Last Update: July 8, 2024

OPTiM Corporation
President: Shunji Sugaya
Inquiries: Corporate Management Division
(Securities code: 3694)
https://www.optim.com/

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

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

1. Basic Views

OPTiM believes that transparency and soundness of the Company's operations are of the highest priority in growing the corporate value.

The Company strives to enrich its corporate governance according to the following basic policies.
(1) The Company respects its shareholders rights and secures their equality.
(2) The Company keeps aware of shareholders' histories and cooperates with them.
(3) The Company discloses the corporate information timely and appropriately and aims to ensure transparency.

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

[Principle 3-1] Enhancement of information disclosures

(i) The Company's business field of AI, IoT, and robotics changes quickly due to technological advances, the creation of new markets, and the enactment of new laws governing such technologies. As a result, prompt and flexible judgement is required. Therefore, the medium-term business plan is analyzed and confirmed as needed and reviewed when necessary. As a result, the Company believes that the medium-term business plan does not provide shareholders with an appropriate understanding of the business strategy and financial situation, and so it is not published.

[Supplementary Principle 3-1③]

<Sustainability Initiatives>
As expressed in its management philosophy, the Company operates its business for the purpose of creating universal technologies, services, and business models that will have a significantly positive impact on people around the world. The Company believes that continuing to create new value using AI, IoT, Cloud, Mobile, and Robotics as well as promoting DX in all industries itself will contribute to the realization of a prosperous and sustainable future for all people. The Company has identified the realization of a sustainable society, contribution to local communities by providing innovation, and the establishment of a compliance system as material issues (materialities) and it will promote its sustainability initiatives.

<Investment in human capital and intellectual property, etc.>
The Company believes that it is essential to support its employees, who are the source for providing value to society and its customers, by supporting diverse employees playing an active role, supporting learning that encourages them to demonstrate their abilities, and creating a foundation that allows its employees to remain active for a long time without concern. The strategies, indicators, and targets for achieving the goals are described in the Annual Securities Report submitted on June 28, 2024.

The Group also believes that the source of business growth lies in innovation, and has been actively engaged in R&D activities since its establishment.

Since intellectual property rights are the basis of differentiation from competitors and an important means to develop new markets and customers, the Company has been working on speeding up and streamlining its operations, in addition to the integrated planning and promotion of business and intellectual property strategies, so that the acquisition of intellectual property rights is synchronized with its business development. The Company will continue its efforts to secure a competitive advantage through the acquisition of intellectual property rights.

[Supplementary Principle 4-2-①]

The Company determines remuneration in accordance with the following policy. However, the Company continuously examines the overall remuneration structure, ratio, and incentive plans as remuneration linked to medium- to long-term business performance.

a. Basic policy
The Company's basic policy is to link the remuneration of the Company's Board Directors to the interests of shareholders so that the remuneration system will fully function as an incentive to continuously increase corporate value, and to set an appropriate level by comprehensively considering the position and duties of each Board Director when determining the remuneration of each Board Director. Specifically, the remuneration of Executive Board Directors shall consist of basic remuneration as fixed remuneration, performance-linked remuneration, and stock option grants as non-monetary remuneration.
Outside Board Directors who are responsible for the supervisory function shall be paid only the basic remuneration in view of their duties.

b. Policy regarding the determination of the amount of remuneration, etc., for each individual for basic remuneration (monetary remuneration) (including policy regarding the determination of the timing or conditions of granting remuneration, etc.)
The remuneration shall be fixed monthly, and shall be determined by the Board of Directors based on the report of the voluntary Remuneration Committee, which shall take into consideration the role and contribution of each Board Director, as well as performance and other factors.

c. Policy regarding determination of the details and calculation method of the amount or number of performance-linked and non-monetary remuneration, etc. (including policy regarding determination of the timing or conditions of granting remuneration, etc.)
Bonuses are paid to Board Directors as performance-linked remuneration.

The basis for calculating performance-linked remuneration, etc., is consolidated operating profit, which is an indicator to measure the achievement status of management targets, in order to raise awareness regarding the improvement of business performance each fiscal year. This performance indicator is chosen because the Company believes that operating profit is a straightforward indicator showing the performance of its core business in light of the nature of its business. Performance-linked remuneration amounts are calculated by considering the achievement of the targets for consolidated operating profit, balance with wages for employees, return to shareholders, etc. The Group recorded a consolidated operating profit of 1,940 million yen for the current fiscal year. The timing of bonus payments is fixed at a certain time each year. As for non-monetary remuneration, stock options shall be granted up to the maximum amount and maximum number of stock options to be granted as resolved at the Ordinary General Meeting of Shareholders in order to provide an incentive to improve the medium- to long-term performance and corporate value of the Company's group. The timing for granting stock options shall be determined by a resolution of the Board of Directors.
The Board of Directors shall make a decision based on the report of the Remuneration Committee in accordance with the above policy.

d. Policy on determining the ratio of the amount of monetary remuneration, performance-linked remuneration, etc., or non-monetary remuneration, etc., to remuneration, etc., for each individual Board Director
The basic remuneration and the ratio of performance-linked remuneration and non-monetary remuneration to the amount of remuneration for each individual shall be reviewed by the Remuneration Committee on a voluntary basis to ensure that the level of remuneration is appropriate in light of the above policy, based on a comprehensive review of the role and contribution of each Board Director and the Company's business performance. The Board of Directors shall determine the details of the remuneration, etc., for each individual Board Director within the range of the percentage of remuneration by type based on the report of the voluntary Remuneration Committee.

2) Matters concerning delegation of authority to determine the details of remuneration, etc., of individual Board Directors
The amount of remuneration for each individual Board Director shall be determined specifically by the Board of Directors based on the report of the voluntary Remuneration Committee within the total amount of remuneration for Board Directors approved by the General Meeting of Shareholders.

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

[Supplementary Principle 1-2④]

The Company participates in the platform for exercising voting rights electronically.

[Principle 1-4] Cross-Shareholdings
The Company may hold policy shares for the purpose of facilitating collaborations based on a business alliance or other arrangements. The Company's holding policy is to continue to hold such shares provided that it is beneficial for the Company to hold such shares as the holdings are expected to enhance the corporate value of the Company and to benefit the shareholders of the Company.As for policy shares, the Board of Directors of the Company determines whether it is appropriate to hold them after comprehensively considering matters such as the appropriateness of the holding purpose and the benefits and risks associated with the holdings. Policy shareholdings are subject to a review in response to future changes in circumstances and may be reduced if the Company determines that there is no justifiable reason for holding them. The Company will exercise the voting rights of policy shares after examining whether each proposal is consistent with the holding policy of the Company in view of the holding purpose of the Company and whether it contributes to the efficient and sound management of the issuer and ultimately to enhancing the corporate value of the issuer and the Company.

[Principle 1-7] Related Party Transactions
Based on the deliberation and report of the Special Committee, the Company requests an advance approval by the board of directors according to laws and ordinances when making a deal with any of the Company’s board directors. The Company makes a deal with the its affiliated company or its major shareholder under a proper condition after the deliberation and report by the Special Committee, considering market quotations and gives an approval at an organization such as the board of directors and the chairman of the board according to the content and amount of the deal.

[Supplementary Principle 2-4①]

As set forth in our corporate philosophy, we strive to secure human resources with diverse values, regardless of their attributes, from the perspective of "we improve ourselves by caring for each other's position, regardless of their attributes, both inside and outside the company.”

The Company has set a target to increase the percentage of female workers in management positions to 4.8% by March 31, 2030, and has also set a target for 15% of new graduate hires to be women. This year's results with regard to these targets are 3.8% and 26.7%, respectively.

[Principle 2-6] Acting as a Corporate Pension Asset Owner

The Company has not introduced the fund-type/contract-type defined benefit pension and welfare pension fund as envisioned by the Code.

[Principle 3-1] Full Disclosure

(i) Management policy, management strategy and management plan
For the Company's management policy and management plan, please refer to the Company website and publicized materials of corporate explanatory meeting.

(ii) Basic Policies on Corporate Governance
Please refer to the company website.

(iii) Policy and Procedure of Decision on Remuneration of Corporate Management and Board Directors by the Board of Directors
The Company determines a limit on the remuneration of board directors in a resolution of a general shareholders' meeting. Remuneration of each board director is determined by comprehensive evaluation of the Company's business results and the individual's contribution etc. in a resolution of the board of directors. In addition, when considering remuneration for inventions by staff created during work duties, in accordance to intellectual property rights management rules, the result will be based on the conclusion of an investigation by invention investigative commission and a resolution conducted at a board of directors meeting. As a future plan, the Company will investigate as necessary such remuneration using the company stock linked with medium- to long-term profits of the shareholders.

(iv) Policy and Procedure of Appointment of Corporate Management, Board Directors and Audit & Supervisory Board Members by the Board of Directors Meeting
When nominating candidates for Directors and Corporate Auditors, the Nominating Committee selects candidates broadly from both inside and outside the Company and deliberates on the candidates by considering if their past performance, insight, management ability, and ethical perspective are appropriate, etc. The committee then reports the results of its deliberations to the Board of Directors. The Board of Directors determines the candidates based on the report.
As for the policy and procedures for dismissal of Directors and Corporate Auditors, if a Director or a Corporate Auditor is deemed to not be fulfilling his or her functions sufficiently, the Nomination Committee will deliberate on the matter. Upon receiving the results of the report of the Nomination Committee, the Board of Directors will explain the reasons for the dismissal, etc., and then make a resolution, which will be proposed at the General Meeting of Shareholders.

(v) When the Company considers candidates for board directors, the candidates are proposed at the General Meeting of Shareholders held at the time of election, and the reasons for their election are disclosed in the reference document "Notice of Convocation of General Meeting of Shareholders." The selection reasons for candidates for outside board directors and outside corporate auditors are disclosed in "1. Organizational Composition and Operation" of the section "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" of this Corporate Governance Report.

[Supplementary Principle 4-1①]

The board of directors makes decisions on matters that are stipulated in laws and articles of incorporation, that are related to basic policy of management and that are important for management such as medium- to long-term management plan, as prescribed in the rule and decision making authority list of the board of directors under the policy of separation of execution and supervision.
The executive team is running the business in accordance with the basic policy of management and management plan decided by the board of directors.

[Principle 4-8] Effective Use of Independent Outside Board Directors

The Company has appointed two outside board directors and one-third of its six board directors are independent outside board directors. Besides, the Company has appointed three outside audit & supervisory board members as independent board directors. We do not consider it necessary to appoint a majority of independent outside board

directors and outside auditors, taking into consideration the industry, size, business characteristics, term design, environment surrounding the company, and other factors.

[Principle 4-9] Independence Standards and Qualification for Independent Outside Board Directors

The Company selects independent outside board directors according to its standard based on the independence criteria defined by Tokyo Stock Exchange, Inc.

[Supplementary Principle 4-10①]

The "Nomination Committee" and "Remuneration Committee" are established as advisory bodies voluntarily by the Board of Directors for the purpose of strengthening fairness, transparency, and objectivity by ensuring opportunities for appropriate involvement and advice from outside board directors when considering important matters such as selection and dismissal of board directors and compensation.

The above important matters are decided by the Board of Directors after deliberation and report by the “Nomination and Remuneration Committee”.

The “Nomination Committee and the Remuneration Committee” are composed of at least three members who are board directors, and the majority of them are selected from independent outside directors.

[Supplementary Principle 4-11①]

The board of directors determines selection of candidates for board directors after sufficient discussions considering the company size and medium- to long-term strategy in addition to the balance and diversity of knowledge, experience, and capability of whole board of directors.
The combination of skills, etc. possessed by board directors is disclosed in the reference materials of the convocation notice at the time of submitting a proposal for the election of directors.

[Supplementary Principle 4-11②]

The Company discloses the status of holding board director posts of other listed companies concurrently by board directors and audit & supervisory board members in reference material of general shareholders' meeting notice, corporate business report etc.

[Supplementary Principle 4-11③]

Evaluation of effectiveness of the board of directors

Evaluation Method

For the evaluation of the effectiveness of the board of directors, a questionnaire with both selective and open-ended questions was distributed to the board directors in advance, and based on the results, the board of directors discussed the state of the effectiveness of the board of directors. Answers to the following questionnaire items, comprising selective and open-ended formats, were received from all board directors.: (1) Number of meetings of the board of directors and the time required for such meetings, (2) Method and timing of presentation of agenda items and their contents, (3) Composition of the board of directors, the appointment of core personnel, (4) constituent members of the Nomination Committee and the Remuneration Committee, and (5) governance of all group companies.

Summary of Opinions

The result of the questionnaire is that there are no particular issues. The summary of results are as follows.

Regarding the number of board meetings, there are many opinions that the current situation is acceptable as that it provides swift and sufficient deliberation. The length of the meetings is about one hour, and current time is just right for discussion. Regarding the presentation of agenda items, the majority of the respondents agreed that three days prior to the meeting was sufficient to improve efficiency, but there were also those who said that this was an ongoing issue. The majority of respondents also agreed that the content of the materials was sufficient.

With regard to the number of outside board directors, the majority of respondents agreed that that the current number of outside directors is sufficient. As for the role of outside board directors, many respondents requested an advisory function regarding management. As for the role of outside board directors, many respondents requested

an advisory function regarding management, followed by a supervisory function regarding the execution of business operations.

Various opinions were expressed regarding the appointment of core personnel, including that the current status should be maintained, that women should be actively promoted, and that young people should be promoted, and it was decided to continue to study this issue.

Regarding the constituent members of the Nomination Committee and the Remuneration Committee, the majority of respondents agreed that the current members are appropriate.

Various opinions, including the following, were expressed about governance throughout the group companies, which will be considered on an ongoing basis: “The perspective of the information presented by each director at board meetings is different. Therefore, this makes it difficult to read each piece of information,” “It may be necessary to clarify the missions of officers who are dispatched to subsidiaries and affiliates, and establish a system for the pursuit of certain achievements,” etc.

In order to improve its effectiveness, the board will continue to consider the opinions expressed by its members.

[Supplementary Principle 4-14②]

The Corporate Management Division holds necessary training sessions for board directors based on their demand. In addition, the Company gives explanation to newly-appointed board directors in advance about matters regarding corporate profile, corporate philosophy, management condition and corporate governance, various rules and matters regarding compliance including insider trading.

[Principle 5.1] Policy for Constructive Dialog with Shareholders

(i) Designation of an executive or a board director who unifies whole dialog with shareholders and oversees realization of constructive dialog
The Company continually conducts dialog with shareholders and investors for sustainable growth and medium- to long-term increase of the corporate value. The Company strives to make timely and proper information disclosures of its IR activity under the board director of administration as an information handling officer.

(ii) Procedure for organic cooperation among departments of IR staff, corporate management & planning, general affairs, financial affairs, accounting, judicial affairs etc. to assist dialog.
The Company appoints the board director of administration as an IR handling officer as the basis of dialog with shareholders. More specifically, the board director of administration, who obtains information through collective approvals and directors' meeting etc., defines a framework of IR activities, and IR staff carefully examine the content including coordination with a business connection cooperating with related departments. PR staff check the IR content before disclosure from viewpoints of appropriateness of the content and expressions etc.

(iii) Efforts to enrich measures other than individual meetings (e.g. investors meeting and IR activities)
The Company strives to enrich information on the website focusing on timely disclosure system as described in (ii) above as the measure for dialog with shareholders. Specifically, the Company informs detailed data that cannot be followed by timely disclosures and provides introduction of products and explanation of features etc. Also the Company strives to provide information in English for foreign investors on the company website. The Company is striving to enrich other measures of dialog with investors by holding explanatory meetings twice a year and disclosing the progress of product announcement meeting etc.

(iv) Procedure for proper and efficient feedback of shareholders' opinions and concerns obtained by dialog to corporate management and the board of directors
The Company strives to reflect opinions from shareholders to the corporate management for medium- to long-term increase of the corporate value by sharing them among management staff via dedicated mailing list and also by a report to the directors' meeting regarding important opinions.

(v) Procedures for management of insider information in dialog
The Company controls insider information strictly in accordance with the rules for internal information control. Specifically, the Company limits usage of the information to a necessary minimum number of staff and performs appropriate handling under management of the administration department.
Also, the Company prepares a system to prevent leakage of insider information by means of internal training about insider deals for all employees and separate ones for board directors.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

[Status of Major Shareholders][updated]

Name / Company Name	Number of Shares Owned	Percentage (%)
Shunji Sugaya	34,209,600	62.01
NIPPON TELEGRAPH CORPORATION AND TELEPHONE EAST	3,200,000	5.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,193,200	3.97
Shouzou Ogami	734,500	1.33
FUJIFILM Holdings Corporation	589,280	1.06
SBI SECURITIES Co., Ltd.	470,866	0.85
Custody Bank of Japan, Ltd. (Trust Account)	404,000	0.73
The Nomura Trust and Banking Co., Ltd. (Trust Account)	367,700	0.66
Koichiro Nonomura	303,328	0.54
Seiji Tokuda	277,408	0.50

Controlling Shareholder (except for Parent Company)	Shunji Sugaya

Parent Company	No

Supplementary Explanation

None to report.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Information & Telecommunication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	Less than ¥10 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 between the controlling shareholder and the Company are held to the same policies of other, common transactions. The contents and validity of transactions are discussed by the Special Committee with the deliberation and its report, and the transaction is definitively decided upon by the board of directors.

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

None to report.

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 Auditors

[Directors]

Maximum Number of Board Directors Stipulated in Articles of Incorporation	7
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Board Directors	6
Appointment of Outside Board Directors	Yes
Number of Outside Board Directors	2
Number of Independent Outside Directors	2

Relationship with the Company (1)

Name	Attribute	Relationship with the Company(※)									
		a	b	c	d	e	f	g	h	i	j	k
Rikihei Egawa	From an outside company								△			
Yuichiro Takezaki	From an outside company											

※Categories for "Relationship with the Company"
※"○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past
※"●" when a close relative of the director presently falls or has recently fallen under the category; "▲"when a close relative of the director fell under the category in the past.
a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the 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/audit & supervisory board member
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 board directors/audit & supervisory board members 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

Relationship with the Company (2)

Name	Designation as Independent Board Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Rikihei Egawa	Yes	With the goals of introducing customers and providing management guidance and advice, this person initially entered a contract for an advisory position. This person's initial contract, however, was terminated at the same time when a new contract as an outside board director for the Company was concluded. In addition, although this person was working for NTT Electronics, which has business relationship with OPTiM under "Optimal service sales agent contract" until March 2011, it is judged, considering its transaction scale and characteristics, to have no influence on judgment of stockholders and investors.	Although this person has not conducted company administration as official staff, because of his abundant sales experience is of great use to the Company, his influence on this company with talents such as skilled risk management, and his ability to appropriately accomplish and make judgments, he has been elected as an outside board director. In addition, without any special interest in this company, and conducting judgment without any concern in affecting profits as a general shareholder, this person was hired as an independent board director.
Yuichiro Takezaki	Yes	The Company has signed an advisory contract with this person for the purpose of introducing business and capital alliance candidate companies and building their schemes, but the contract was terminated by May 31, 2022.	This person has extensive experience as a manager at an IT company, in addition to his experience and knowledge of corporate acquisitions and corporate finance at financial institutions. He is well versed in global trends in the technology and IT fields. Therefore, he is appointed as an independent outside board director because he can be expected to strengthen the effectiveness of the decision-making and supervisory functions of the Board of Directors of the Company from an independent and objective standpoint. He has no special interest in the Company and there is no risk of a conflict of interest with general shareholders, and therefore he is designated as an independent board director.

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

Arbitrary committee establishment status, committee composition, attributes of chairperson

	The name of the committee	All committee members	Full-time committee member	Internal board director	Outside board director	External expert	Others	Chairman
Any committee equivalent to nomination committee	Nomination Committee	3	0	1	2	0	0	Outside board director
Any committee equivalent to remuneration committee	Remuneration Committee	3	0	1	2	0	0	Outside board director

Supplementary explanation

The Company has established the following as an advisory body to the Board of Directors.
・ Nomination Committee (2 outside board directors, 1 internal board director)
(Role) Deliberation / proposal of selection policies and criteria regarding the selection of representative directors / director candidates / auditor candidates, and deliberation of candidate selection proposals, etc.
(Member) Rikihei Egawa (Chairman / Outside Board Director), Yuichiro Takezaki (Outside Board Director), Shunji Sugaya (Representative Director)
・ Remuneration Committee (2 outside board directors, 1 internal board director)
(Role) Deliberation / proposal of director's compensation system and policy of compensation determination, deliberation and proposal of contents such as individual compensation of director
(Member) Rikihei Egawa (Chairman / Outside Board Director), Yuichiro Takezaki (Outside Board Director), Shunji Sugaya (Representative Director)

[Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Yes
Maximum 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

The audit & supervisory board members and internal audit leader, based on auditing plans, once every half-year, hold a meeting to discuss practical auditing research and results of such research relating to auditing policies, plans, processes and procedures. In addition, information exchange and cooperation related to business duties and auditing enforcement are promoted during each audit as necessary.
Audit & supervisory board members and accounting auditors, based on auditing plans, hold an opinion exchange meeting at least once every half-year. Coordination between the various financial statements and auditing reports are done at each financial report time, and at any time, if an item needing confirmation should arise, the audit & supervisory board member can raise an inquiry.
The internal auditing team and accounting auditor, before and after enforcing an internal audit, exchange information of the procedure or results of an audit, and discuss further checking items to be worked on. In addition, in regard to things like sales and purchases that are important parts of business flows, the internal audit leader can call for a discussion with auditors for a quick action.

Appointment of Audit & Supervisory Board Member	Yes
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company(※)

		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshinori Isagai	Professor	▲												
Katsuo Yoshidomi	From an outside company													
Kojima Takayuki	Professor										△			

※Categories for "Relationship with the Company"
※"○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past
※"●" when a close relative of the director presently falls or has recently fallen under the category; "▲"when a close relative of the director fell under the category in the past
a. Executive of the Company or its subsidiaries
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & supervisory board member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
k. Executive of a company, between which and the Company outside board directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
m. Others

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

Name	Designation as Independent Board Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshinori Isagai	Yes	The Company entered into an advisory agreement with his younger brother until March 2015 for the purpose of introducing customers, etc., and he was subsequently engaged in sales activities as a contract employee of the Company from June 2015 to February 2016, but the agreement has now been terminated.	This person was elected as an outside audit & supervisory board member with the idea of strengthening the Company's auditing system with the high level knowledge of a professor. Furthermore, this person's brother without being chosen to be an executive or supervisor of the Company, does not conduct judgment as an important manager of corporate affairs. Therefore, without any special interest in the Company, and conducting judgment without any concern in affecting profits as a general shareholder this person was hired as an independent board director.
Katsuo Yoshidomi	Yes	---	This has been appointed as an outside audit & supervisory board member due to their knowledge from their experience as a board director in charge of the administration department for

			many years at Hashiguchi Electric Inc.., a shareholder of the Company, and is deemed suitable for strengthening the audit system of the Company. In addition, the Company has determined that there is no special interest in the Company nor risk of conflict, and has appointed this person as an independent officer.
Takayuki Kojima	Yes	The Company has signed an advisory contract with this person for the purpose of advice, guidance, and cooperation for the integration of agriculture and IT, but contract ended when this person as appointed as an outside audit & supervisory board member of the Company.	This person has been working for more than seven years as a member of the board directors and as a director in various capacities, including Saga University council member and board member, and Nishikyushu University board of directors member. This person has a wide range of knowledge and experience in educational corporate management. Based on this, he was appointed as outside audit & supervisory board member. In addition, it is believed that this person is suitable for strengthening the auditing system of the company and can appropriately perform their duties, in addition to having no special interest or conflict of interest with the company; and such has been designated as an independent officer.

[Matters Related to Independent Board Directors]

Number of Independent Board Directors	5

Matters relating to Independent Board Directors/Audit & Supervisory Board Members

All outside board directors who fit the requirements of independent board directors are designated as independent board directors.

[Matters Related to Incentives]

Implementation of policies for board director incentives	Introduction of stock option plan

Supplementary Explanation

This has been introduced to increase the motivation and morale of the Company's board directors.

Recipients of Stock Options	Inside Board Directors, Inside Auditors, Employees

Supplementary Explanation

Stock options have been introduced with the goal to increase the morale and motivation of the staff in order to ultimately enhance the value of the Company. Stock options have been issued on March 28, 2006, March 28, 2008

and September 3, 2014. When determining the number of share warrants granted to individuals, the person's work performance is considered along with the decision of the board of directors.

[Matters Related to Board Director Remuneration]

Disclosure of Individual Board Directors' Remuneration	Individual's remuneration is not disclosed.

Supplementary Explanation

Since there is no individual with a total remuneration of over 100 million yen, the total amounts are disclosed.

Policy on Determining Remuneration Amounts and Calculation Methods	Yes

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

It was decided in a resolution regarding employee remuneration in a stockholders general meeting that a limit shall be enforced on the remuneration of board directors and audit & supervisory board members. The remunerations of individual board directors are decided by resolution at board of directors meetings based on the deliberation and report of the Remuneration Committee, and the remunerations of individual audit & supervisory board members are decided at audit & supervisory board meetings. In addition, when considering remuneration for inventions by staff created during work duties, in accordance to intellectual property rights management rules, the result will be based on the conclusion of an investigation by invention investigative commission and a resolution conducted at a board of directors meeting.

[Supporting System for Outside Board Directors and/or Audit & Supervisory Board Members]

Support of outside board directors and outside audit & supervisory board members is handled by the Corporate Management Division. In concrete terms, activities such as providing advance explanations of agenda items of a board of directors meetings will be carried out. In addition, information can be provided by other means such as email or phone as necessary.

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

The Company has established the audit & supervisory board to comprehensively consider the characteristics in the scope and projects of the Company, in order to have a corporate governance system with the greatest possible efficiency yet be flexible, which the Company considers to be of the utmost importance. Acknowledging these ideals, the Company's system including the board of directors and the audit & supervisory board has the practical use guidelines as follows.

a. Board of Directors

The Company's board of directors is comprised of six board directors, two of whom are outside board directors. They all conform to the rules and regulations of the board of directors, and, in addition to monthly regular meetings, hold extraordinary shareholder meetings as necessary. In addition, they enforce the rules of business affairs along with mutually enforcing each other's professional duties. In the board of directors meeting, the three audit & supervisory board members (all three of which are outside audit & supervisory board members) attend, and they declare their opinions as necessary.

b. Board of Auditors

The Company's audit & supervisory board consists of the one full-time audit & supervisory board member, and two part-time audit & supervisory board members, and three outside auditors. As each audit & supervisory board member attends the board of directors meetings, and, as necessary, attend regular meetings regarding company projects and observe board directors performing their professional duties. As a general rule, an audit & supervisory board meeting is held every month, and opinions are exchanged on the state of business operations. In addition, discussion and resolutions regarding auditing processes, auditing plans and other important auditing matters are discussed.

c. Nomination Committee

The Company has established the Nomination Committee in order to strengthen the fairness, transparency, and objectivity of procedures related to the nomination of board directors and corporate auditors and to enhance the Company's corporate governance. The Nomination Committee consists of two outside board directors and one representative director, and is chaired by an outside board director. The Nomination Committee, in consultation with the Board of Directors, deliberates and reports to the Board of Directors on (1) the composition of the Board

of Directors, (2) policies and standards for the selection and dismissal of board directors and corporate auditors, and (3) matters related to the selection and dismissal of board directors and corporate auditors.

d. Remuneration Committee

The Company has established the Remuneration Committee in order to strengthen the fairness, transparency, and objectivity of procedures related to the compensation of board directors and to enhance the Company's corporate governance. The Remuneration Committee consists of two outside board directors and one representative director, and is chaired by an outside board director. The Remuneration Committee, in consultation with the Board of Directors, deliberates and reports to the Board of Directors on (1) the compensation system for board directors and the policy for determining compensation, and (2) the details of compensation, etc. for each individual board director.

e. Special Committee

The Company has established the Special Committee to enhance the Company's corporate governance by strengthening fairness, transparency, and objectivity with respect to important transactions, etc., that conflict with the interests of controlling shareholders and minority shareholders. The Special Committee consists of two independent outside board directors. The Special Committee, in consultation with the Board of Directors, deliberates on the appropriateness of transactions between the Company and the controlling shareholder or its subsidiaries, and reports back to the Board of Directors.

f. Internal Audit

The Company has not created a room dedicated to independent audits, however, the two leaders of the internal audit work independently and they report the results of the audits to the president. The president receives the audit results, notifies the results and improvement recommendations to the department to be audited, and they shall submit the improvement status report to the internal auditors.

g. Risk Management Committee

The Risk Management Committee has been established to deliberate individual management issues related to the execution of duties by board directors from a practical perspective.

h. Status of Accounting Audit

The Company's CPAs are Youichi Honma and Motoki Ishikawa(both of which have a contract for less than 7 continuous years), and they are limited liability auditors associated with Grant Thornton Taiyo LLC. In addition, five CPAs and eighteen other people assist with the audit. Furthermore, the audit & supervisory board members, internal audit division as well as accounting auditors have regular auditing reporting meetings, where information is exchanged as necessary in order to strengthen mutual cooperation.

3. Reasons for Adoption of Current Corporate Governance System

The Company has established the audit & supervisory board with outside audit & supervisory board members that possess an abundance of management skills and technical knowledge. The Company recognizes that this has led to the current system providing auditing and supervision with impartiality and transparency.
Furthermore, two outside board director was elected in order to strengthen auditing business executions.

III. *Implementation of Measures for Shareholders and Other Stakeholders*

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

	Supplementary Explanation
Early dispatch of notice of convocation of General Shareholder Meetings	The convocation notice is sent out prior to the statutory deadline. Disclosure on the Company's Web site is made prior to the mailing of the convocation notice.
Initiatives to facilitate a better voting environment for institutional investors, including participation in the electronic voting platform	The Company participates in the platform for exercising voting rights electronically.
Provision of the convocation notice (summary) in English	The convocation notice is disclosed in English on the Company's website.

2. IR Activities

	Supplementary Explanation	Explanation by the representative himself/herself
Preparation and Publication of Disclosure Policy	The Company has rules on dialog with shareholders in Article 6 of the Basic Policies on Corporate Governance, although it is not made in a form of disclosure policy.	
Regular Investor Briefings for Analysts and Institutional Investors	Explanatory meetings for analysts and institutional investors are held at fixed intervals, after second quarter financial results and yearly financial results are released.	Yes
Posting of IR Materials on Website	The Company has created a website exclusively for IR purposes, and has created a system ensuring the prompt release of information for proactive disclosure to both stockholders and investment institutions.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Management Division oversees matters related to IR.	

3. Measures to Ensure Respect for Positions of Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Consideration of stakeholders' interests is stipulated in Article 3 of the Basic Policies on Corporate Governance.
Development of Policies on Information Provision to Stakeholders	The Company's general IR activity policy is that it, as a listed company, has an obligation to disclose timely and appropriate information to all kinds of stockholders, should fully recognize it as essential matters and understand the position of a partner. In addition, releasing corporate information in a quick, accurate and fair manner is of the utmost importance.

IV. *Matters Related to the Internal Control System*

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

As the general objective of the Company in creating an internal structure, a "system to guarantee suitable business execution" was established at the board of directors meeting on July 11, 2014, which is a standard internal control system with a basis in current standard objectives. The outline is as follows.

1. System of the rules and Articles of Incorporation that guarantee the enforcement of the board directors' professional duties
To guarantee the enforcement of the board directors' professional duties, the driving force of the directors natural compliance is based on the recognition of the foundation by the management of compliance of rules, Articles of Incorporation and in-company regulation, along with the thoroughness of company ethics.
Board of director meetings, based on rules, Articles of Incorporation, and in-company regulations, along with decision-making about important business management affairs, the supervision of directors' professional duties are enforced.
Audit & supervisory board members, with the authority to decide on rules and in-company regulations, inspect the enforcement of directors' professional duties, based on these rules set by audit & supervisory board members.

2. System to preserve and manage information that affects the enforcement of board directors' professional duties
In regards to information that affects the enforcement of board directors' professional duties, in accordance to rules and in-company regulations, pertinent documents or records will be properly preserved or managed.

3. Regulations and other systems regarding management for risk of loss
Regarding management for risk of loss, a company board director or staff member, based on the risk management regulations, proactively try to notice risk before it comes, along with doing the proper assessment of the result,

in order to determine the result with the least damage and lowest cost to the Company, risk evasion, reduction, and shifting and other measures are necessary in advance.

4. System guaranteeing the efficient enforcing of directors' professional duties
As the system for efficiently enforcing board directors' professional duties, the board directors, based on rules established during board of directors meetings, with fast yet reasonable decision-making, efficient work operations will be conducted.
Furthermore, along with the board of directors making decisions about management foundation objectives and important administrative topics, they work as an organization that supervises the state of enforcing the board directors work duties.

5. System of the rules and Articles of Incorporation that guarantee the enforcement of staff members' work duties
In order to guarantee rules and Articles of Incorporation that enforce staff member's work duties, deciding conduct guidelines, maintain the in-company regulations, implement compliance training, and be thorough with keeping the employee rules and ethics.
In addition, confirm performance of legal and appropriate business management, and enforce inspection through the independent internal auditing team.

6. System for the case of an audit & supervisory board member requesting the appointment of a staff member in encouraging to give assistance in performing work duties
In the case of an audit & supervisory board member requesting the appointment of a staff member in encouraging to give assistance in performing work duties, after consulting with the audit & supervisory board member, that staff member to assist the audit & supervisory board member can be appointed.

7. Items relating to the independence from the board director to the staff member in guideline 6
In order to guarantee the independence of the staff member, the staff member shall be defined as the one that has advance consent by the audit & supervisory board meeting and does not follow a board director's commands.

8. Systems relating to processes for reporting to audit & supervisory board members on systems for the reporting by board directors and staff
Board Directors and staff, in addition to matters of violation of rules and Articles of Incorporation, if there are negative affects or a fear of negative affects to the Company, will swiftly report it to an audit & supervisory board member.
In order to understand Important decision-making processes and business affairs enforcement status, audit & supervisory board members should attend board of directors meetings, along with other meetings, as well as checking important documents.
In addition, the audit & supervisory board member will hold hearings with board directors periodically.

9. Other systems for guaranteeing effective performance of auditing by audit & supervisory board members
Board Directors and staff members will endeavor to both deeply understand the reasoning behind the audit, and create an environment to allow the audit & supervisory board members to perform their duties effectively.
In addition, in order to have effective audits, the audit & supervisory board members will engage in periodic exchanges of ideas with the president, and also cooperate with the internal auditors.
Furthermore, the audit & supervisory board members will receive explanations about the accounting audit from the Company's accounting auditor, and also conduct information exchange.

2. Basic Views on Eliminating Anti-Social Forces[updated]

It is clear that offering illegal profits to antisocial forces and having any relationship with antisocial forces must not be allowed in any form. In addition, in accomplishing societal justice, and to earn the trust of customers, the market, and society, both the Company's board directors and staff should resolvedly remove antisocial forces. This company follows guidelines based on an antisocial forces handling manual in order to remove the influence of antisocial forces. Specifically, the Company uses Nikkei Telecom's investigation service and Google Search to investigate for past issues. There have been no problems found with shareholders, board directors nor customers. In addition, new employees are also checked for relationships with antisocial forces before joining. Furthermore, paid investigations background checks are held for full-time staff.
The Business Management Division checks each business partner at the start of transactions and then the Corporate Management Division confirms it.

V. *Other*

1. Introduction of Anti-Takeover Policies

Introduction of Anti-Takeover Policies	No

Supplementary Explanation

None to report.

2. Other Matters Concerning to Corporate Governance System

None to report.

Note: This document is a translation of the Japanese language original prepared solely for convenience of reference. In the event of any discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail.