactions or on other occasions.

V. Other

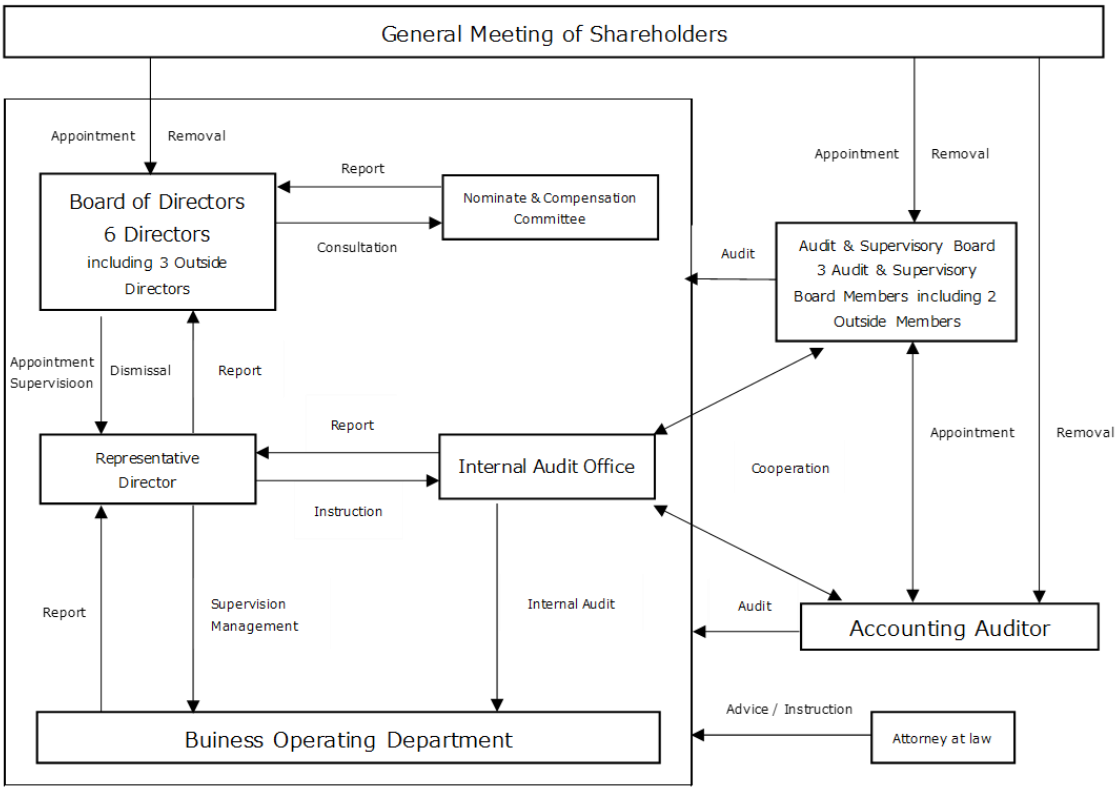
1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

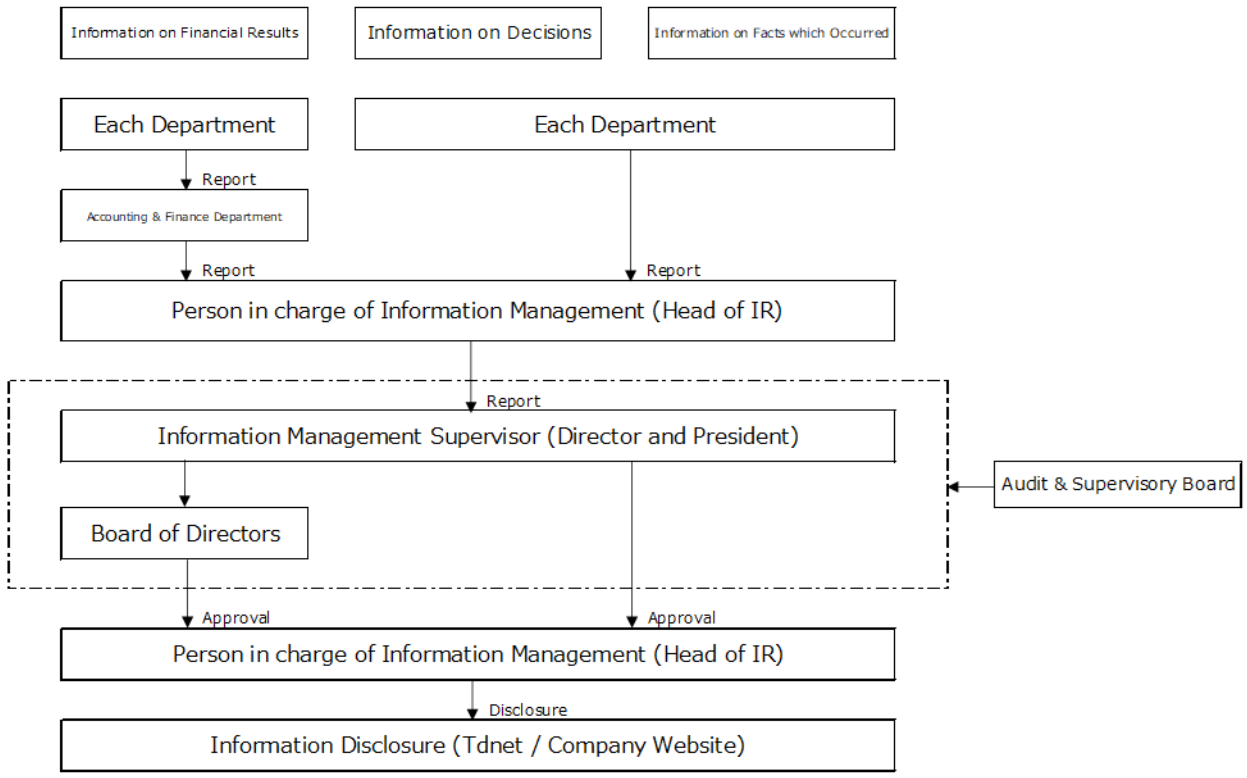
Supplementary Explanation for Applicable Items
-

2. Other Matters Concerning the Corporate Governance System

<Reference: Corporate Governance System



<Reference: Timely Disclosure System>



Reference: Skill Map of Directors

		Corporate Management	Business Strategy	Legal Affairs Risk Management	Finance Accounting	Human Resource	DX Technology	Certification
Director	Takanori Nakamura	●	●	●		●	●	
	Shinichiro Motomatsu	●	●			●	●	
	Takahiro Miyauchi	●		●	●	●		
Outside Director	Kenji Ogita	●	●					
	Yukihiko Kunimoto	●	●					
	Reika Saito			●				Attorney at law
Audit & Supervisory Board Member	Toshihiro Nojima			●	●			
Outside Audit & Supervisory Board Member	Koji Matsuoka	●			●			CPA Tax Accountant
	Natsuro Abe	●	●					

END